

Annual report

for the year ended 30 June 2020



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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
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The Rt Hon Trevor Mallard
Speaker
House of Representatives
Parliament Buildings
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 2020.

Yours faithfully

A handwritten signature in black ink, consisting of a long horizontal stroke on the left that curves upwards and then down to a vertical line, with a small horizontal tick at the top of the vertical line.

Rt Hon Simon Upton

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

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1

Overview

This report covers the second full year during which I have been Parliamentary Commissioner for the Environment.

The Government's agenda for climate, biodiversity, land use change, water and reform of the Resource Management Act has meant that a number of significant environmental issues have been deliberated on in this past year. My role is to provide parliamentarians with independent advice that can contribute to the quality of debate, and help improve public understanding of complex issues. To this end, I have made submissions on several bills and policy proposals in the course of the past year and raised a number of environmental concerns with ministers in respect of their decision making.

One of the Government's climate policies – the decision not to grant any new petroleum prospecting, exploration and mining permits outside onshore Taranaki – warranted further attention. When the ban was announced, the Government offered limited analysis and the stakeholder consultation process was truncated. I produced a note on the environmental effectiveness and likely economic impacts of the decision to promote a better-informed debate amongst parliamentarians.

The completion of the first full cycle of reports under the Environmental Reporting Act 2015 provided a timely opportunity to evaluate the effectiveness of this new system. My investigation found that large data gaps and inconsistencies in data collection and analysis make it difficult to piece together the current health of our environment and where it is heading. I have recommended changes both to the legislation and the management of environmental data collection. It is my view that the existing evidence base is insufficient to allow us to gauge the environmental risks we may be running. Data are often not collected consistently; we often don't have time series that can reveal trends; and there are some important gaps.

The tourism industry has one of the largest environmental footprints of any industry in this country, yet it is usually viewed as an environmentally benign alternative to other industries like forestry, mining or farming. With the sector projected to grow two to four times by 2050, I chose to examine the environmental impacts of this industry with the intent of minimising the environmental harm this expansion could exact. My investigation outlined the key pressures that need to be managed. A forthcoming report in the next financial year will offer policy suggestions to curb environmental damage and encourage the growth of a more sustainable industry as it recovers from the COVID-19 pandemic.

In the coming year, I am focusing my attention on several areas that have been neglected. My investigation into the management of estuaries concluded in August 2020, and work is currently underway on a review of the environmental science funding system in New Zealand. Early next year will see the publication of my investigations into invasive plants and the regulation of chemical contaminants.

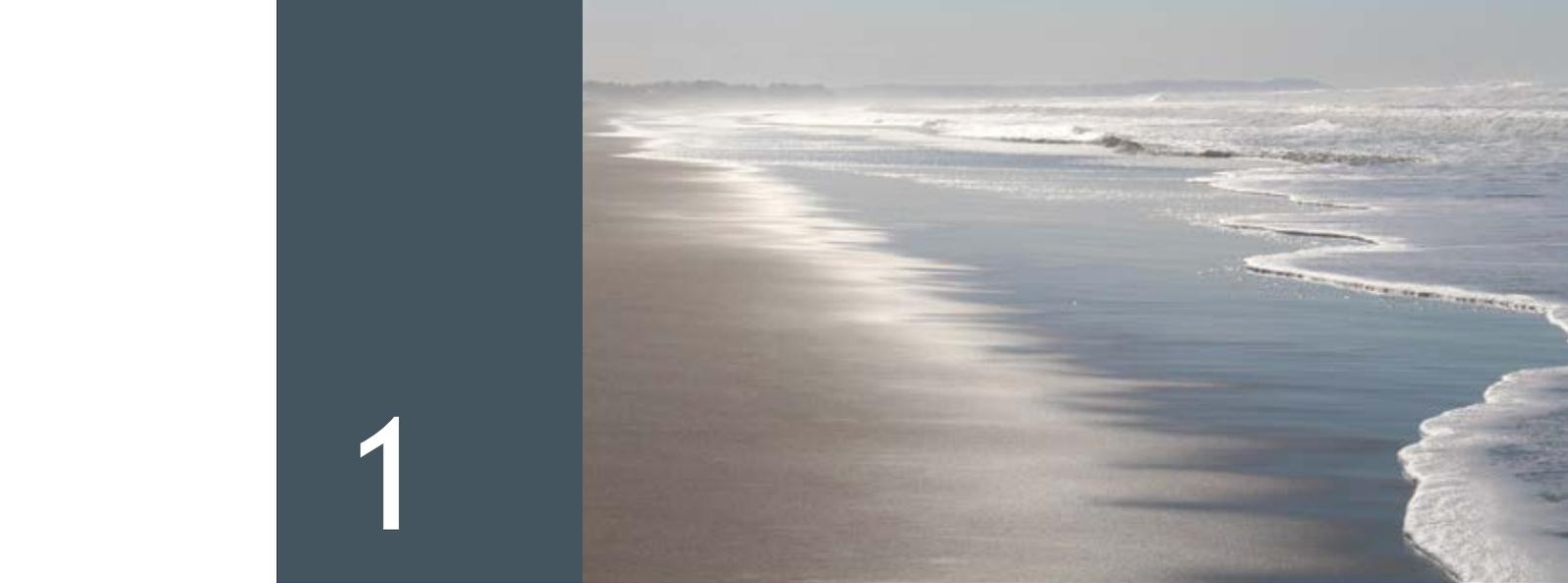
I regard Parliament as the principal audience for my work and take contact with Members of Parliament very seriously. I am always available to provide independent advice to Members of Parliament on the environmental issues that are the subject of my investigations – either via select committee or in-person briefings. I will provide a briefing on key issues for all members of the incoming fifty-third Parliament.

After a period of relatively high staff turnover, my team has stabilised. The recruitment of a General Counsel has added important legal expertise to the team of highly skilled staff who assist me. I must, however, also record a key loss. Dr Edward Hearnshaw, my Chief Advisor Economics, drowned tragically in a tramping accident. His untimely death was a huge shock for all staff – both personally and professionally. I would like to place on record his exceptional service to public policy in New Zealand. We are all the poorer for his absence.



Simon Upton

Parliamentary Commissioner for the Environment



1

Tirohanga whānui

Ka kapi tēnei pūrongo i te roanga o te tau tuarua i muri iho i taku tūnga hei Kaitiaki Taiao a Te Whare Pāremata.

Nā te rārangi take a te Kāwanatanga mō te āhuarangi, kanorau koiora, panoni whakamahi whenua, wai me te whakahou o te Ture Whakahaere Taiao 1991, he maha ngā take taiao matua i āta wānangatia i te tau kua pahure ake nei. Ko taku tino mahi ko te whakarato i ngā mema pāremata ki te kupu āwhina motuhake hei tautoko i te kounga o te taupatupatu, me te āwhina ki te whakapai ake i te māramatanga tūmatanui ki ngā take whīwhiwhi. Nā reira, kua tuku au i ngā tāpaetanga ki ētahi Pire, marohi kaupapa here hoki, i te tau kua pahure ake nei, ā, kua whāki i aku āwangawanga ki ētahi Minita e pā ana ki ā rātou whakataunga.

Ko tētahi o ngā kaupapa here āhuarangi a te Kāwanatanga - te whakataunga kia kaua e whakaae ki ngā puka whakaaetanga mō te haurapa, te hōpara me te huke i waho atu o te takutai o Taranaki - he mea me āta aro atu. I te wā i pānuitia te rāhui, he iti noa iho te tātaritanga i tāpaetia e te Kāwanatanga, ā, i whakapotoa te hātepe uiuinga. I whakaputaina e au tētahi tuhinga poto mō te whakaaweawe taiao me ngā pānga mai ki te ohaoha o te whakataunga ki te hāpai i te taupatupatu whaimōhio i waenganui i ngā mema pāremata.

He kōwhiringa pai te whakatutukitanga o te roanga o te hurihanga tuatahi o ngā pūrongo i raro i te Ture Pūrongo Taiao 2015 ki te aromātai i te whakaaweawe o tēnei pūnaha hou. I kitea e taku rangahautanga nā ngā āputa raraunga nunui me ngā rerekētanga o te kohinga me te tātaritanga raraunga i uaua ai te whakatōpū i te hauora onāiane o tō tātou taiao, ā, e ahu ana ki hea. Kua tūtohu au kia panonihia te ture me te whakahaere o te kohinga raraunga taiao hoki. Ki a au nei, kāore i te rawaka te pūtake taunaki onāiane kia taea ai e tātou te ine i ngā tūraru taiao kei mua kei te aroaro. Kāore i te ōrite te kohinga raraunga; he maha ngā wā kāore he raraunga houanga hei whakaatu i ngā rorotū; ā, he āputa hōhonu hoki.

Ko te tapuwae taiao a te ahumahi tāpoi tētahi o ngā tapuwae taiao tino nui o tētahi ahumahi huri noa i te motu, engari e whakaarohia tonutia ana he kōwhiringa taiao pai atu i tō ngā ahumahi pērā i te ngāherehere, te huke, te pāmu rānei. Nā te mea kua matapaehia ka whakarea rua, ka whakarewa whā rānei te whanaketanga o te ahumahi hei te 2050, i whakaaro au ki te mātakitaki i ngā pānga mai ki te taiao o tēnei ahumahi, me te aha, ka whakaitia te kino taiao ka puta mai pea i tēnei whakawhānuitanga. I whakahua taku rangahautanga i ngā pēhanga matua kia whakahaeretia. Ka hoatu te pūrongo e puta mai ai hei te tau ahumoni e heke mai nei i ngā marohi kaupapa here

ki te aukati i te whakakino taiao me te whakatenatena i te whakatipu o te ahumahi toitū ake ina whakarauora ana i te Urutā Mate Korona.

Hei te tau e heke mai nei, e arotahi ana au ki ētahi wāhi kāore i tino manaakihia. I oti taku rangahautanga ki te whakahaeretanga o ngā pūhatanga i te Hereturikōkā 2020, ā, ināianei e arotakehia ana te pūnaha pūtea pūtaiao taiao i Aotearoa. Hei te tīmatanga o tērā tau ka pānuitia aku rangahautanga ki ngā tipu urutomo me te whakaritenga o ngā tāhawahawa matū.

Ki a au, ko te Pāremata te kaimātakitaki matua mō aku mahi, ā, he mea hira ki a au te tūhonotanga ki ngā Mema Pāremata. E wātea ana au ki te whakarato i te kupu āwhina motuhake ki ngā Mema Pāremata mō ngā take taiao kei roto i aku rangahautanga - ahakoa mā te komiti kōwhiri, mā te kōrero kanohi-ki-te-kanohi rānei. Ka whakarato au i te tuhinga e pā ana ki ngā take matua mō ngā mema katoa e uru mai ana ki te Pāremata rima tekau mā toru.

Kua mutu te wā o te tino hurihanga o ngā kaimahi, ā, kua tau taku tima. Kua uru mai te Kaitohu Whānui me te tāpiri i te pūkenga ture hira ki te tima o ngā kaimahi tino mātanga hei āwhina i a au. Heoi anō, me kōrero au mō tētahi mamae tino nui. Ko Dr Edward Hearnshaw, taku Kaitohu Matua Ōhanga, i riro i te ringa kaha o aituā i te toromitanga i runga i tētahi hīkoitanga. He tino ohorere ki ngā kaimahi katoa tēnei mate aituā – ā-matawhaiaro, ā-ngaio anō hoki. E hiahia ana au ki te whakapūmau kia maumaharatia tana ratonga whakahirahira ki te kaupapa here tūmatanui i Aotearoa. Ka tangi mātou, he mamae e kore e oti.



Simon Upton

Te Kaitiaki Taiao a Te Whare Pāremata

2

My role

By passing the Environment Act 1986, Members of Parliament voted to create the Office of the Parliamentary Commissioner for the Environment. The office was established to provide members with independent, robust advice about environmental matters.

As an independent Officer of Parliament, I report to Parliament as a whole, not to a government minister. This is both a privilege and a responsibility. I have a unique opportunity to provide both ministers and opposition spokespeople with independent advice on any matters that may have an impact on the quality of the environment. It is up to Members of Parliament what they do with my recommendations and advice.

With the assistance of a small team, I have to focus on issues where I can add value. My broad approach is twofold. I look for those areas that are not yet in the spotlight or may be neglected. Work on these issues can alert relevant agencies and the wider community to problems that may need more sustained attention. I also maintain an engagement with environmental issues such as water quality and climate change that have proved difficult to tackle and seem to be almost permanently on the agenda. In these cases, I hope that some independent analysis from a fresh angle can help move the debate forward.

About us

My office is based in Wellington over the road from Parliament. I have 16 analytical staff who possess a wide range of skills and knowledge.

The team is truly multi-disciplinary, which enables us to see issues from different perspectives. The current team of advisors span disciplines as varied as biology, business, chemistry, ecology, economics, forestry, geography, geology, history, law, literature, marine science, physics, planning, policy, politics, social science, soil science and statistics. We are fortunate to be supported by an excellent administrative unit.

I was sworn in as Parliamentary Commissioner for the Environment for a five-year term on 16 October 2017. This followed seven years in Paris at the Organisation for Economic Co-operation and Development where I held the post of Environment Director.

I am a Fellow of the Royal Society of New Zealand and a Rhodes Scholar. I hold degrees in English literature, music and law from the University of Auckland and an MLitt in political philosophy from Oxford University. I was sworn in as a member of the Privy Council in 1999.

I was a Member of Parliament between 1981 and 2000, holding a variety of ministerial portfolios, including environment, research, biosecurity, health and state services between 1990 and 1999.

Legal functions

The Environment Act 1986 lays out the functions and powers of the 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 that 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.

Our mission and values

In preparing, reporting and communicating advice to Parliament, we 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.

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.

Tā mātau koromaki me ā mātau uara

Tā mātau koromaki

He pupuri, he whakapai ake i te taiao ki tērā e tika ana mā te tuku tohutohu motuhake whai kaha e mārama ai ngā whakatau.

Ā mātau uara

Hiranga

Ko ā mātau pātai me ngā whakautu he ū ki te putaiao matatau, he mārama hoki. Ka noho haepapa mātau ki te iwi o Aotearoa me te tuku uara mō ngā pūtea ka whakawhiwhia mai.

Manawa nui

He kaha te tuku pātai kia pai ake ngā āhuetanga. Ka ngana mātau ki te whakaputa i ngā hua o ā mātau mahi mā ngā tikanga rerekē kia kaha ai te whai take.

Te wairua manaaki

Ka mahi tahi mātau i runga i te mana ōrite, te whakawhiti whakaaro, te āta whakarongo, ā, kia kaua e pukā te whakawā. Ka whakaae ki ngā whakataunga me ngā mahi e hua ai te taiao.

Auahatanga

Nā te pararau kore e tuwhera, e auaha te whakaaro. Ka ngana ki te whakatika raruraru, kaua te noho i roto i te pouri.

Tōtikatanga

Ka pono, ka ora hoki te tangata i ā mātau tohutohu. Ko ngā pānga, he pūmau te whai hua ki te taiao o Aotearoa.

3

Reports, advice and other work

The core work of my office is providing advice to decision makers that aims to maintain or improve the quality of New Zealand's environment. The majority of this advice is derived from in-depth investigations.

Investigations arise in a variety of ways. They may be raised by Members of Parliament, prompted by letters from the public or flow from issues uncovered in earlier investigations. The result of an investigation takes the form of a report presented to Parliament. Reports may contain recommendations to ministers or be purely informative. My staff and I work hard to ensure reports are evidence-based and accurate, and that any recommendations are both practical and likely to be effective.

Advice is also delivered through submissions on proposed law changes, presentations to select committees and as comment on policy proposals to government agencies.

While formal reporting is fundamental, I also use a variety of other means to communicate my work to parliamentarians and the public, including presentations and speeches, regular meetings with Members of Parliament, media comment and material such as animations on our website.

Reports

Reports derived from environmental investigations form the backbone of our work programme and ensure that my advice is founded on a strong evidence base.

This year I presented two investigative reports in Parliament:

- *Focusing Aotearoa New Zealand's environmental reporting system*
- *Pristine, popular... imperilled? The environmental consequences of projected tourism growth.*

In addition to these major reports, I released a note on the ban on new petroleum permits outside onshore Taranaki.

Focusing Aotearoa New Zealand’s environmental reporting system

Under the Environmental Reporting Act 2015, I am given discretion to comment on the environmental reporting conducted by the Secretary for the Environment and the Government Statistician. The completion of the first full cycle of reports under the Act, in April 2019, provided a timely opportunity to review the entire system in detail.

My review, *Focusing Aotearoa New Zealand’s environmental reporting system*, was released in November 2019. My aim was to determine the purpose of environmental reporting, identify whether the current system is capable of fulfilling this goal and outline steps to improve the system.

I found that data gaps, along with inconsistent data collection and analysis, make it hard to construct a clear national picture of the state of our environment. Various agencies are required to monitor specific aspects of the environment, for a variety of purposes. But these data are difficult to collate as the information is being collected using a wide range of methodologies and systems. Further, there is no impetus to gather data that more accurately reflect the state of the environment, as the Environmental Reporting Act does not provide a clear purpose or direction on this issue.

My report recommended that the Environmental Reporting Act 2015 be amended to encourage a shift away from the current ‘passive-harvest’ approach to an environmental monitoring system that can accurately track and characterise the impact we are having on the environment. Such amendments would clarify the purpose in the Act and require the development of a set of core environmental indicators that can be applied nationally in a transparent, consistent manner. Authoritative time series data, coupled with improved spatial coverage, are essential if we are to detect trends in environmental indicators. Only then will we be able to confidently judge whether we are making progress or going backwards.

I suggested that these core indicators should be established by a standing science advisory panel appointed by the Secretary for the Environment and the Government Statistician, who would also set the agenda for a new reporting framework based on these indicators.

In summary, this framework would see the number of domain reports reduced, and the current treadmill of reporting slowed down to enable emerging issues to be reported on in more detail. The full state of the environment (synthesis) reports should be retained. These should be produced every six years instead of every three years. I further suggested that the current domain reports be replaced with flexible, theme-based commentaries.

I acknowledged that serious investment would be required to deliver the recommended improvements, with careful thought given to the fair distribution of costs between central and local government. It costs money to collect data, but the absence of information can prove to be very costly if the policies we make (or do not make) turn out to be ill-conceived.

I worked closely with staff from the Ministry for the Environment, Stats NZ and regional councils in writing this review. After the report was released, the Regional Sector of Local Government New Zealand urged the Government to progress the report’s recommendations by providing the investment necessary to support a comprehensive national environmental reporting system in upcoming budgets.

Secretary for the Environment Vicky Robertson said the report largely reinforced the Ministry’s for the Environment’s own thinking and changes already underway around environmental reporting. She said: “good environmental monitoring depends on good data” and that a robust system is crucial for developing evidence-based government policies.

I have been pleased to see the Ministry for the Environment and Stats NZ make a start on implementing some of my recommendations. However, to date there has been no move to amend the legislation or allocate any new resources to bringing the system up to scratch. The initiative for the moment rests with the Government. I will follow closely whether my recommendations are taken up.

Pristine, popular... imperilled? The environmental consequences of projected tourism growth

My report on the environmental and cultural impacts of tourism in Aotearoa New Zealand, *Pristine, popular... imperilled?*, was released in December 2019. This is the second time a Parliamentary Commissioner for the Environment has examined tourism. The first was a report published in 1997 by then Commissioner, Dr Morgan Williams.

I pursued this topic because I felt that there was no clear governmental or industry understanding of the likely environmental consequences of projected growth in tourism.

Tourism has long been seen as a benign alternative to industries like agriculture, mining and forestry, whose environmental impacts have been widely remarked upon by the public and policymakers. But tourism also has impacts on the environment, some of which are becoming increasingly visible.

The report identified six main areas of pressure:

- visitor density and loss of natural quiet
- water quality degradation
- solid waste generation and management
- infrastructure development and landscape modification
- biodiversity loss and biosecurity risk
- greenhouse gas emissions.

I found that the various policies developed by governments over the years were unlikely to head off a continued worsening of the environmental impacts of tourism which, at the time of writing, was projected to grow two to four times over the next three decades.

The report stopped short of making recommendations. Instead, I chose to explore recommendations in a follow-up report, due in the second half of 2020, to allow time for stakeholders to consider the initial analysis and submit feedback.

Since then, the context has changed. As of March 2020, travel restrictions imposed in response to COVID-19 have resulted in significant reductions in domestic travel and the almost total disappearance of international tourists from New Zealand.

In response to this, the focus of my follow-up tourism investigation has shifted slightly. It will offer a small number of proposals that – if implemented – will ensure that the tourism sector that re-emerges post-COVID-19 has a materially smaller environmental footprint than its predecessor. While the virtual close-down of the international tourism industry has been an unwelcome shock for businesses, workers and communities alike, it does provide the space for a considered reset. I hope the opportunity will not be wasted.

Restricting the production of fossil fuels in Aotearoa New Zealand: A note on the ban on new petroleum permits outside onshore Taranaki

In 2018, the New Zealand Government decided not to grant any new petroleum prospecting, exploration and mining permits outside onshore Taranaki. I published a note in March 2020, *Restricting the production of fossil fuels in Aotearoa New Zealand*, outlining what we know about the environmental effectiveness and likely economic impacts of the ban. I decided to publish this note because the evidence base for the decision was limited at the time of its announcement.

Climate policies need to gain broad cross-party support if they are to endure and have a meaningful impact on the timescales that are required for climate change action. Since the durability of this legislation was in question – in 2018 the Opposition pledged it would repeal the ban should it win the next general election – I thought it worthwhile to provide a measured assessment to help policymakers understand its relative merits and shortcomings so that they could engage in an informed debate going forward.

In my note, I did not advocate for or against the ban. Instead, I chose to provide decision makers with a detailed analysis of the policy and a list of the claims that could or could not be sustained in support of or opposition to the policy.

I found that those who support the ban can claim it reduces the risk of New Zealand appearing hypocritical for calling for ambitious domestic emissions reductions while still exporting fossil fuels overseas and that the ban can help New Zealand break its dependency on fossil fuels. However, those supporting the ban must acknowledge it will have a negligible impact on global emissions.

For those opposed to the ban, I found that they could claim it will impose costs on the New Zealand economy in the billions of dollars and that it will only slightly reduce domestic emissions. Additionally, I found that a more effective New Zealand Emissions Trading Scheme (NZ ETS) could be a better emissions-reduction tool than the ban, but that the ban addresses sources of emissions that the NZ ETS cannot.

Overall, I found the most critical factor for determining the environmental effectiveness and the likely economic impact of the ban is how other countries act on addressing climate change. If the world continues to operate far from meeting global temperature goals, then the ban has few upsides – as, one could argue, is true of any climate policy. But if governments globally do move towards ambitious climate action, the ban can be justified on environmental grounds, especially if it encourages other countries to adopt policies that reduce the supply of fossil fuels. If the ban is retained, I argued that it should be advocated widely by the New Zealand Government as a step that should be emulated by like-minded countries.

I will be following future debates on this topic closely.

Advice

In addition to full-scale investigations, submissions have been made on the following bills, national policy statements and other consultative documents:

- National Policy Statement on Urban Development
- National Policy Statement for Highly Productive Land
- draft Research Science and Innovation Strategy
- Climate Change Response (Emissions Trading Reform) Amendment Bill
- Urban Development Bill
- National Policy Statement for Indigenous Biodiversity
- COVID-19 Recovery (Fast-tracking Consenting) Bill.

I have also sent letters to relevant ministers concerning the Hector's and Māui dolphins threat management plan and the annual catch entitlement carry-forward for rock lobster, and the government taskforce charged with 'reimagining' the future of tourism.

This advice is available on my website, pce.parliament.nz.

Other activities

In addition to conducting enquiries of my own volition, I receive a steady stream of enquiries from members of the public raising issues of environmental concern to them. With a small staff I have limited means to investigate each and every concern. I can, however, often identify legally mandated bodies with whom the enquiry should appropriately be lodged and often help complainants by following up to see that a response is forthcoming. Monitoring these requests for help provides a useful gauge of the state of environmental management, which can help inform the choices I make when embarking on investigations.

I also accept a limited number of speaking engagements. These provide an opportunity to communicate the results of investigations. Some of the speeches I have given over the past year include: an address to the New Zealand Farm Forestry Association, a speech at the Environmental Defence Society conference wrapping up the conference proceedings, a keynote speech at the Energy Efficiency and Conservation Authority conference and an address to the Australian-German Climate and Energy College via Zoom.

Current and future work

There are numerous environmental issues worthy of investigation. For that reason, it is important that future work is carefully prioritised and planned to ensure it is pertinent and ‘adds value’ for Members of Parliament and the wider public.

My follow-up report on tourism takes place in the context of the changes to global tourism unfolding from the COVID-19 pandemic. While the environmental pressures to be tackled remain the same, the investigation will now address the changed context in which the tourism sector will re-emerge from the pandemic. The unplanned hiatus for the international side of the industry provides an opportunity to consider how post-COVID tourism might impose a materially smaller environmental footprint than its predecessor.

I am also conducting a report that follows up on *Farms, forest and fossil fuels*. This investigation will explore the implications of taking a landscape-based approach to emissions reductions.

Over the past few years, I have raised concerns about an apparent lack of coherence between the information needed to track changes in the state of Aotearoa New Zealand’s environment and the upstream science being funded. I am undertaking a review of the funding of environmental research by central and local government. This will look at how it is prioritised, directed and coordinated.

In recent years, the potential for hazardous chemicals to pollute the environment has had a relatively low profile in New Zealand compared to other environmental issues. I am investigating the state of knowledge on the environmental fate of chemical contaminants, and the extent of regulation designed to manage them, focusing on a handful of specific substances to illustrate different use patterns. The investigation will focus on the environmental impacts of these chemicals rather than worker safety concerns arising from their use.

Tens of thousands of exotic plants have been introduced into New Zealand over the years, and some of these plants have become invasive, significantly impacting our natural and agricultural ecosystems. The control of invasive plants in productive landscapes has received the bulk of public attention and funding. The risks these plants pose to indigenous biodiversity has had a lower profile. I am embarking on a system-wide review of the way in which the risks of invasive plant species are managed with a particular focus on indigenous biodiversity.

As a follow-up to my investigation into environmental reporting I am also developing some advice on how a properly resourced environmental information system could inform the Living Standards Framework being developed by the Treasury.

My office will also continue to provide submissions on legislation before the House and respond to letters from members of the public expressing concerns about the environment.

4



The office

Organisational health

The capability and productivity of my staff is fundamental to the effectiveness of the office. The aim is to provide a supportive and rewarding environment where excellence is valued.

The COVID-19 pandemic required staff to rapidly transition from working in an office environment to working independently from their home space through the lockdown and consequent alert level changes.

While the work of the office was able to continue under these conditions, and staff continued to produce effective work, it has been challenging for all involved. During this period, staff wellbeing was prioritised over productivity. Maintaining connectivity was a priority and additional physical and mental health support was provided. Wellbeing staff surveys were undertaken to assess the impact of lockdown and staff were equipped to work from home.

The office property lease ended in April, however, a one-month extension was granted due to COVID-19 alert levels. In May 2020 the office relocated into a decant space at Bowen House. Negotiations on a permanent space are ongoing.

Staff have also had to cope with the death of a senior and key staff member, Chief Advisor Economics, Dr Edward Hearnshaw who drowned in a tragic tramping accident. His untimely death was a huge loss for all staff – both personally and professionally.

As at 30 June 2020, there were 21 staff employed within the office (Table 1) and one full-time position vacant. I am committed to developing an equal employment opportunities environment where diversity and inclusion is sought and valued.

Table 1: Demographic profile of staff as at 30 June 2020

	2019/20 Staff	2019/20 FTE	2018/19 Staff	2018/19 FTE	2017/18 Staff	2017/18 FTE
Female	13	11.73	13	11.24	10	8.63
Male	8	7.85	7	6.85	8	7.85
Total employees	21	19.58	20	18.09	18	16.48
		Percentage		Percentage		Percentage
Pākehā	10	48%	12	60%	18	100%
Māori	3	14%	2	10%	-	-
Pasifika	-	-	-	-	-	-
Other	8	38%	6	30%	-	-
Total employees	21		20		18	

Training and development

We have a culture of continuous improvement, and staff members are supported and encouraged to plan and progress their own professional and personal development goals.

In 2019/20, two per cent of the total personnel budget was allocated to staff training and development. Training was undertaken in areas such as leadership, writing and GIS mapping.

Our General Counsel also gave in-house training to progress staff knowledge of legislation and the practice of law.

There has been a growing awareness that deeper understanding of te ao Māori is an essential skill in our workplace. An ongoing focus throughout the year has seen all staff attend training in te reo Māori and tikanga. Guest speakers have been invited to the office and staff have been attending regular waiata sessions. Our Kaiwhakahaere has been providing feedback at the conclusion of investigations to ensure our internal processes are tested and improved.

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Financial statements and statement of service performance

Statement of responsibility

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

- the preparation of the financial statements, and statements of expenses and capital expenditure and for the judgments 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 2020 and its operations for the year ended on that date
- the 2020/21 forecast financial statements fairly reflect the forecast financial position of the Parliamentary Commissioner for the Environment as at 30 June 2021, and its operations for the year ending on that date.



Rt Hon Simon Upton
Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

30 September 2020

Independent Auditor's Report

To the readers of the Parliamentary Commissioner for the Environment's annual report for the year ended 30 June 2020

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The Auditor-General is the auditor of the Parliamentary Commissioner for the Environment (the Commissioner). The Auditor-General has appointed me, Rehan Badar, 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 26 to 42, that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2020, 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 2020 on pages 24 to 25; and
- the statements of expenses and capital expenditure of the Commissioner for the year ended 30 June 2020 on pages 42 to 43.

Opinion

In our opinion:

- the financial statements of the Commissioner:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year ended on that date; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.
- the performance information of the Commissioner:
 - o presents fairly, in all material respects, for the year ended 30 June 2020:
 - 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
 - o complies with generally accepted accounting practice in New Zealand.
- 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 30 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of COVID-19 on the Commissioner. In addition, we outline the responsibilities of the Commissioner and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of COVID-19

Without modifying our opinion, we draw your attention to the the disclosures about the impact of COVID-19 on the Commissioner as set out in notes 14 and 15 to the financial statements.

Basis for our 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 for the information to be audited

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, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- 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 his 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 Environment Act 1986 and 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 2017-2021, the relevant Estimates and Supplementary Estimates of Appropriations 2019/20, and the 2019/20 forecast figures included in the Commissioner's 2018/19 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 his office'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. The other information comprises the information included on pages 1 to 19, 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 Office of the Commissioner.



Rehan Badar
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of objectives and service performance

The primary impact that the Parliamentary Commissioner for the Environment seeks is to influence decisions to maintain or improve the quality of the New Zealand environment and improve the quality of material available to Parliament in debating those decisions. 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 on investigations and other matters
- advice and submissions on bills and inquiries to select committees
- submissions on proposed regulations
- follow up 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.

Budgeted and actual expenditure relating to the above output is detailed on pages 42 and 43.

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.

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.

The measure relates to recommendations made during the current Commissioner's tenure. 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.

This year the Commissioner has issued 40 recommendations. Table 2 shows measures and targets set by the Commissioner against performance.

Table 2: Performance measures and targets

Measure	Target 2019/20	Performance 2019/20	Performance 2018/19	Performance 2017/18
Number of briefings given to Members of Parliament during the year	30	37	44	25
Proportion of recommendations that are adopted or partially adopted during the tenure of the current Commissioner	65%	38%	81%	0%
Number of reports, commentaries and submissions published during the year [†]	6–8	14	9	3
Provision of follow-up report within required time frame ^{††}	100%	0%	0%	0%
Reports and commentaries externally peer reviewed and content checked	100%	100%	100%	100%
Response to public concerns and information requests within required time frames	100%	95%	98%	96%
Capital expenditure is in accordance with capital asset management plan	Achieved	Achieved	Achieved	Achieved

[†]Including other advice, such as submissions to ministries and departments, letters to ministers or ministries and general notes.

^{††} Follow-up reports may be done 18 months to two years after the release of a report to track responses to recommendations.

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 projects, 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 time frames for responding to public concerns and information requests:

- all correspondence is to be acknowledged within ten working days
- all public concerns and requests for investigations are to receive a response within nine months
- all requests for official information are to be responded to within the statutory time frame of 20 working days.

In 2019/20, 95 per cent of public concerns were responded to within required time frames. Nine official information requests were received, five of which required an official response. All five were responded to within the statutory time frame. We regularly review our processes with a view to continued improvement in this area.

Statement of comprehensive revenue and expense for the year ended 30 June 2020

Actual 2019 \$(000)		Note	Actual 2020 \$(000)	Unaudited Budget 2020 \$(000)	Unaudited Forecast 2021 \$(000)
Revenue					
3,696	Revenue Crown		3,698	3,696	3,663
-	Revenue Other		8	3	3
3,696	Total Revenue		3,706	3,699	3,666
Expenses					
2,186	Personnel costs	(2)	2,460	2,568	2,377
71	Depreciation and amortisation	(6,7)	58	62	52
37	Capital charge	(3)	37	-	-
1,193	Other operating expenses	(4)	1,128	1,069	1,237
3,487	Total Expenses		3,683	3,699	3,666
209	Net Surplus/(Deficit)		23	-	-
-	Other Comprehensive Revenue and Expenses		-	-	-
209	Total comprehensive revenue and expenses		23	-	-

Explanations of major variances against the original 2019/20 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2020

Actual 2019 \$(000)		Note	Actual 2020 \$(000)	Unaudited Budget 2020 \$(000)	Unaudited Forecast 2021 \$(000)
Assets					
Current Assets					
1,000	Cash and cash equivalents		769	508	659
277	Debtors and other receivables	(5)	277	292	277
1,277	Total Current Assets		1,046	800	936
Non-Current Assets					
131	Property, plant and equipment	(6)	97	143	171
6	Intangible assets	(7)	-	15	-
137	Total Non-Current Assets		97	158	171
1,414	Total Assets		1,143	958	1,107
Liabilities					
Current Liabilities					
442	Creditors and other payables	(8)	292	251	278
250	Repayment of surplus	(9)	22	-	-
111	Employee entitlements	(10)	218	97	218
803	Total Current Liabilities		532	348	496
803	Total Liabilities		532	348	496
611	Net Assets		611	610	611
Equity					
611	Taxpayers' Fund		611	610	611
611	Total Equity		611	610	611

Statement of changes in equity for the year ended 30 June 2020

Actual 2019 \$(000)		Actual 2020 \$(000)	Unaudited Budget 2020 \$(000)	Unaudited Forecast 2020 \$(000)
611	Opening Balance	611	610	611
209	Total comprehensive revenue and expense	23	-	-
(209)	Return of operating surplus to the Crown	(23)	-	-
611	Closing Balance	611	610	611

Explanations of major variances against the original 2019/20 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2020

Actual 2019 \$(000)	Actual 2020 \$(000)	Unaudited Budget 2020 \$(000)	Unaudited Forecast 2021 \$(000)
Cash flows from operating activities			
3,696	3,698	3,695	3,663
	8	3	3
(1,159)	(1,275)	(1,032)	(1,199)
(2,160)	(2,352)	(2,567)	(2,377)
(37)	(37)	(37)	(37)
13	(3)	-	-
353	39	62	53
Cash flows from investing activities			
(75)	(18)	(72)	(72)
(75)	(18)	(72)	(72)
Cash flows from financing activities			
-	(252)	-	-
-	(252)	-	-
278	(231)	(10)	(19)
722	1,000	518	678
1,000	769	508	659

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 2019/20 budget are detailed in note 14.

The accompanying notes form part of these financial statements.

Statement of commitments

As at 30 June 2020, the Parliamentary Commissioner for the Environment has no capital commitments (2019: Nil).

Non-cancellable operating lease commitments

The Parliamentary Commissioner for the Environment has entered into an office lease in April 2020 at a monthly cost of \$14,286.99. The lease term expires on 15 November 2020.

The Parliamentary Commissioner for the Environment may terminate this office lease at any time upon 2 weeks written notice, representing the non-cancellable operating lease commitment.

Other non-cancellable commitments

The Parliamentary Commissioner for the Environment has entered into a non-cancellable five-year contract for a photocopier under the Government's All of Government contracts. This contract expires on 31 July 2025.

Actual 2019 \$(000)	Actual 2020 \$(000)
Non-cancellable operating lease commitments	
227 No later than one year	7
- Later than one year and no later than five years	-
227 Total operating lease commitments	7
Other non-cancellable commitments	
- No later than one year	2
- Later than one year and no later than five years	9
0 Total other commitments	11

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.

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 2020 (2019: Nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2020 (2019: Nil).

Notes to the financial statements

1. Statement of accounting policies

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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 2020 and were authorised for issue on 30 September 2020.

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

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.

Operating 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 the amount due, less any provision for uncollectibility.

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, 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.

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 and fittings	5 – 10 years	10 – 20%
Computer hardware	2.5 – 4 years	25 – 40%
Office equipment	2.8 – 5 years	20 – 36%

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.

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 and 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 the amount payable.

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, annual leave earned but not yet taken at balance date and the projected accrual to 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 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 on or before the financial year end (30 June). 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 of the 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.

There are no 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.

Critical judgments in applying accounting policies

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

Lease classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Parliamentary Commissioner for the Environment.

Judgment 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 judgment 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 for 2019/20 was published in the 2018/19 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 2019/20. It does not include changes brought about in the Supplementary Estimates process for 2018/19 as part of Budget 2021.

The 2020/21 unaudited forecast figures are for the year ending 30 June 2021. They are consistent with the Parliamentary Commissioner for the Environment's financial budget as set out in the Pre-Election Economic and Fiscal Update.

The budget financial statements have been reported as required by the Public Finance Act 1989 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 2019/20 and 2020/21 budget figures were prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The 2020/21 forecast financial statements were approved for issue by the Commissioner on 22 July 2020. The Commissioner is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The forecast 2020/21 Statement of Financial Position and Statement of Cash Flows have been updated to reflect actual year-end information as at 30 June 2020 in order to set meaningful opening positions for the bank balance and the surplus repayable to Treasury as at 30 June 2020.

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 2020/21 year.

The main assumptions, which were adopted as at 22 July 2020, 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 21 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 2021 are likely to vary from the forecast information presented, and the variations may be material.

2. Personnel costs

Actual 2019 \$(000)		Actual 2020 \$(000)
2,096	Salaries and wages	2,306
64	Employer contributions to defined contribution plans	69
26	Increase in employee entitlements	85
2,186	Total personnel costs	2,460

Due to the restrictions on travel due to COVID-19, annual leave previously planned by staff were cancelled. This created a larger increase in employee entitlements than previously anticipated

3. Capital charge

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

- for the six months ended 31 December 2019 it was set at 6.0 per cent (2019 year: 6.0 per cent)
- for the six months ended 30 June 2020 it was set at 6.0 per cent (2019 year: 6.0 per cent).

4. Other operating expenses

Included within other operating costs are:

Actual 2019 \$(000)		Actual 2020 \$(000)
24	Audit fees for the annual report audit	25
241	Operating leases	266
581	Consultancy	505
87	Maintenance	67
35	Accommodation (excluding office lease)	101
47	Communication	26
51	Travel	42
16	Consumables	10
44	Professional fees and development	29
15	Library acquisitions	15
52	General expenses	42
1,193	Total	1,128

As a response to COVID-19 and to facilitate remote working, the Parliamentary Commissioner for the Environment utilised additional mobile data on a temporary basis to support one staff member working remotely. This additional operating cost was minimal.

Some cost savings were achieved during lockdown due to the travel restrictions.

5. Debtors and other receivables

Actual 2019 \$(000)		Actual 2020 \$(000)
Non Exchange		
277	Debtor Crown	277
277	Total Debtors and other receivables	277

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

6. Property, plant and equipment

	Furniture and fittings \$(000)	Computer hardware \$(000)	Office equipment \$(000)	Leasehold improvements \$(000)	Total \$(000)
Cost					
Balance at 30 June 2019	236	177	47	489	949
Additions	-	15	3	-	18
Disposals	-	-	-	(489)	(489)
Balance at 30 June 2020	236	192	50	-	478
Accumulated Depreciation					
Balance at 30 June 2019	200	103	45	470	818
Depreciation expense	5	26	2	19	52
Reversal of Accumulated Depreciation on Disposal	-	-	-	(489)	(489)
Balance at 30 June 2020	205	129	47	-	381
Carrying amounts					
At 30 June 2019	36	74	2	19	131
Balance at 30 June 2020	31	63	3	-	97

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.

Some purchases were required as part of the Parliamentary Commissioner for the Environment's move to remote working enforced by the COVID-19 lockdown. These were in line with planned IT hardware upgrades.

7. Intangible assets

	Acquired software \$(000)	Developed software \$(000)	Total \$(000)
Cost			
Balance at 30 June 2019	98	65	163
Additions	-	-	-
Disposals	-	-	-
Balance at 30 June 2020	98	65	163
Accumulated amortisation and impairment losses			
Balance at 30 June 2019	97	60	157
Amortisation expense	1	5	6
Disposals	-	-	-
Balance at 30 June 2020	98	65	163
Carrying amounts			
At 30 June 2019	1	5	20
At 30 June 2020	-	-	-

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 2019 \$(000)	Actual 2020 \$(000)
Exchange	
345 Creditors	146
72 Accrued expenses	98
Non Exchange	
25 GST payable	48
442 Total creditors and other payables	292

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 2019 \$(000)		Actual 2020 \$(000)
209	Net surplus	23
41	Prior year surplus unpaid	-
-	Prior year surplus overpaid	(1)
250	Total repayment of surplus	22

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

10. Employee entitlements

Actual 2019 \$(000)		Actual 2020 \$(000)
96	Annual leave	183
15	Accrued Salaries	35
111	Total employee entitlements	218

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 well as the projected accrual to 30 June 2020.

Due to the restrictions on travel due to COVID-19, annual leave previously planned by staff were cancelled. This created larger annual leave balances than previously anticipated.

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, or 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 2019 \$(000)		Actual 2020 \$(000)
Leadership team, including the Commissioner		
967	Remuneration	986
6	Full-time equivalent staff	5

Key management personnel are the senior management team, which comprises the Commissioner, Chief Advisor Economics, Chief Advisor Legal, Chief Advisor Programmes, Chief Advisor Science and Chief Operating Officer (2019: Commissioner, Chief Advisor Economics, Chief Advisor Legal, Chief Advisor Outreach, Chief Advisor Science, Chief Operating Officer and Director of Research & Analysis).

On 15 May 2020 the Remuneration Authority (COVID-19 Measures) Amendment Act 2020 was passed. The purpose of the amendment Act is to allow those public sector leaders listed in schedule 4A of the amendment Act, to join the Prime Minister, Ministers and Public Service Chief Executives, to show leadership in the public sector during the COVID-19 outbreak and to show solidarity with those in the private sector who are losing their jobs or facing significant pay reductions. Accordingly, the amendment Act added section 19A to the Remuneration Authority.

The Remuneration Authority has made a temporary reduction of the Parliamentary Commissioner for the Environment's determination, to be effective on and from 9 July 2020 and to expire on 6 January 2021 of 20%. This has not had an impact on the 2019/20 annual report.

12. Events after the balance date

After balance date, PCE has agreed to extend the lease with Parliamentary Services and move to a decant space, which will be undertaken in December 2020. (2019: Nil).

13. Categories of financial instruments

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

Actual 2019 \$(000)		Actual 2020 \$(000)
Financial assets measured at amortised cost		
1,000	Cash and cash equivalents	769
277	Receivables	277
1,277	Total financial assets measured at amortised cost	1,046
Financial liabilities measured at amortised cost		
417	Creditors and other payables (excluding GST payable)	244

14. Explanations of major variances against budget

Explanations of major variances from the Parliamentary Commissioner for the Environment's budget figures are as follows:

Statement of comprehensive revenue and expense

Personnel costs

Personnel costs were lower than budget by \$108k. Staff turnover in multiple positions required time to fill these vacant positions which resulted in higher variances to normally anticipated within the budget. This recruitment was completed mid-way through the year.

Due to COVID-19 and the inability to travel domestically and internationally, planned annual leave was cancelled. This increased the annual leave entitlement, which offset the lower salaries costs.

Other operating expenditure

Other operating expenditure was higher than budget by \$59k, mainly due to higher consultancy costs. Staff turnover resulted in the need for recruitment costs to fill vacant positions which partially offset lower personnel spend than originally budgeted.

Statement of financial position

Current assets

Current assets were higher than budgeted by \$246k. Costs incurred in relation to the final reports produced by the Commissioner were incurred closer to the end of the financial year than originally expected. While expenses have been recognised in the statement of comprehensive revenue and expenses, payments to suppliers were not made until after the 30 June 2020 balance date, increasing cash-on-hand. Lower personnel costs against budget were also incurred, resulting in a surplus of \$32k.

Current liabilities

Current liabilities were higher by \$184k due to the unplanned accumulation of employee entitlements and some project related costs falling close to year-end. Payments to suppliers of these project related costs were not made until after 30 June 2020 and the liability for those costs to be made have been recognised.

Statement of cash flows

Lower personnel costs driven by periods of vacancies during the year resulted in a decrease in payments to employees than originally budgeted by \$215k. An underspend in the purchase of property, plant and equipment by \$54k against budget was driven by the needs of the Office of the Parliamentary Commissioner for the Environment being primarily low value assets under the normal capitalisation threshold.

As the 2017/18 and 2018/19 surpluses were paid in 2019/20, a larger decrease in cash of \$221k against budget was incurred. These surpluses were unbudgeted and reasons for this in each year have been disclosed in the corresponding annual report.

However, the actual opening cash position was more favourable than originally budgeted by \$482k due to the timing of the surplus repayments therefore increasing the cash at the end of the year than originally budgeted by \$261k.

15. COVID-19 Disclosure

Impacts of COVID-19 on the Office of the Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment has conducted a line by line analysis on the financial statements and has concluded that the impacts of COVID-19 on the Office is minimal. Any major variances to budget have been disclosed in Note 14 with specific reference to COVID-19 where applicable.

There has been no significant impact of COVID-19 on the operations of the Office of the Parliamentary Commissioner for the Environment. Some minor changes to business systems and processes were required to enable remote working during the lockdown period.

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 2019. They are prepared on a GST exclusive basis.

Statement of budgeted and actual expenses and capital expenditure incurred against appropriations for the year ended 30 June 2020

Annual and permanent appropriations for Vote Parliamentary Commissioner for the Environment

Actual 2019 \$(000)		Actual 2020 \$(000)	Appropriation Voted 2020 \$(000)
Output expenses			
3,150	Parliamentary Commissioner for the Environment - Reports and Advice	3,345	3,362
3,150	Total output expenses	3,345	3,362
Appropriation for other expenses			
337	Remuneration of the Parliamentary Commissioner for the Environment (Permanent Legislative Authority)	338	338
337	Total other expenses	338	338
Capital expenditure			
75	Parliamentary Commissioner for the Environment – Capital Expenditure (Permanent Legislative Authority)	18	72
75	Total capital expenditure	18	72
3,562	Total annual and permanent appropriations	3,701	3,772

End-of-year output performance information has been reported in the statement of objectives and service performance (page 24) 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 and targets of the office as detailed in table 2 (page 25).

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 statement of objectives and service performance (page 24).

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2020

The Parliamentary Commissioner for the Environment has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2018/19: Nil).

Statement of capital injections for the year ended 30 June 2020

The Parliamentary Commissioner for the Environment has not received any capital injections during the year (2018/19: Nil).

Statement of capital injections without, or in excess of, authority for the year ended 30 June 2020

The Parliamentary Commissioner for the Environment has not received any capital injections during the year without, or in excess of, authority (2018/19: Nil).

**Parliamentary Commissioner for the Environment
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