

Annual report

for the year ended 30 June 2023



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Parliamentary Commissioner for the Environment

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Annual report

for the year ended 30 June 2023

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 Rt Hon Adrian Rurawhe
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 2023.

Yours faithfully

A handwritten signature in black ink, consisting of a stylized 'S' followed by a vertical line and a horizontal stroke at the top.

Rt Hon Simon Upton

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

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Bean Rock Lighthouse, Mission Bay, Auckland

Overview

This is my sixth annual report to the Parliament as its Commissioner for the Environment. My powers are ones of review and recommendation only. As such, they are not very *powerful* powers. They are rooted in the idea that somebody accountable to the Parliament, rather than the Executive, is needed to hold office holders and agencies to account for the way they carry out the environmental duties for which they are responsible; and that the exposure of that performance is one way to limit backsliding from whatever environmental goals and limits we erect.

The question of accountability has come increasingly into focus as I have progressed through a succession of reports that have reviewed environmental reporting, environmental research and the way that environmental information is integrated into budget decision making.¹

If I were asked to sum up the problems exposed by each of the three reports in a single sentence, I would level the following charges:

- We have an opportunistic environmental reporting system that relies on fragmented and patchy environmental monitoring and, as a result, is unable to provide a reliable picture of the state of our environment.
- The funding of environmental research is largely detached from the endless strategies and roadmaps we invent and from the output of environmental monitoring and reporting systems.
- We have a budget process that lacks the capability to consistently raise and address the long-term environmental challenges that we face.

Finally, this year, I drew together the threads of these three reviews in a report entitled *Environmental reporting, research and investment: Do we know if we're making a difference?* (see page 16). The report goes to the heart of parliamentary accountability. To be able to hold ministers and government agencies to account, reliable, relevant information is essential. Almost all of my investigations as Parliamentary Commissioner for the Environment have identified significant gaps in data, information and knowledge about the environment. Those gaps are seriously impeding better environmental management and hindering anyone wanting to examine the effectiveness of that management.

¹ PCE, 2019, *Focusing Aotearoa New Zealand's environmental reporting system*, <https://pce.parliament.nz/publications/focusing-aotearoa-new-zealand-s-environmental-reporting-system>. PCE, 2020, *A review of the funding and prioritisation of environmental research in New Zealand*, <https://pce.parliament.nz/publications/environmental-research-funding-review>. PCE, 2021, *Wellbeing budgets and the environment: A promised land?* <https://pce.parliament.nz/publications/wellbeing-budgets-and-the-environment>.

Filling those gaps will require sustained investment by successive governments in high-quality information. But notwithstanding those shortcomings, there is a wealth of information held by government agencies that could be better used by Parliament in its scrutiny of the Executive. The immediate challenge for Parliament is to render that information in a format that is useful and accessible so that MPs can ask if the money the Government is spending is making a difference. To do that, they need to be able to relate public expenditure to the long-term outcomes governments are working to deliver.

Identifying those outcomes is not that difficult. While there will be plenty of disagreement about how environmental outcomes should be tackled – and their relative priority – these long-term outcomes themselves are surprisingly uncontentious: better quality water, more sustainably used land and seas, resilient biodiversity, reduced pressures from waste and chemical pollution and action to limit our contribution to climate change. I have urged the Government to reflect these broad outcomes in an amended Environmental Reporting Act. No such amendment has yet made its way into the House.

To illustrate to select committees how such a capacity might help their scrutiny, my team and I have so far produced two high-level assessments of what the numbers looked like, most recently for the 2022/23 fiscal year (see page 17). We found the task difficult and imprecise. If it was hard for the expertise my office can bring to bear, it would be even harder for parliamentarians. I have recommended amendments to the Public Finance Act 1989 that could facilitate such a task. Again, no such amendment is in sight. Failing that, I have undertaken to continue to produce my own estimates for the Environment Committee each year following the Budget, until the public finance system can find a way of taking over the role.

Furthermore, I have started to work with the select committee to recast its scrutiny of public expenditure in a way that will, hopefully, focus on whether government expenditure is making a real difference to environmental outcomes. The approach is being piloted in respect of one major environmental outcome – improving the quality of freshwater – and has involved working with a range of agencies whose work intersects with this domain. It promises to be a useful way to encourage agencies to think about their work in a more joined-up way and reflect on the outcomes their activities are contributing to.

Public finance must seem a dry angle from which to discharge some of my powers of review. But accountability for public expenditure lies at the core of our democracy. The Executive can only spend money if it retains the confidence of the House. By voting supply to the Executive, the House is signalling confidence in its stewardship of those resources.

When it comes to the environment, I consider it is very hard to say whether or not the money being voted is sufficient for the challenges we face or achieving the declared outcomes that justify that expenditure. Without good quality environmental reporting we lack a picture of how environmental problems are evolving over time. Without that, we have no idea what an appropriate level of investment – or regulatory intervention – might be. What we do know, is that an environmental problem deferred today can be both an environmental liability and a fiscal risk that will have to be faced in the future.

In a recent submission to the Standing Orders Committee, Sir Geoffrey Palmer noted that the select committee system is under strain due to a lack of MPs whose primary interest lies in scrutiny. He located the source of that problem in the size of the House of Representatives and the time available to carry out that scrutiny. I had the opportunity to express some views of my own at a *festschrift* held at Parliament in Sir Geoffrey's honour (see page 21). While they differ from Sir Geoffrey's in some respects, I wholeheartedly endorse his advocacy for improved select committee scrutiny when it comes to environmental policy, regulation and expenditure.

My office is an independent resource available to select committees to assist them to do just that. It is very encouraging that the Environment Committee has sought to avail itself of that assistance. I intend to continue to support the committee in its work directly as an advisor and by continuing to provide detailed reports into elements of the environmental management system.

A handwritten signature in black ink, appearing to be 'Simon Upton', with a stylized, sweeping initial 'S' and a vertical line for the surname.

Simon Upton

Parliamentary Commissioner for the Environment



Tirohanga whānui

Koinei taku pūrongo ā-tau tuaono ki te Pāremata hei Kaikōmihana mō te Taiao. He mana arotake, he mana tūtohu anake aku mana. Nā reira, ehara ēnei mana i te mana *tino kaha*. Ko te tūāpapa o aua mana ko te whakaaro ki te noho haepapa tētahi tangata ki te Pāremata, kaua ki te Taha Whakahaere, e noho haepapa ai ngā kaipupuri tari me ngā tari kāwanatanga i runga i te āhua o ā rātou mahi taiao; ā, ko te huranga o taua mahi tētahi ara ki te aukati i te ahunga whakamuri i ngā whāinga me ngā tepenga taiao e whakatūria ai e mātou.

Kua piki te arotahi ki te kaupapa o te papanga ina ahu whakamua ana au mā te whakaoti i tēnā pūrongo, i tēnā pūrongo e arotake ana i te pūrongorongo taiao, te rangahau taiao me te ara e pāhekohekotia ana ngā mōhiotia taiao ki ngā whakataunga mō te mahere pūtea.²

Mēnā i tonoa au kia whakarāpopoto i ngā raruraru i huraina e ia pūrongo o ngā pūrongo e toru ki te rerenga kotahi, ka pēnei aku hāmene:

- Kei a tātou tētahi pūnaha pūrongorongo taiao kaiapo e whakawhirinaki ana ki te aroturuki taiao kongakonga, pūreirei hoki, ā, nā reira kāore e taea te whakarato te whakaahua pono o te āhua o tō tātou taiao.
- Ka noho wehe te pūtea mō te rangahau taiao i ngā rautaki me ngā mahere huarahi mutunga kore e auahatia ana e mātou, ā, i te putanga o ngā pūnaha aroturuki taiao, pūrongorongo anō hoki i te nuinga o te wā.
- Kei a mātou te hātepe mahere pūtea e ngoikore ana te whakarewa me te urupare rite i ngā wero karioi kei mua kei te aroaro.

² PCE, 2019, *Focusing Aotearoa New Zealand's environmental reporting system*. <https://pce.parliament.nz/publications/focusing-aotearoa-new-zealand-s-environmental-reporting-system>. PCE, 2020, *A review of the funding and prioritisation of environmental research in New Zealand*. <https://pce.parliament.nz/publications/environmental-research-funding-review>. PCE, 2021, *Wellbeing budgets and the environment: A promised land?* <https://pce.parliament.nz/publications/wellbeing-budgets-and-the-environment>.

Ka mutu, i tēnei tau, ka whakakotahi au i ngā aho o ēnei arotake e toru i roto i te pūrongo e tapaina ai *Environmental reporting, research and investment: Do we know if we're making a difference?* (tirohia te wharangi 16). Ka hāngai tonu te pūrongo ki te iho o te papanga o te pāremata. He mea waiwai ngā mōhiohio pono, hāngai hoki kia noho haepapa ngā minita me ngā tari kāwanatanga. E tata ana ki te katoa o aku whakatewhatewha hei Kaitiaki Taiao a Te Whare Pāremata kua tautuhi i ngā āputa nui i roto i ngā raraunga, ngā mōhiohio me ngā mātauranga mō te taiao. E tino aukati ana ēnei āputa i te whakahaere taiao pai ake me ngā tāngata e hiahia ana ki te mātai i te whai hua o taua whakahaere.

Kia whakakī i aua āputa e hiahia ana te whakangao toitū e ngā kāwanatanga katoa ki ngā mōhiohio kounga teitei. Ahakoa ēnei ngoikoretanga, he maha rawa ngā mōhiohio e pupuritia ana e ngā tari kāwanatanga ka taea te whakamahi pai ake e te Pāremata i roto i tana tiroiro i te Taha Whakahaere. Ko te wero kei mua i te Pāremata ināianei kia whakarite aua mōhiohio ki te hōputu e whai take ana, e whakatapoko ana hoki kia taea e ngā Mema Pāremata te tonono mēnā he take tō ngā moni e whakapaua ana e te Kāwanatanga. Ki te mahi pēnā, me tūhonohono i te whakapau moni tūmatanui ki ngā putanga karioi e whakapau kaha ana ngā kāwanatanga ki te whakarato.

Ehara te tautuhi i aua putanga i te mea uaua. Ahakoa he nui ngā taupatupatu me pēhea e kōkiri ngā putanga taiao – me te whakaarotau o tētahi ki tētahi – kāore i te taupatupatuhia ko ēhea ngā putanga karioi tika: kia piki te kounga o te wai, kia toitū ake te whakamahi o te whenua me te moana, he kanorau koiora manawaroa, he hekenga o te pēhanga i te parakino para me te matū me te mahi hei whakaheke i tā mātou tāpaetanga ki te panoni āhuarangi. Kua whakatenatena au i te Kāwanatanga kia whakaata i ēnei putanga whānui ki tētahi Ture Pūrongo Taiao. Kāore anō kia uru tētahi menemana pēnā ki te Whare.

Kua whakaputa mātou ko taku tīma i ngā aromatawai taumata teitei e rua o te āhua o ngā nama, ā, inakuanee i tiro ki te tau moni 2022/23. I pērā mātou kia whakaatu ki ngā komiti whiriwhiri he pēhea taua raukaha e āwhina i ā rātou tiroirohanga (tirohia te wharangi 17). Ki a mātou he uaua, he makaro te mahi. Mēnā he uaua rawa mō te mātanga kei roto i taku tari, he uaua ake mō ngā mema pāremata. Kua tūtohu au i ngā menemana ki te Public Finance Act 1989 ka taea te huawaere tētahi mahi pēnā. Anō, kāore anō kia kitea tētahi menemana pērā. Ki te kore e pērā, kua whakatau au kia whakaputa tonu i aku whakatau tata mō te Komiti Taiao hei ia tau i muri iho i te Mahere pūtea, tae noa ki te wā ka mahia kētia e te pūnaha ahumoni tūmatanui.

Waihoki, kua tīmata au ki te mahi tahi me te komiti whiriwhiri ki te waihanga anō i tana whakatātare i te whakapaunga moni tūmatanui ki te ara pea e arotahi ki te pātai mēnā e tino panoni ana te whakapau moni kāwanatanga i ngā putanga taiao. E whakamātauhia ana tēnei ahunga e pā ana ki tētahi putanga taiao matua – te whakapiki i te kounga o te wai māori – ā, kua mahi tahi te whānuitanga o ngā tari kāwanatanga e pūtahi ana ā rātou mahi ki tēnei whaitua. He ara whai take hei whakatenatena i ngā tari kāwanatanga kia whakakotahi i ā rātou mahi me te whakaata ki ngā putanga e tāpaehia ana.

Ko te Ahumoni Tūmatanui te koki maroke pea ki te whakamahi i ētahi o aku mana arotake. Engari ka noho te papanga mō te whakapau moni tūmatanui ki te iho o tō mātou manapori. Ka taea e te Taha Whakahaere te whakapau moni mēnā ka whakaponohia tonutia e te Whare. Mā te pōti pūtea ki te Taha Whakahaere, e tohu ana te Whare i te ngākau titikaha ki tana tiakitanga o aua rauemi.

E pā ana ki te taiao, he uaua te kī mēnā he rawaka te moni e pōtīhia ana mō ngā wero kei mua i a tātou, e whakatutuki ana rānei i ngā putanga e parahau ana i taua whakapaunga moni. Ki te kore he pūrongorongo taiao kounga pai, kāore i a mātou te whakaahua o te kuneroa o ngā raruraru taiao ina hipa ana te wā. Ki te kore, kāore i te mōhiotia he aha te taumata tika o te whakangao o te wawao ā-ture rānei. Ko te mea e mōhio ana mātou, ina tārewahia te whakamōrea taiao ināianei, ka puta hei pūnama taiao, hei whakamōrea moni hoki ā tōna wā.

I roto i tētahi tāpaetanga ki te Komiti Whakataunga Tū Roa inakuanei i kī a Sir Geoffrey Palmer “the select committee system is under strain due to a lack of MPs whose primary interest lies in scrutiny.”³ I whakatau ia ko te mātāpuna o taua raruraru i roto i te rahi o te Whare o ngā Māngai me te wā e wātea ana kia whakamahi i taua whakatātare. I whai wāhi au ki te tuku i ētahi o aku whakaaro ki te *festchrift* i tū ki te Pāremata hei whakahōnore i a Sir Geoffrey (tirohia te wharangi 21). Ahakoa he paku rerekē aku whakaaro i ō Sir Geoffrey, ka kaha taku whakaae ki tana taunaki i te tirohanga pai ake a te komiti whiriwhiri e pā ana ki te kaupapahere taiao, waeture me te whakapau moni.

Ko taku tari he rauemi motuhake e wātea ana ki ngā komiti kōwhiri hei āwhina i a rātou kia pērā. He mea whakatenatena rawa kua whai te Komiti Taiao i taua āwhina. Ko taku whakaaro ka tautoko tonu au i te komiti i roto i ana mahi. Ka tautoko tōtika hei kaitohutohu, ā, ka tautoko hoki mā te whakarato tonu i ngā pūrongo āmiki ki ngā wāhanga o te pūnaha whakahaere taiao.



Simon Upton

Te Kaitiaki Taiao a Te Whare Pāremata

³ Tirohia <https://www.rnz.co.nz/national/programmes/the-house/audio/2018866505/reimagining-parliament>.

2



Lake Matheson, Te Ara Kairaumati

The role of the Parliamentary Commissioner for the Environment

The Office of the Parliamentary Commissioner for the Environment was established with the passing of the Environment Act in 1986. The office was set up to provide members with robust independent advice about environmental matters.

As an independent Officer of Parliament, I have the privilege and responsibility of reporting to Parliament as a whole. This provides 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. I also have the chance to advise select committees that scrutinise legislative proposals. It is up to Members of Parliament to make what they will of my recommendations and advice.

With the assistance of a small team, I have to focus on issues where I can add value. One element of my approach is to look for issues that may not yet be 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 engage with environmental issues, such as water quality and climate change, that are always in the spotlight because, in part, they are so difficult to tackle. In these cases, I hope to provide independent analysis from a fresh angle that can foster better-informed debate.

The Commissioner's team

I am now in my second term as Parliamentary Commissioner for the Environment, following my reappointment in October 2022. I am ably assisted by 20 staff at my Wellington office.⁴

The team is truly multidisciplinary, with advisors spanning fields as varied as analytical modelling, biology, chemistry, communications, ecology, economics, finance, forestry, geography, geology, history, law, literature, marine science, mātauranga Māori, physics, planning, policy, resource management, risk analysis, social science, soil science, tikanga Māori and water governance. We are fortunate to be supported by an excellent administrative unit.

⁴ As at 30 June 2023. This number varies slightly over the course of the year due to staff changes.

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:

- a) to 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; and
- b) to investigate the effectiveness of environmental planning and environmental management carried out by public authorities, and advise them on remedial action; and
- c) to 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; and
- d) at the request of the House of Representatives or any select committee, to report on any petition, bill or other matter that may have a significant effect on the environment; and
- e) on the direction of the House of Representatives, to inquire into any matter that has had or may have a substantial and damaging effect on the environment and report to the House; and
- f) to undertake and encourage the collection and dissemination of information relating to the environment; and
- g) to 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 judgement. 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 pūtaiao 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



Mount Sefton, Maukatua

Reports, advice and other work

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

Investigations may arise from suggestions by Members of Parliament, be prompted by letters from the public, or flow on from issues uncovered during our enquiries or previous investigations. Our findings are usually presented as reports to parliament. These reports may contain recommendations or be purely informative. My staff and I work hard to ensure that reports are accurate and founded on a strong evidence base. I am also mindful that any recommendations must be practical and likely to be effective.

Advice is also delivered through submissions on proposed law changes, presentations to select committees, letters to ministers and as comment on policy proposals to government agencies. 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 online resources on the office's website and social media channels.

Reports

Reports based on environmental investigations are the at heart of our work programme. This year I presented three reports to Parliament:

- *Environmental reporting, research and investment: Do we know if we're making a difference?*
- *Are we building harder, hotter cities? The vital importance of urban green spaces*
- *Estimate of environmental expenditure 2022/23: Method and results.*

In addition, I prepared a note *How much forestry would be needed to offset warming from agricultural methane?* to assist parliamentarians in their engagement in the discussion about agriculture and climate change.

Environmental reporting, research and investment. Do we know if we're making a difference?

In October 2022, I released a report that completed a cycle of investigations into environmental reporting, research and expenditure undertaken over the past five years. This report pulled together key elements from three previous investigations with the aim of answering a fundamentally important question: do we know whether government actions to improve the environment are working?

As the Government spends over \$3 billion each year on the environment, its decisions and the consequences need to be capable of scrutiny.⁵ Parliamentarians need to be able to form a view about the reasonableness of the Government's choice of environmental outcomes; whether it is spending too little, roughly the right amount or more than it needs to, to achieve these outcomes; and whether this money is being spent effectively. My report found that our current system does not allow parliamentarians or the public to easily access the information needed to hold the Government to account for its environmental expenditure.

Our public finance system needs to be able to better demonstrate links between what is being spent and what environmental reporting and research is telling us. While some links exist, they are often tenuous.

Part of the issue is that our current system is focused on individual agencies, rather than what is happening at an all-of-government level. It is also difficult to track environmental spending through the public finance system. My recommendations are intended to improve the clarity and accountability of decision making, so that the effectiveness of expenditure can be better assessed.

The foundation of accountability is better information. I have made recommendations in my previous reports on ways to improve environmental monitoring, environmental research, and the integration of the environment into the budget process.

In this report, my recommendations outline how the clarity and transparency of the Government's decision making and spending can be improved. I have suggested that the Government clearly state its environmental outcomes – both its longer-term, 'enduring' goals and specific shorter-term priorities – as well as how it intends to achieve them. I am also recommending that the Government provide a whole-of-government account of the expenditure it allocates to its environmental outcomes and the progress being made towards those outcomes.

This report was accompanied by an estimate of environmental expenditure developed by my office based on publicly available appropriation data on central government spending for 2019/20. My intention was to provide a comprehensive and systematic estimate that could provide more meaningful insights into what is being spent on protecting and restoring the environment. I estimated that central government spent \$2.6 billion for the year ending 30 June 2020, equating to 2% of appropriations. I have recently updated that estimate for the 2022/23 year (see below).

⁵ PCE, 2023, *Estimate of environmental expenditure 2022/23: Methods and results*, <https://pce.parliament.nz/publications/estimate-of-environmental-expenditure-2022-23>. This is an update on the 2019/20 estimate of \$2.6 billion used in *Environmental reporting, research and investment: Do we know if we're making a difference?* <https://pce.parliament.nz/publications/environmental-reporting-research-and-investment>.

Many of my recommendations are still being considered by agencies and ministers, with final decisions unlikely to be made in this parliamentary term. I am encouraged that the Ministry for the Environment has agreed to incorporate long-term, enduring environmental outcomes into its proposed amendments to the Environmental Reporting Act 2015. However, an amendment bill has not to date been introduced to the House.

Estimate of environmental expenditure 2022/2023: Method and results

In March 2023, I released an updated estimate of central government's environmental expenditure for the 2022/23 year. This showed that the Government spent \$3.5 billion on environmental protection and resource management during the fiscal year. I committed to produce annual estimates to parliamentarians, after supplying an original estimate for the 2019/20 year with my earlier report into environmental reporting, research and investment. My aim in supplying these estimates is to provide parliamentarians with accessible and timely information so they can better scrutinise environmental spending.

Are we building harder, hotter cities? The vital importance of urban green spaces

Ongoing population growth and demand for new housing is rapidly changing the shape of our cities and influencing our urban green spaces. For this report, delivered in March 2023, I investigated how these spaces are changing and what that might mean for the environmental services they provide in cities.

The wellbeing and visual amenity aspects of urban green spaces have been widely discussed. In my report, I focused on the environmental benefits that public and private green spaces provide: temperature regulation, carbon sequestration, flood mitigation, erosion control, food provision, air and water filtration, and habitat for biodiversity. These services mean that healthy and functioning parks, gardens, berms and trees can help to mitigate the impacts of climate change in cities.

To provide a clearer picture of the scale of change, my report presented new data on how public and private green space in Auckland, Hamilton and Greater Wellington has evolved over the decades. Our findings show that while our cities are well-endowed with green space, this has been declining over time. Between 1980 and 2016, green space per person fell by least 30% in Auckland, and at least 20% in Hamilton. Most of this loss occurred on private residential land.

There are two main factors driving this trend: infill development and the shift towards building larger houses on small sections. These factors were already in play before recent government moves to promote further intensification through the Medium Density Residential Standards. Policies like this and the National Policy Statement on Urban Development, are likely to ensure that the trend of declining private green space continues.

While there are real benefits to ongoing urban intensification, including addressing New Zealand's housing supply shortage without increasing transport emissions or adding to urban sprawl, the style of infill townhouse development currently underway is placing our urban green space, and the environmental benefits it provides, at risk. The loss of private green space is also increasing pressure on public parks and reserves. Many councils are struggling to improve the quality and availability of public green spaces to compensate for this loss.

Urban green spaces are a type of city infrastructure, providing benefits every bit as important as pipes or roads. Despite that, current legislation treats green and ‘traditional’ infrastructure differently. Councils have little choice but to plan for and provide pipes and roads, whereas green space is often considered as discretionary or ‘nice to have’. My report details a series of recommendations to rectify this, including changes that would require councils to plan and provide for green space. On this note, I was pleased to see that the Natural and Built Environment Act 2023 specifically includes green spaces as a matter on which the national planning framework must provide direction.

Regular monitoring and reporting are necessary if we are to understand how green space is changing in our cities. Councils again have a role to play here, with guidance from the Ministry for the Environment – Manatū Mō Te Taiao to ensure this monitoring is standardised across the country. This is neither difficult nor particularly expensive. Recent improvements in remote sensing technology and computing power have radically improved our ability to track land use change at street or even property scale. We also need more research investment to produce New Zealand-specific data on the environmental services urban green spaces provide.

Looking ahead, councils could take a much more proactive approach to identifying and acquiring land for parks and reserves in future urban areas. This practice used to be relatively common and was a key factor behind the establishment of many of the larger inner-city parks we enjoy today. Councils could also be doing more to improve the quality and quantity of green space in already existing suburbs. Retrofitting larger shrubs and trees into road reserves, local parks and other neglected corners of public land offers a practical and low-cost way forward. Making it easier to protect significant trees on private land will also help. The removal of wording in the Natural and Built Environment Act that has inhibited the use of tree protection rules is a step forward in that regard.

How much forestry would be needed to offset warming from agricultural methane?

When New Zealand’s emissions reduction targets were enshrined in legislation in 2019, the Government determined that forestry could be used to offset fossil carbon dioxide and other long-lived greenhouse gases, but not biogenic methane.

To my mind, this far-reaching decision was never satisfactorily explained. Given that forestry offsetting works by creating a cooling effect to compensate for warming from emissions, then it should be possible to use forestry to offset the warming from any greenhouse gas, including livestock biogenic methane.

Emissions pricing for agriculture will be introduced in 2025, either through an extension to the New Zealand Emissions Trading Scheme or by a new split-gas levy on biogenic emissions. These approaches, with modification, could enable livestock methane emitters to offset their emissions by planting trees themselves or by paying others to do so.

To understand more about the implications of forestry offsetting for livestock methane emissions, I commissioned Professor Dave Frame and Dr Nathanael Melia to calculate options using two approaches: the conventional approach and a warming-based approach that aimed to more accurately reflect the impact on global average temperatures over time. Their findings are outlined in the note I released in October 2022.

New Zealand's herds of livestock are currently emitting around 1.2 million tonnes of methane each year, with livestock methane accounting for 91% of biogenic methane emissions. Using the warming-based approach, the researchers found that to achieve the same temperature effect as reducing livestock methane emissions by 10%, 770,000 hectares of new pine plantation forest would need to be planted between now and 2050. These results can be scaled up; with a 20% reduction requiring 1.5 million hectares, and 30% 2.3 million hectares. A larger area would be needed if native tree species were used in place of pine, as they have lower carbon sequestration rates.

These findings reveal that forestry offsetting is not an easy fix for neutralising New Zealand's livestock methane emissions. To put it bluntly, we cannot simply plant our way out of this problem, just as we cannot plant our way out of burning fossil fuels.

I did not include recommendations with this note, as the contents were intended to provide important context and information on this complex issue. I did, however, note some important considerations. Most importantly, forestry offsetting should only be used in addition to, not instead of, gross emissions reductions. All practicable means of reducing emissions at source should be pursued first. Pleasingly, the Government is now committing significant research resources to identifying new technologies to expand those possibilities. But once all practical emissions reduction possibilities have been taken, forestry remains as a legitimate, additional source of mitigation.

Regardless of the approach taken to reduce biogenic methane emissions reduction, there are likely to be significant social and economic impacts. A fine balance will need to be struck between avoiding economic and social dislocation and finding a position that New Zealand can defend in international climate change negotiations.

This report was widely covered by the media and as hoped, has prompted increased public debate on the issue.

Advice

Advice to select committees

An important part of my role is providing advice to select committees on the business before them that affects the environment. Traditionally, I have supplied this advice through formal submissions on bills under consideration (see below). Over the past year, I have actively sought ways to provide additional support to help select committees do their work.

My role is not simply to provide advice and information, but to also help select committees analyse and investigate responses from the Government to that advice. In the past year, at the request of the Environment Committee, I critiqued agencies' responses to my reports on weeds and chemical management and provided advice to the committee on areas where I thought agencies' response were inadequate.

To support the Environment Committee's consideration of the Natural and Built Environment Bill and the Spatial Planning Bill, I undertook analysis and provided independent commentary on departmental reports to the committee from the Ministry for the Environment. This advice helped to give the committee confidence in some of the changes proposed and focus effort on areas that required further work.

My Environmental reporting, research and investment: Do we know if we're making a difference? report was aimed at helping select committees scrutinise government action, or inaction, on environmental outcomes. Rather than wait for the Government to respond to the report's recommendations, I assisted the Environment Committee to pilot questioning agencies about how they individually and jointly work to improve freshwater outcomes. I hope that the results of this pilot will be picked up and extended by the next committee in the new Parliament.

Submissions and letters

I have made submissions on the following bills and other consultative documents:

- Submission on Managing our wetlands in the coastal marine area discussion document
- Submission on the Natural and Built Environment Bill and Spatial Planning Bill
- Submission on the Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill
- Submission on Stats NZ data quality plan
- Submission on the draft environment and climate research strategy
- Submission on national direction for electricity
- Submission on Stats NZ's retirement of interactive data visualisations.

In some instances, I provided advice through letters sent to relevant ministers and select committees. I also sent letters to enquire about the uptake of recent recommendations.

- Letter to Minister O'Connor about the Dairy Industry Restructuring Bill
- Letter to the Speaker regarding Standing Orders Review
- Letter to Otago Regional Council regarding deepwater mountain lakes
- Letter to Minister Woods regarding system-wide energy strategy
- Letter to the Minister O'Connor regarding the future of the National Wilding Conifer Control Programme
- Letter to Ministers O'Connor and Prime regarding Space invaders weeds report
- Letter to Minister Parker regarding air quality regulations.

Letter to Minister Woods regarding the system-wide energy strategy

In December 2022, I wrote to the Minister of Energy and Resources commending the Government's intention to develop a whole-of-system energy strategy. With several large energy projects already actively under consideration by the Government and the private sector, I thought it essential that before any decisions were made, the system-wide impacts of these different options were fully understood. Consideration was also needed into how these projects might interact with each other. My concern was that these projects contained potentially too many competing claims over too few resources to be considered in isolation.

I also expressed concern that the strategy was not scheduled to be finalised until the end of 2024. Without greater urgency, there is a risk that decisions that impact the whole sector and pre-empt the strategy will be taken before this date. I suggested that any proposals that would have consequences for the entire energy system, such as the fate of Tiwai Point Aluminium Smelter or green hydrogen production, should be included in the scope of the strategy, and progress on these projects halted until a whole-of-system analysis was completed. I emphasised that progress should continue on low-regrets options such as investments in distribution, transmission and virtual infrastructure.

Note on future electricity system pathways

To contribute more evidence to the debate about New Zealand's energy future, I commissioned a modelling exercise to determine the economics of four transformational electricity pathways being considered by the Government. These included: the closure of Tiwai Point Aluminium Smelter; large-scale green hydrogen production; pumped hydroelectricity storage at Lake Onslow; and business as usual.

While the note I produced on this research did not offer recommendations, it was intended as a contribution to the serious analysis and informed debate that will be needed to ensure that key energy investment decisions are made for the long-term benefit of consumers.

In the process of this exercise, it became clear that a better method was needed to compare the various options. When considering major investments, with potentially systems-wide impacts, these need to be based on a set of common assumptions. When forming its strategy, I advised the Government to ensure that the process was open and transparent. Any decisions must be able to be scrutinised to determine if they were made for the long-term benefit of consumers.

The report was well covered by the media. This analysis has also contributed to an evolution in the Government's energy strategy work.

Public engagement

An important part of my role is raising levels of awareness of environmental issues and fostering informed public debate. I endeavour to deepen the reach and impact of my work through public speaking engagements and ongoing conversations with key stakeholders.

In the course of the year, I had the opportunity to share the results of my investigations with a variety of audiences. In August 2022, I presented my weeds report at the New Zealand Biosecurity Institute's national education and training seminar, while in an address to the Environmental Defence Society Conference in March 2023, I was able to discuss the findings of my five-year cycle of investigations into environmental reporting, research and investment.

In a speech to the Resource Management Law Association conference in September 2022, I expanded on the submissions my office made on the Natural and Built Environment Bill and the Spatial Planning Bill. I shared my concern that it was by no means clear that the bills would advance environmental interests and could, instead, lead to greater legal uncertainty. In October 2022, I gave an address at the Governing for the Future: The Futures of Democracy, Law, and Government Symposium held in honour of Sir Geoffrey Palmer. Here I considered our ability to govern in a future where we are likely to be playing catch up, and on the resilience of our institutions in the face of shocks and uncertainties.

My staff presented findings from the urban green spaces report to two important audiences – recreation professionals and urban planners – at their respective conferences in April and May 2023. Both addresses, at the New Zealand Planning Institute Conference and Recreation Aotearoa's 'Green Pavlova' Conference were well received. The report was considered to be a relevant and valuable contribution, emphasising the importance of these spaces as well as revealing in greater detail how they have changed over time.

The office also receives, in confidence, a steady stream of correspondence from members of the public raising issues of environmental concern. This year, I received 52 concerns. Topics the public have written to me about include wilding pines, Lake Onslow, the state of deepwater lakes, air quality, spray drift and the planning system.

With a small staff, I cannot investigate every issue. If I do not investigate a particular concern, I often direct the complainant to the appropriate legally mandated body. If a response has been slow, I often follow up on the complainant's behalf. Monitoring these requests provides a useful gauge of the state of environmental management and the adequacy of regulations. Sometimes I take up the issue directly and make specific recommendations to address it.

We are currently monitoring 12 ongoing concerns to ensure that action is taken by appropriate agencies.

Current and future work

The first report to be released in the new 2023/24 financial year reviewed the process of how New Zealand's first **emissions reduction plan** was framed and executed. My investigation probed what aspects of the process worked well and what improvements are needed to ensure that a robust and consistent approach is undertaken by future governments.

I am continuing to investigate how an integrated **landscape approach** can be used to manage environmental pressures posed by land-based industries. We aim to understand how a landscape scale approach to environmental policy management could enable rural communities and tangata whenua to address climate change, freshwater quality and biodiversity pressures. Two case studies – one in the Maitai catchment in Southland/Murihiku and the other in the Wairoa catchment in Northland/Te Tai Tokerau – are being used as part of a thought experiment to consider how this approach could work and what the expected outcomes might be. I expect reports outlining these case studies and the broader policy findings to be released by the end of 2023.

One of the issues raised in my report into urban green space was the practice of **stripping topsoil** from housing development sites. My office is working to understand the drivers and environmental impacts of this practice. We will also question whether new subdivisions provide an adequate volume of healthy soil for diverse vegetation to grow, and how this could be achieved. This report is planned for later in 2023.

There is currently a strong national policy push to better manage New Zealand's freshwater. A range of water quality and quantity tools and models are currently used to help manage contaminant discharges and water takes across the country. People who use these models, or are affected by their use, need to know how much confidence can be placed in these results. In my investigation into **catchment-scale water modelling**, I am reviewing the suitability, strengths and limitations of models currently being used to inform the regulation and management of water in New Zealand.

New Zealand's reliance on large-scale pine afforestation to meet net emissions reduction targets is risky. Forests are vulnerable to many pressures that will increase with climate change. My office is currently investigating **alternative forestry** options to understand if establishing a range of different forests, using taonga species, exotics and alternative management approaches could support more resilient forest systems and provide wider environmental benefits.

Work is also advancing on a short history of the office of the Parliamentary Commissioner for the Environment. This report will cover the range of work undertaken since the office's establishment in 1986, how its performance has been measured, how the role has changed over time and how it could evolve in the future.

I have begun scoping future investigations in two areas: the resource efficiency of the New Zealand economy and its relationship with population growth; and the opportunities that emerging technologies like artificial intelligence and remote sensing offer to improve environmental reporting in New Zealand. I am also considering a review of New Zealand's management of marine biosecurity and its implications for indigenous marine biodiversity.

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

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The office

Organisational health

My team is small, highly skilled, very productive and an excellent complement to my own experience.

The way we manage and regulate the environment is undergoing a once-in-a-generation change. The Government is undertaking massive legislative and institutional reform processes, many of which have the potential to fundamentally change how we manage New Zealand's environment. It is my task to inform Parliament's consideration of these changes.

The current budget will be used to:

- ensure the office can continue to attract and maintain capable staff in a highly competitive job market,
- contract additional external specialist analysis and advice on issues outside the expertise and competency of in-house staff, and
- fund depreciation and other occupancy costs.

My work requires a high level of capability across a broad spectrum of disciplines. Hiring decisions are made with this in mind. I am also committed to developing an equal employment opportunities environment where diversity and inclusion is sought and valued. Where I do not have staff with discipline-specific knowledge, I engage consultants to fill the gaps. The appropriation assists me source additional external analysis and advice on technical and legal issues, much of which would not make prudent financial sense to have permanently in house.

Retaining excellent staff is both my highest priority and my biggest challenge. In employing highly competent people, I am aware that they will always have opportunities elsewhere. Competition for these people is intense and larger agencies can provide more career opportunities and higher remuneration. Faced with this, I endeavour to make my office a stimulating place to work, with interesting topics to tackle, a good work-life balance, and a supportive and rewarding environment where excellence is valued. As of 30 June 2023, there were 20 staff employed within the office (Table 1). There were a further two staff working on secondment to me at this date.

Table 1: Demographic profile of staff as at 30 June 2023.

	2022/23 Staff	2022/23 FTE	2021/22 Staff	2021/22 FTE	2020/21 Staff	2020/21 FTE	2019/20 Staff	2019/20 FTE
Female	9	7.28	11	9.20	10	8.70	13	11.73
Male	10	9.85	10	8.85	11	9.85	8	7.85
Prefer not to say	1	1	–	–	–	–	–	–
Total employees	20	18.13	21	18.05	21	18.55	21	19.58
		Percent- age		Percent- age		Percent- age		Percent- age
NZ European/ Pākehā	17	85%	11	52%	12	57%	10	48%
Māori	1	5%	1	5%	2	10%	3	14%
Pasifika	–	0%	–	0%	–	0%	–	–
Other	1	5%	9	43%	7	33%	8	38%
Prefer not to say	1	5%	–	–	–	–	–	–
Total employees	20		21		21		21	

Training and development

Staff members are supported to plan their own professional and personal development goals. We view this as an investment in their future, which in turn benefits the organisation and its stakeholders.

We involve all employees in our drive for performance and innovation. After an investigation is completed the project and process are reviewed, and the findings on what went well and what did not are shared with staff. Changes and improvements are fed back into the project guidelines to enhance future work.

Staff regularly provide feedback on each other's work. We encourage an environment of curiosity, learning and excellence.

Staff need to keep up to date with a wide range of environmental issues and developments. This is achieved through attendance at conferences and seminars.

Managers continue to meet regularly for one-on-one and team meetings with their staff, and there are frequent opportunities to raise issues, ask questions, ask for professional development and provide feedback. All staff have discussed their development plans with the Commissioner.

In the past financial year, 1.4% of the total personnel budget was allocated to staff training and development. Training was undertaken in areas such as te ao Māori (all staff), project management, influencing and persuasion skills, first aid and finance coaching.

We continue to develop our understanding of te ao Māori in the recognition that it is an essential skill for our workplace. The kaupapa of the office reflects the vision of Te Māngai Pāho that te reo Māori and tikanga Māori are spoken, heard, seen and valued.

Staff are supported by our Kaiwhakahaere Mātauranga Māori to improve mātauranga and tikanga knowledge, te reo Māori and engagement skills. Guidance is also given for external pōwhiri and mihi whakatau when presenting and at general hui.

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Waitatoto River, West Coast

Statement of responsibility and Independent Auditor's report

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 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, and
- the accuracy of any end-of-year performance information, whether or not that information is included in the annual report.

In my opinion:

- the annual report fairly reflects the operations, progress, and the organisational health and capability of the Parliamentary Commissioner for the Environment,
- the financial statements fairly reflect the financial position of the Parliamentary Commissioner for the Environment as at 30 June 2023 and its operations for the year ended on that date,
- the 2023/24 forecast financial statements fairly reflect the forecast financial position of the Parliamentary Commissioner for the Environment as at 30 June 2024, and its operations for the year ending on that date.

A handwritten signature in black ink, appearing to be 'Simon Upton'.

Rt Hon Simon Upton

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

29 September 2023

Independent Auditor's Report

To the readers of the Parliamentary Commissioner for the Environment's annual report for the year ended 30 June 2023

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 29, 41 to 57, that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2023, 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 for the appropriations administered by the Commissioner for the year ended 30 June 2023 on pages 35 and 39; and
- the statements of expenses and capital expenditure of the Commissioner for the year ended 30 June 2023 on pages 58 and 59.

Opinion

In our opinion:

- the financial statements of the Commissioner:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 for the appropriations administered by the Commissioner, for the year ended 30 June 2023:
 - o presents fairly, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - o complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Commissioner are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. 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.

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 2020–2024, the relevant Estimates and Supplementary Estimates of Appropriations 2022/23, and the 2022/23 forecast figures included in the Commissioner's 2021/22 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 for the appropriations administered by the Commissioner.
- 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 63, 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: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) 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

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Fiordland, Te Whakataka-kārehu-a-Tamatea

Statement of service performance

The primary impact that the Parliamentary Commissioner for the Environment seeks is to help inform and encourage decisions that will restore, 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 are an attempt to provide some indication of whether my work is having that effect.

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 my 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 and government policy proposals
- follow-up on responses to recommendations made by the Commissioner
- 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 outputs is detailed on page 58.

Performance

A key indicator of the effectiveness of my work is the proportion of recommendations made that are adopted by governments over the period of my tenure. The measures relating to the number of briefings provided to Members of Parliament and outputs produced aim to show the productivity of my office. The proportion of reports externally reviewed is a measure to help ensure the quality and robustness of my reports.

Table 2 shows performance on current non-financial measures and targets. Explanations of major variances (greater than 10%) against targets are given in the notes below Table 2. Detail of how each measure was met in 2022/23 in the sections below the table.

Table 2: Non-financial performance measures and targets.

Measure	Target	Performance 2022/23	Performance 2021/22	Performance 2020/21	Performance 2019/20	Performance 2018/19
Number of briefings given to Members of Parliament during the year	30	31	37	69	37	44
Number of reports, commentaries and submissions published during the year ¹	6-8	20 ⁴	16	6	14	9
Proportion of recommendations that are adopted or partially adopted during the tenure of the current Commissioner ²	65%	56%	32%	40%	21%	64%
Provision of follow-up report within required timeframe ³	100%	0% ⁵	0%	0%	0%	0%
Reports and commentaries externally peer reviewed and content checked	100%	100%	100%	100%	100%	100%
Response to public concerns and information requests within required time frames	100%	96%	96%	95%	95%	98%
Capital expenditure is in accordance with capital asset management plan	Achieved	Achieved	Achieved	Achieved	Achieved	Achieved

Notes

1. Including other advice, such as submissions to ministries and departments, letters to ministers or ministries and general notes.
2. Each years' performance numbers are updated based on responses to 30 June 2023.
3. Follow-up reports may be done 18 months to two years after the release of a report to track responses to recommendations.
4. The number of reports and submissions produced in the year (20) is significantly higher than the target of 6-8. The metric is particularly high in 2022/23 because there were a number of legislative bills and government policy proposals where the Commissioner felt a PCE submission would add value to the discussion.
5. Provision on follow-up reports is at the discretion of the Commissioner. The current Commissioner has chosen not to issue formal follow-up reports. Instead PCE recommendations are followed-up via meetings with relevant Ministers and officials and through email and letter correspondence. This measure will be discontinued for future reporting years.

Assumptions and judgements used in reporting

In preparing the Statement of Service Performance, the Parliamentary Commissioner for the Environment has not made any judgements on the application of reporting standards and estimates and assumptions related to future events.

Recommendation uptake

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 or being out of step with political realities. At times, I will challenge current wisdom and it may take some time for them to be agreed to. Not all recommendations are of equal significance: some are site-specific or minor, while others address nationally significant and/or cumulative issues; some are easier to implement, others are more complicated.

There is often a lag time – sometimes years – between when reports are released and their impact. That is because it takes time for governments to consider the recommendations and incorporate them into work programmes. Sometimes governments are immediately forthcoming about their intentions, while on other occasions, the adoption of recommendations only becomes apparent as new policies are announced.

This year I have issued 53 recommendations. Of the 36 recommendations responded to by the Government to date, 18 have been fully adopted and four have been partially adopted. The rest are still pending. In the 2021/22 year I issued 47 recommendations. By June 2022, two of these recommendations were fully adopted and three were partially adopted.

In calculating the cumulative uptake of responses during a commissioner's tenure, scores are attributed only to those where a response has been forthcoming. As of 30 June 2023, there have been responses to 124 of the 185 recommendations issued by me since October 2017 (compared to 77 of 132 recommendations up to 30 June 2022). Two recommendations are no longer applicable. The remaining 59 recommendations which have not been responded to are mostly from recent reports and submissions (issued in recent years).

The 'uptake rate' for the 124 responses issued since October 2017 was 43% (see Table 2), with 38 recommendations fully actioned (1 point each) and 30 partially actioned (half a point each).

Advice released this year

I provided a substantive submission on the Natural and Built Environment Act and the Spatial Planning Act, while these were still under consideration. My submission included 29 recommendations, which were 'colour-coded' in terms of importance: twelve red recommendations, nine amber recommendations, and eight green recommendations. Seventeen of my recommendations, including seven of those coded as 'red' were fully accepted by the committee, with another three recommendations partially accepted. I also served as an advisor to the Environment Committee while it was considering these bills.

In response to my report *Environmental reporting, research and investment: Do we know if we're making a difference?* The Ministry for the Environment has begun to lead work on establishing an Environmental Monitoring and Reporting System (EMRS) and is to report to the Minister for the Environment on proposed roles and responsibilities across the sector. Decisions are expected in the next parliamentary term. Also, five of the six enduring environmental outcomes recommended in this report are to be incorporated into a planned Environmental Reporting Amendment Bill. This Bill remains to be introduced.

Responses to my report on urban green spaces *Are we building harder, hotter cities?* are still pending. However, the proposed National Planning Framework set out in the Natural and Built Environment Act has incorporated 'urban trees and green space' as an area where direction is required. While this proposal partly fulfils two recommendations, it will take time for the requirement to flow through to statutory planning documents.

Advice from previous years

During the 2022/23 financial year, several key recommendations made in previous years gained traction.

Overseer and regulatory oversight: Models, uncertainty and cleaning up our waterways

In 2018, I published a report into Overseer, a model commonly used for calculating nutrient losses from farms in New Zealand which was increasingly being used for nutrient regulation. My report found that important elements of the model were not open for review, and some gaps and shortcomings needed to be addressed.

I recommended that a whole-model peer review be undertaken; the findings of this review were published by the Ministry for Primary Industries in 2021. I also recommended that the Minister for the Environment task officials to develop best practice guidance for the development, evaluation, and application of environmental models in regulation, drawing on international experience. In June 2023, the Ministry published guidance on developing, adapting, and applying environmental models in a regulatory context in New Zealand.

Not 100% – but four steps closer to sustainable tourism

Concern about the environmental effects of increasing tourist numbers prompted a report in December 2019, with a follow-up report in February 2021. The COVID-19 pandemic reduced the immediacy of concerns, but I urged the Government to take advantage of the pause in international tourism to transform the sector to one with a substantially smaller environmental footprint.

There has been no uptake of my recommendation for a distance-based departure tax, nor has there been any observed integration of environmental performance standards into Tourism Infrastructure Funding. Most other recommendations are still pending any action.

The one area where there has been some action recommendation uptake has been in relation to freedom camping. The Self-contained Motor Vehicles Legislation Act 2023 is introducing a new regulated system for the certification and registration of self-contained vehicles, with a strengthened infringement system. A register of self-contained vehicles will become operational and accessible to compliance officers. I had suggested that Waka Kotahi NZ Transport Agency or the Ministry of Business, Innovation and Employment be responsible for this new process. Instead, this role has been allocated to the Plumbers, Gasfitters and Drainlayers Board.

Space invaders: A review of how New Zealand manages weeds that threaten native ecosystems

I have continued to follow up with Ministers and officials regarding lack of uptake of recommendations from the 2021 Space Invaders report. I wrote to Minister for Biosecurity, Hon Damien O'Connor, and the Minister of Conservation, Hon Willow-Jean Prime about my concerns in March 2023. To encourage action, I also hosted a one-day workshop on the one-year anniversary of the report's release in November 2022. This event sought to draw on the collective knowledge of attendees to identify practical short to medium term solutions; and to identify organisations to take leadership of this work. I have also followed up with Minister O'Connor on the specific issue of wilding conifer control. The lack of progress to date suggests that the protection of indigenous biodiversity from invasive exotic weeds is a low priority for the biosecurity authorities.

Quality assurance

It is vital that the work produced by the office is well researched, argued and communicated. All work is internally reviewed. Major projects, reports and commentaries are externally reviewed for technical accuracy.

Response to public concerns and requests

The office receives a range of correspondence from the public about environmental matters. I have set three time frames to respond 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 2022/23, 96% of public concerns and information requests were responded to within required time frames. This is the same as 2021/22. Four official information requests were received. One was withdrawn, but the others were responded to within the statutory time frame. We regularly review our processes with a view to continued improvement in this area.

Future changes to non-financial performance measures

As part of my Strategic Intentions 2023-2027 document, I have reviewed and refreshed these measures and targets to ensure they provide meaningful information. I have suggested implementing a new qualitative measure to understand how useful my outputs are to a key audience (Parliament). I have also suggested removing two measures. The full rationale for these proposals can be found in my Strategic Intentions 2023-2027 document available on our website.

Reporting against these revised measures will begin in my 2023/24 annual report.



Financial reporting

Statement of comprehensive revenue and expense for the year ended 30 June 2023

Actual 2022 \$(000)		Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Unaudited forecast 2024 \$(000)
Revenue					
3,934	Revenue Crown		4,341	4,286	4,341
153	Other revenue		26	3	3
4,087	Total Revenue		4,367	4,289	4,344
Expenses					
2,475	Personnel costs	(2)	2,452	2,718	2,602
59	Depreciation	(6)	106	173	137
31	Capital charge	(3)	31	-	-
1,361	Other operating expenses	(4)	1,522	1,398	1,605
3,926	Total Expenses		4,111	4,289	4,344
161	Net Surplus		256	-	-
	- Other comprehensive revenue and expenses		-	-	-
161	Total Comprehensive Revenue and Expenses		256	-	-

Explanations of major variances against the original 2022/23 budget are detailed in note 15.

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2023

Actual 2022 \$(000)	Note	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Unaudited forecast 2024 \$(000)
Assets				
Current Assets				
529	Cash and cash equivalents	1,175	362	601
415	Debtors and other receivables	(5)	277	-
944	Total Current Assets	1,175	639	601
Non-Current Assets				
477	Property, plant and equipment	(6)	461	664
477	Total Non-Current Assets	461	664	445
1,421	Total Assets	1,636	1,303	1,046
Liabilities				
Current Liabilities				
398	Creditors and other payables	(8)	488	373
161	Repayment of surplus	(9)	256	-
251	Employee entitlements	(10)	281	319
810	Total Current Liabilities	1,025	692	435
810	Total Liabilities	1,025	692	435
611	Net Assets	611	611	611
Equity				
611	Taxpayers' Fund	611	611	611
611	Total Equity	611	611	611

Statement of changes in equity for the year ended 30 June 2023

Actual 2022 \$(000)	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Unaudited forecast 2024 \$(000)
611	Opening Balance	611	611
161	Total comprehensive revenue and expense	256	-
(161)	Return of operating surplus to the Crown	(256)	-
611	Closing Balance	611	611

Explanations of major variances against the original 2022/23 budget are detailed in note 15.

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2023

Actual 2022 \$(000)	Actual 2023 \$(000)	Unaudited budget 2023 \$(000)	Unaudited forecast 2024 \$(000)
Cash flows from operating activities			
3,934 Receipts from Crown	4,618	4,302	4,341
32 Receipts from other revenue	35	3	3
(1,269) Payments to suppliers	(1,314)	(1,308)	(1,535)
(2,483) Payments to employees	(2,425)	(2,778)	(2,602)
(31) Payments for capital charge	(31)	(31)	(31)
3 Goods and services tax (net)	14	-	-
186 Net cash from operating activities	897	188	176
Cash flows from investing activities			
(474) Purchase of property, plant and equipment	(90)	(172)	(72)
(474) Net cash (used in) investing activities	(90)	(172)	(72)
Cash flows from financing activities			
(214) Payment of surplus to Crown	(161)	-	-
(214) Net cash (used in) financing activities	(161)	-	-
(502) Net increase/(decrease) in cash	646	16	104
1,031 Cash at the beginning of the year	529	346	497
529 Cash at the end of the year	1,175	362	601

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 2022/23 budget are detailed in note 15.

The accompanying notes form part of these financial statements.

Statement of commitments

As at 30 June 2023, the Parliamentary Commissioner for the Environment has no capital commitments (2022: Nil).

Non-cancellable operating lease commitments

The Parliamentary Commissioner for the Environment has entered into an office lease in March 2022 at a monthly cost of \$17,509. The lease term expires on 28 March 2028.

Other non-cancellable commitments

Actual 2022 \$(000)		Actual 2023 \$(000)
Non-cancellable operating lease commitments		
210	No later than one year	210
840	Later than one year and no later than five years	788
158	Later than five years	-
1,208	Total operating lease commitments	998
Other non-cancellable commitments		
7	No later than one year	9
12	Later than one year and no later than five years	6
19	Total other commitments	15

A variation was made to the current Sharp contract for office equipment, increasing the total monthly instalment. This contract expires on 26 March 2025.

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 2023 (2022: Nil).

The Parliamentary Commissioner for the Environment had no contingent assets as at 30 June 2023 (2022: Nil).

Notes to the financial report

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 and statement of service performance for the Parliamentary Commissioner for the Environment are for the year ended 30 June 2023 and were authorised for issue on 29 September 2023.

This statement of service performance was prepared for the Parliamentary Commissioner for the Environment. All measures reported in the statement of service performance in the 2023 annual report, relate to the performance of the entity.

The service performance information is contained within the service performance reporting section of the annual report, notably the section titled statement of service performance pages 35 to 38.

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 and statement of service performance 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 and statement of service performance 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 and it has no public accountability.

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).

New or amended standards adopted

PBE IPSAS 41 Financial Instruments

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

PBE FRS 48 Service Performance Reporting

This standard establishes new requirements for the selection and presentation of service performance information. The ministry has adopted PBE FRS 48. The main change between PBE FRS 48 and PBE IPSAS 1 Presentation of Financial Statements is that PBE FRS 48 requires additional information to be disclosed on the judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information. This is disclosed on page 36 of the service performance information.

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 non-exchange 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 allowance for credit losses.

The Parliamentary Commissioner for the Environment applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Short-term receivables are written off when there is no reasonable expectation of recovery.

Payables

Short-term payables are recorded at the amount payable.

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	5–14.3 years	7–20%
Computer hardware	2.5–4.8 years	21–40%
Office equipment	3.3–5 years	20–30%

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 the costs of services, 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 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.

The Parliamentary Commissioner for the Environment controls intangible assets with a nil carrying amount. These have not been disposed of as the Parliamentary Commissioner for the Environment still has use of these intangible assets. Refer to note 7.

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 required to repay the surplus and is measured as the difference between total assets and total liabilities. Repayment of any surplus is made to the Crown before 31 October each year and is classified as a liability until date of payment. 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.

Budget and forecast figures

Basis of the budget and forecast figures

The unaudited budget for 2022/23 was published in the 2021/22 annual report. It is 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 2021/22.

The 2023/24 unaudited forecast figures are for the year ending 30 June 2024. 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 2022/23.

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 2022/23 unaudited budget and 2023/24 unaudited forecast figures were prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The 2023/24 forecast financial statements were approved for issue by the Commissioner on 18 May 2023. The Commissioner is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The forecast 2023/24 Statement of Financial Position and Statement of Cash Flows have been updated to reflect actual year-end information as at 30 June 2023 in order to set meaningful opening positions for the bank balance and the surplus repayable to Treasury as at 30 June 2023.

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 2023/24 year.

The main assumptions, which were adopted as at 18 May 2023, 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 2023 are likely to vary from the forecast information presented, and the variations may be material.

2. Personnel costs

Actual 2022 \$(000)	Actual 2023 \$(000)
2,415 Salaries and wages	2,382
73 Employer contributions to defined contribution plans	56
(13) Increase/(decrease) in annual leave	14
2,475 Total personnel costs	2,452

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 the Treasury during the year. The capital charge rate for the year ended 30 June 2023 was 5% (2022: 5%).

The total capital charge incurred for the year ended 30 June 2023 was \$31,000 (2022: \$31,000).

4. Other operating expenses

Included within other operating costs are:

Actual 2022 \$(000)	Actual 2023 \$(000)
31 Audit fees for the annual report audit	33
308 Operating leases	288
644 Consultancy	851
117 Maintenance	92
81 Accommodation (excluding office lease)	36
28 Communication	27
20 Travel	71
6 Consumables	12
23 Professional fees and development	32
16 Library acquisitions	13
22 Loss on write-off	-
65 General expenses	67
1,361 Total	1,522

5. Debtors and other receivables

Actual 2022 \$(000)	Actual 2023 \$(000)
Non exchange	
277 Debtor Crown	-
Exchange	
10 Aged receivables	-
128 Other receivables	-
415 Total debtors and other receivables	-

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 2022	100	133	38	375	646
Additions	7	67	-	16	90
Balance at 30 June 2022	107	200	38	391	736
Accumulated Depreciation					
Balance at 30 June 2022	27	85	37	20	169
Depreciation expense	8	33	1	64	106
Balance at 30 June 2023	35	118	38	84	275
Carrying amounts					
At 30 June 2022	73	48	1	355	477
Balance at 30 June 2023	72	82	-	307	461

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)	Developed software \$(000)	Total \$(000)
Cost			
Balance at 30 June 2022	4	50	54
Balance at 30 June 2023	4	50	54
Accumulated amortisation and impairment losses			
Balance at 30 June 2022	4	50	54
Balance at 30 June 2023	4	50	54
Carrying amounts			
At 30 June 2022	–	–	–
At 30 June 2023	–	–	–

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.

The Parliamentary Commissioner for the Environment controls acquired and developed software. Although these are fully amortised and do not contain a carrying value, they have not been disposed as they are still in use.

8. Creditors and other payables

Actual 2022 \$(000)	Actual 2023 \$(000)
Exchange	
264 Creditors	329
98 Accrued expenses	119
Non exchange	
36 GST payable	40
398 Total creditors and other payables	488

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

9. Repayment of surplus

Actual 2022 \$(000)	Actual 2023 \$(000)
161 Net surplus	256
161 Total repayment of surplus	256

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

10. Employee entitlements

Actual 2022 \$(000)	Actual 2023 \$(000)
199 Annual leave	213
52 Accrued salaries	68
251 Total employee entitlements	281

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 2023.

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 2022 \$(000)	Actual 2023 \$(000)
Leadership Team, including the Commissioner	
1,115 Remuneration	1,047
6 Full-time equivalent staff	5

Key management personnel are the senior management team, which comprises the Commissioner, Chief Advisor Economics, General Counsel, Chief Advisor Programmes, Chief Advisor Science and Chief Operating Officer (2022: Commissioner, Chief Advisor Economics, Chief Advisor Legal, Chief Advisor Programmes, Chief Advisor Science and Chief Operating Officer).

Full-time equivalent staff is determined by the time period of employment during the year.

12. Events after the balance date

No significant events have occurred subsequent to balance date. (2022: Nil).

13. Comparatives

In order to be consistent with the current year we have reclassified items in the prior year for consistency.

14. Categories of financial instruments

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

Actual 2022 \$(000)	Actual 2023 \$(000)
Financial assets measured at amortised cost	
529 Cash and cash equivalents	1,175
415 Debtors and other receivables	-
944 Total financial assets measured at amortised cost	1,175
Financial liabilities measured at amortised cost	
362 Creditors and other payables (excluding GST payable)	448

15. 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

Revenue

Revenue Crown was \$55k higher than budgeted due to additional Crown revenue appropriated after the budget was set.

Other revenue was \$23k higher than budget due to unbudgeted secondments in which personnel costs were reimbursed for. Consultancy costs were utilised to temporarily cover these positions.

Personnel costs

Personnel costs were lower than budget by \$266k. Staff turnover in multiple positions required time to fill these vacant positions which resulted in higher variances to normally anticipated within the budget.

Other operating expenditure

Other operating expenditure was higher than budgeted by \$124k due to consultancy variances. The variance in personnel costs against budget was offset against temporary consultancy costs (resulting in an increase in operating expenditure) to cover these positions.

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 budget by \$536k. The Debtor Crown was drawn upon in order to support cash flow. Budgeted capital expenditure in relation to the office fitout were also unrealised due to the needs of the Office.

Non-current assets

As noted above, further capital expenditure against budget were not required. This represents a variance of \$203k within non-current assets.

Current liabilities

Current liabilities were higher than budgeted by \$333k due to project related costs falling close to year-end and gaps in personnel spend which were left unutilised, resulting in a surplus. Payments to suppliers of these project related costs were not made until after 30 June 2023 and the liability for those costs to be made have been recognised.

Statement of cash flows

The variance of \$316k between the actual receipts from Crown and budget is due to the draw-down of the Debtor Crown and additional appropriation. Other revenue is driven by increased secondment recoveries.

Lower personnel costs, driven by periods of vacancies during the year, resulted in a decrease in payments to employees than budgeted by \$353k. Capital expenditure on property, plant and equipment was not required, represented by the variance of \$82k.

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 2023. 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 2023

Annual and permanent appropriations for Vote Parliamentary Commissioner for the Environment

Actual 2022		Actual 2023	Appropriation Voted 2023
\$(000)		\$(000)	\$(000)
Output expenses			
3,583	Parliamentary Commissioner for the Environment - Reports and Advice	3,713	3,986
3,583	Total output expenses	3,713	3,986
Appropriation for other expenses			
343	Remuneration of the Parliamentary Commissioner for the Environment (Permanent Legislative Authority)	398	398
343	Total other expenses	398	398
Capital expenditure			
475	Parliamentary Commissioner for the Environment – Capital Expenditure (Permanent Legislative Authority)	90	172
475	Total capital expenditure	90	172
4,401	Total annual and permanent appropriations	4,201	4,556

End-of-year output performance information has been reported in the statement of service performance (page 35) 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 36).

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 35).

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2023

The Parliamentary Commissioner for the Environment has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2021/22: Nil).

Statement of capital injections for the year ended 30 June 2023

The Parliamentary Commissioner for the Environment has not received any capital injections during the year (2021/22: Nil).

Statement of capital injections without, or in excess of, authority for the year ended 30 June 2023

The Parliamentary Commissioner for the Environment has not received any capital injections during the year without, or in excess of, authority (2021/22: Nil).

Mayfly, *Deleatidium autumnale*

Sustainability reporting

My office is committed to operating in an emissions and energy-efficient environment. While it is not mandatory for the office to meet the requirements of the Carbon Neutral Government Programme, we wish to monitor our emissions and, where possible, minimise them.

Our emissions have been independently verified by Toitū Envirocare (Enviro-mark Solutions Ltd) in line with ISO 14064-3:2019. A copy of our Toitū carbonreduce certification disclosure can be viewed on the Toitū website.

We selected 2022/23 as the base year for our reporting. Our emissions for this period were 19.84 tonnes of carbon dioxide equivalent. We measured emissions resulting from operational activities, purchased energy and selected impacts from our value chain activities, including business travel, freight and waste sent to the landfill. Emissions and reductions are reported using location-based methodology. The annual inventory is detailed in the table below.

Table 3: Annual inventory of emissions and reductions for the Office of the Parliamentary Commissioner for the Environment 2022/23.

Category (ISO 14064-1:2018)	Scopes (GHG Protocol)	Greenhouse gas emissions (tCO ₂ e)
Category 1: Direct emissions	Scope 1	0.00
Category 2: Indirect emissions from imported energy (location-based method)	Scope 2	2.95
Category 3: Indirect emissions from transportation	Scope 3	15.31
Category 4: Indirect emissions from products used by organisation		1.59
Category 5: Indirect emissions associated with the use of products from the organisation		0.00
Category 6: Indirect emissions from other sources		0.00
Total gross emissions*		19.84
Category 1 direct removals		0.00
Total net emissions*		19.84

*Gross and net emissions are reported using a location-based methodology.

The operational greenhouse gas emission sources included in this inventory are show in the figure below.

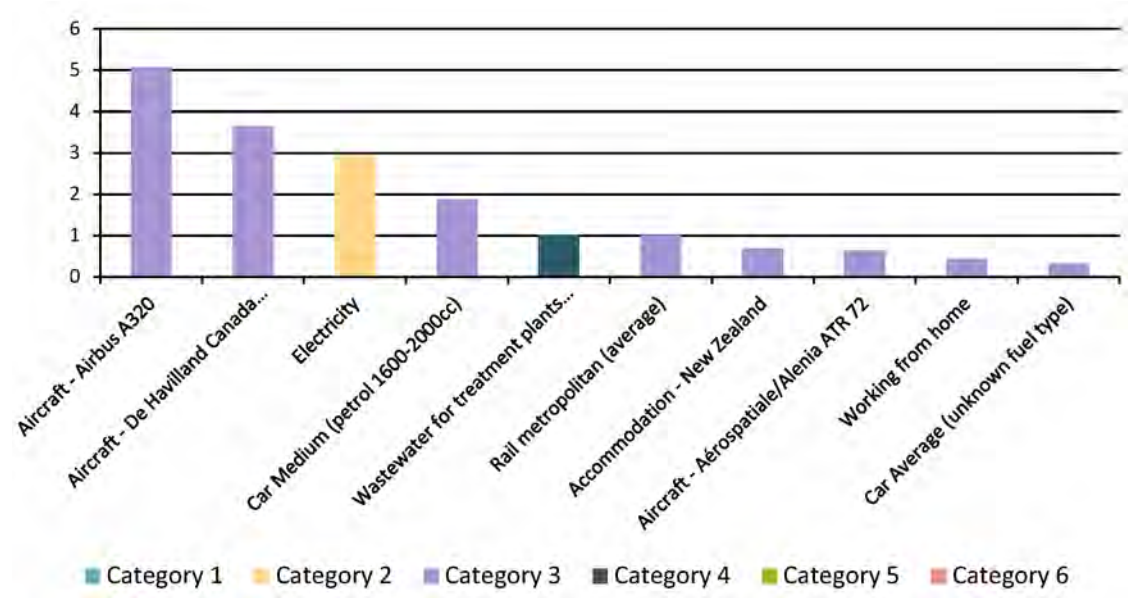


Figure 8.1: Top ten sources of greenhouse gas emissions (tCO2e) by the office of the Parliamentary Commissioner for the Environment.

The top three sources of emissions were: air travel for work purposes, electricity use and staff commuting to work. Air travel is often required during the course of investigations to visit sites and carry out iwi and community consultations. The level of this activity is dependent on the type of investigation undertaken by my office and whether a travel component is required. The majority of my staff commute via public transport, cycling or walking. Staff commuting and office electricity use are expected to remain fairly consistent across future years. It is unlikely that there will be any significant increase or decrease in these activities.

As a tranche three organisation within the Carbon Neutral Government Programme, my office is not mandated to report, or to set targets. However, we will continue to review opportunities to further reduce our emissions over the coming financial year. Actions taken this year include:

- working with suppliers who are focused on their own emissions reduction and have a commitment to carbon reporting
- replacing current lighting in meeting room spaces with sensor lighting
- formalising our office recycling system.

In the coming year my corporate team will undertake work to source and improve data for future emissions inventories. This may include:

- working with site cleaners to obtain weights of waste
- adding paper and organic waste into 2023/24 reporting
- working with suppliers to obtain more detailed information on land transport (e.g. taxis), including kilometres travelled.

Parliamentary Commissioner for the Environment
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