

# *Statement of Intent*

2012 – 2015

Office of the Privacy Commissioner  
Te Mana Matapono Matatapu

*Presented to the House of Representatives  
Pursuant to section 139 of the Crown Entities Act 2004*

ISSN 2230-4290 (Print)  
ISSN 2230-4304 (Online)

## CONTENTS

<i>Introduction from the Privacy Commissioner</i> .....	3
<i>Purpose</i> .....	4
Mission Statement.....	4
<i>Operating Environment</i> .....	6
Regulatory pressures .....	8
Operational priorities .....	9
The Outcomes Framework.....	11
Linkages .....	11
<i>Organisational Capability</i> .....	13
Core capabilities.....	13
Equal employment opportunities and good employer statement.....	14
Risks.....	14
<i>Service Performance Measures for the Year 2012 - 2013</i> .....	15
Outcome 1: Awareness and Compliance.....	15
Outcome 2: Government and Business .....	17
Outcome 3: New Technologies and International Connections.....	19
<i>Financial Forecast Statements</i> .....	21
Statement of Forecast Service Performance .....	24
Statement of underlying assumptions .....	24
Nature of forecasted financial statements.....	24
Statement of accounting policies .....	25

## INTRODUCTION FROM THE PRIVACY COMMISSIONER

Protecting personal data has become a critical area for business and government. Personal information has been recognised as a business asset with a pivotal role in business profitability. “Privacy” today includes areas as diverse as social networking, cloud-computing, biometrics, credit reporting, surveillance technology, online fraud and safety. The global reach of online technologies mean that most of these issues have a cross-border and international angle. This aspect alone raises many challenging issues for information law and practice.

Personal information has become a modern currency and an essential infrastructure. Consumer and citizen trust and confidence in both business and government is critically affected by their standards of information handling. As a small watchdog agency, OPC can provide independent oversight and reassurance. OPC works with government and business partners across a range of areas to enhance government efficiency and business opportunities while respecting personal information.

The uptake of technology by business and government is reflected in increasing demands for guidance and other regulatory assistance. OPC rigorously prioritises its work programme.

Current OPC priorities are to:

- progress and implement key modernising recommendations from the Law Commission’s review of privacy law, particularly: -
  - streamline compliance processes and dispute resolution, through compliance notices, access determinations and “class actions” to tackle systemic harm;
  - introduce innovations, such as the ability to audit with good reason, privacy breach notification and a statutory “do-not-call” register;
  - better protections for people, for example by closing-off offensive internet postings, and more protections for victims.
- work with industry to formulate expert guidance on cloud-computing offshore ICT options;
- work with industry and other agencies to ensure adequate public education on new credit reporting changes affecting all adult New Zealanders
- ensure a data protection framework exists that enables uptake of national and international commercial opportunities arising from technology developments.

This Statement of Intent covers a period of three years and sets demanding objectives within significant financial constraints. As a small organisation we must make intelligent choices and work in partnership with others. Our goal is to influence progress towards a modern New Zealand which reflects excellence in personal information handling and responds to the demands of a rapidly changing world.



Marie Shroff  
**Privacy Commissioner**

## PURPOSE

### MISSION STATEMENT

We will work towards a modern New Zealand which:

- recognises the individual and societal value in protecting privacy
- reflects excellence in personal information handling by government and business
- recognises and reacts to the changing privacy demands of the electronic age

Protecting personal information and privacy is a complex activity which extends across all segments of the community. Privacy is a human right that can, when managed in a careful way, be reconciled with potentially competing interests, such as efficiency in business and government. Finding that balance has become increasingly important, as a changing technological environment opens new means and opportunities to acquire, use and distribute personal information.

The Privacy Act 1993 (the Act) takes a modern approach to the regulation of personal information through the application of principles. Openness, fairness and clarity of purpose are its themes. Within the statutory functions as described in Section 13 of the Act, the Office undertakes a range of diverse roles across government, business and society at large. The Privacy Commissioner is an independent crown entity under the Crown Entities Act 2004, and acts independently in investigating complaints and carrying out her functions.

Role	Purpose	Process
Legislation and policy	Assist public and private sector agencies to reach reasonable goals in a privacy-respectful manner	Comment and respond on legislative, policy or administrative proposals that impact on the privacy of individuals, including to Cabinet or Select Committees
Complaints and Investigations	Investigate and seek to settle complaints about an interference with individual privacy	Manage a robust and responsive complaints and investigation process
Education and awareness	Encourage awareness of personal information issues to help agencies and individuals to protect privacy	Activities include: <ul style="list-style-type: none"><li>• 0800 enquiries helpline with 6,000+ calls per year</li><li>• A website and publications</li><li>• Training workshops, seminars and speeches</li><li>• Responses to media enquiries</li></ul>
Information matching programmes	Oversight and monitoring role for all government data matching programmes	Monitoring and reporting on authorised data matching programmes, and information sharing across government

Role	Purpose	Process
Codes of practice	The Privacy Commissioner may issue sector specific codes of practice	Through a process of private and public sector consultation develop codes to modify the information privacy principles or prescribe how information privacy principles are to be applied or complied with in a particular industry or context
International	<p>Share knowledge and experience with counterparts overseas and others involved in protecting privacy</p> <p>Actively seek to reduce barriers for business, government and individuals to meet international legislative requirements</p> <p>Privacy laws facilitate business, and commercial activity, while in turn, protecting data about individuals</p>	<p>Active in international forums with our trading partners in the Asia-Pacific region and European Union countries</p> <p>Promote New Zealand's case to be recognised as having privacy protections suitable for acceptance by the international community</p> <p>Work towards business friendly privacy enforcement internationally through the Global Privacy Enforcement Network (GPEN) while at the same time affording suitable protections for individual privacy</p>

The Office continues the trend of providing improved services through a significant period of fiscal constraint going back a number of years. A quick overview of the past 5 years' performance indicators tells the story of an Office adapting to changing demands.

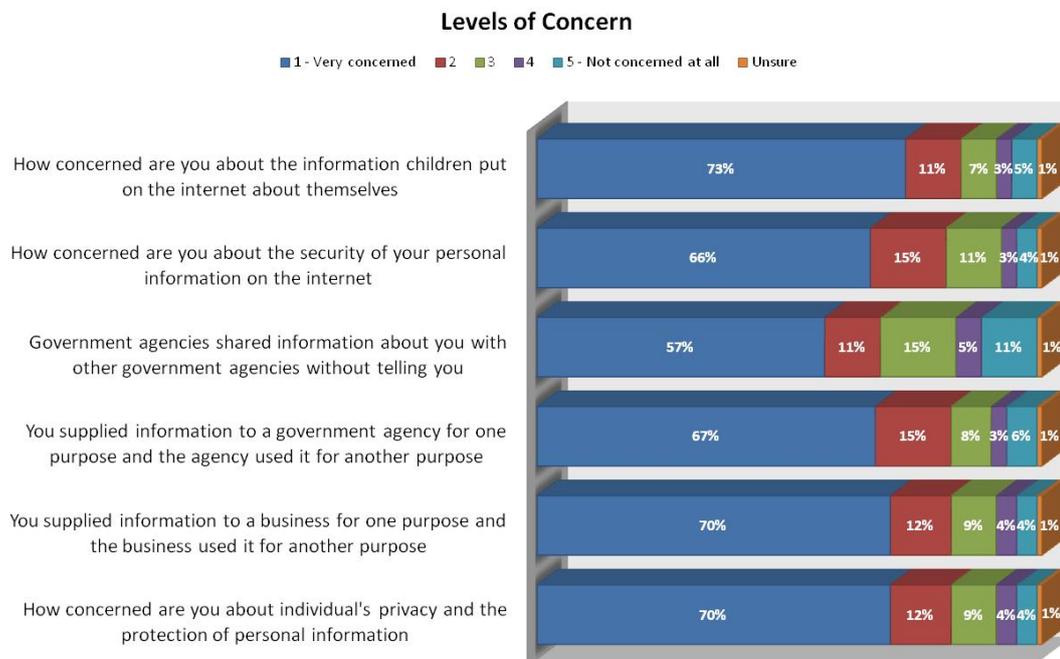
Performance Indicators	Year Ending				
	Jun 07	Jun 08	Jun 09	Jun 10	Jun 11
Operating Grant (\$000)	3,091	3,109	3,148	3,148	3,148
Total Income (\$000)	3,456	3,523	3,861	3,486	3,448
Total Expenditure (\$000)	3,251	3,751	3,849	3,623	3,496
Total Staff Expenditure (\$000)	2,071	2,337	2,620	2,483	2,441
Staff Numbers (FTE's)	31.48	31.48	30.39	30.69	29.69
Complaints received	640	662	806	978	968
Complaints closed	701	767	822	961	999
Percentage of complaints closed within 6 months	48%	61%	83%	80%	80%

Performance Indicators	Year Ending				
	Jun 07	Jun 08	Jun 09	Jun 10	Jun 11
Percentage of complaints under 12 months of age	81%	88%	95%	97%	96%
Public enquiries received	5,884	5,416	6,632	7,151	7,000
Media enquiries received	137	128	216	323	212
Information matching programmes monitored	46	46	46	49	47

## OPERATING ENVIRONMENT

Organisations have greatly benefited from the many improvements in personal data processing, as have individuals. Personal data is increasingly a core asset and infrastructure for modern business operations and essential to effective government administration. It has become a “currency” for the internet economy, exchanged for access to online content and services. The growing value of personal data increases the risks that data will be used in ways that neither the organisation nor the individual anticipated when the data was collected.

The role of personal data protection principles in helping to maintain trust is integral to the continued benefits of personal data flows.

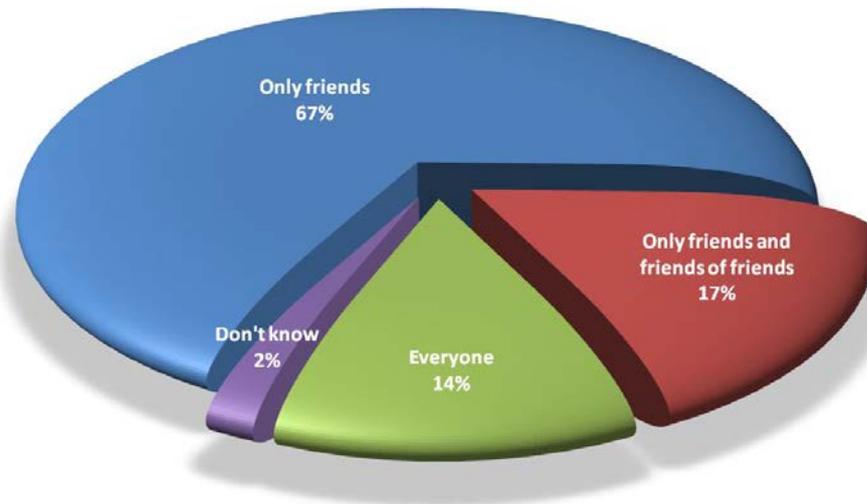


*Source: 'Individual privacy & personal information' UMR Omnibus Report April 2012*

Individuals currently play a greater role in generating and disseminating personal data, in particular through social networking. The role is more akin to that of a data controller than a data subject, raising new issues regarding the impact they are having on the privacy of others and themselves.

Individuals often face a lack of information, or overly detailed information about how their personal data may be used. Individuals may find it difficult to assess information risks when confronted with complex information and competing interests.

As far as you know who can see your Facebook page



*Source: 'Individual privacy & personal information' UMR Omnibus Report April 2012*

Securing personal data has become a greater challenge. Individuals are exposed to increased potential harms including the risk of identity theft. Data breaches are occurring more frequently and data breach notification has therefore become an increasingly important element of privacy oversight by this Office.

Countries have chosen different approaches to protecting data and have expressed differing degrees of concern about barriers to cross-border data flows. The importance then, of effective, global, practical approaches to the collection, use and transfer of personal data has never been greater in seeking a balance between protecting personal information and preventing barriers to transborder data flows.

The race to develop and take advantage of new technology is an exciting one to be part of. We are privileged witnesses to evolution in progress. We need to ask ourselves:

*"How do we allow the electronic marketplace to reach its full potential and give consumers the confidence they need to participate fully"?*

As with other regulators we are moving from a complaint driven, high regulatory mode to putting more emphasis on diagnosing and dealing with systemic, below the radar issues. Targeted monitoring and controls link neatly to good accountability structures developed

by business. In the international environment, global regulation and enforcement across business are now real possibilities.

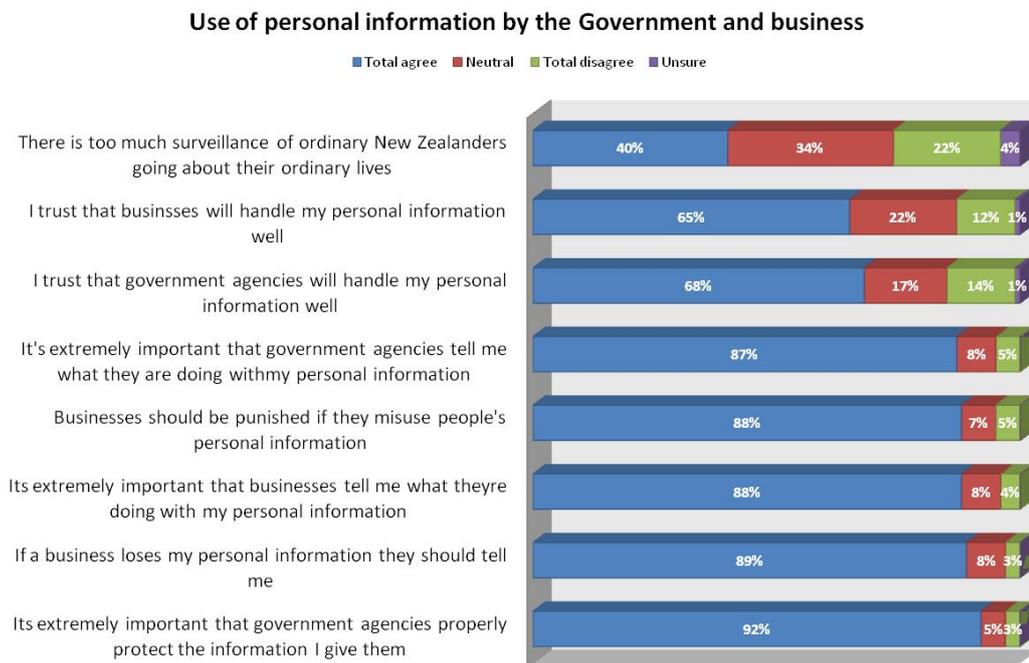
There is expectation on the Office of the Privacy Commissioner in its role as a privacy watchdog to be able to quickly develop a view on the privacy implications of new technology and its use. In order to remain credible and effective we need to be very good at scanning emerging developments, selecting the issues that require a proactive response, and moving quickly to develop the appropriate response.

## REGULATORY PRESSURES

### National

The Law Commission's 4½ year review of privacy has been a major focus for the Office. The review endorsed the principle-based and technology-neutral approach of the Privacy Act, while also making numerous recommendations for change to ensure New Zealand law is better equipped to deal with technological challenges.

The Law Commission's approach has been carefully measured and justifiable, both in the current business and economic environment and into the foreseeable future. It has been careful to preserve and enhance the best features of the Act, such as its ability to resolve large numbers of disputes at low cost, while making it more effective in key areas – particularly by tackling the Act's key weaknesses in relation to enforcement and dealing with systemic (rather than complaint driven) issues.



*Source: 'Individual privacy & personal information' UMR Omnibus Report April 2012*

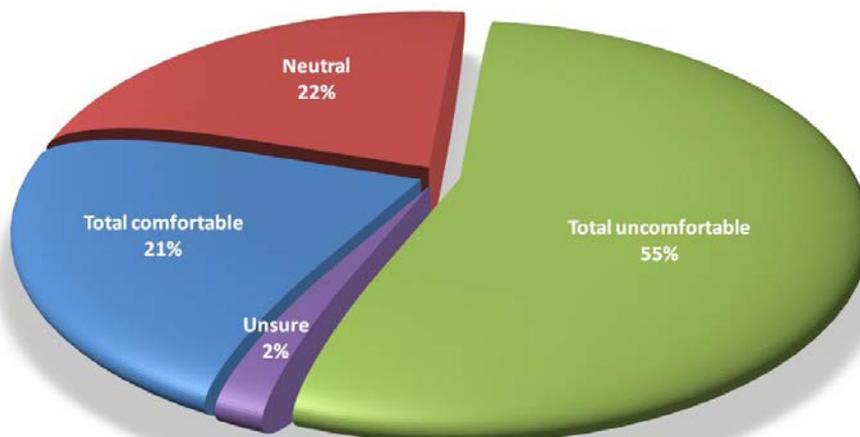
The government is moving towards e-government and has introduced information sharing legislation which will provide major drivers of work for the Office over the next few years.

## International

New Zealand business needs to be in a position to compete globally and take advantage of new opportunities arising from technology. We are living and transacting in an information-rich society where personal data has become a business asset that is valued and tradable. Details about individuals are collected, sorted and disclosed on an unprecedented scale. Technology is an enabler, and means there is a greatly enhanced ability to analyse and combine huge data sets. Some commentators have described this phenomenon as “big data”.

Through the focus on technology and globalisation, information (storage, access and flows) now transcends national borders. Data is stored outside New Zealand by individuals, business and other agencies through ‘cloud computing’. Smaller countries such as New Zealand are inevitably ‘takers’ of new technology and services from major global players such as Google and Microsoft. There is a real challenge to develop effective and compatible cross-border regulation, standards and enforcement solutions to facilitate the use of new technologies, while affording appropriate protections for individuals.

**How comfortable are you with business and government agencies keeping your personal information in data storage facilities which are based overseas**



*Source: 'Individual privacy & personal information' UMR Omnibus Report April 2012*

There is international pressure from both global business and privacy regulators to strengthen transborder standards and regulation, and establish consistency to provide certainty in how they will operate. The Office must remain an active participant in contributing to the development of proposals and ultimately their implementation, for the best interests of New Zealand and New Zealanders.

## OPERATIONAL PRIORITIES

In April 2012 the Office commissioned an independent report on New Zealanders' views on individual privacy and the handling of personal information. This is the fifth public survey since 2001. The report assists the Office to better plan and select our priority work areas. It also provides valuable feedback on our performance in raising public awareness.

The operating environment places significant fiscal and capability pressures on the Office for the delivery of outputs and impacts. To assist in determining priorities the Privacy Commissioner has established criteria by which current and future activities are assessed.

Criteria for determining operational priorities include:

- Relevance to our functions and responsibilities
- Importance or value of the issue
- Degree of external interest or demand
- Ability to make a difference
- Cost effectiveness (both short term and long term) in taking action.

## THE OUTCOMES FRAMEWORK

Our purpose statement defines the outcomes we seek to achieve through targeted and flexible use of our resources.

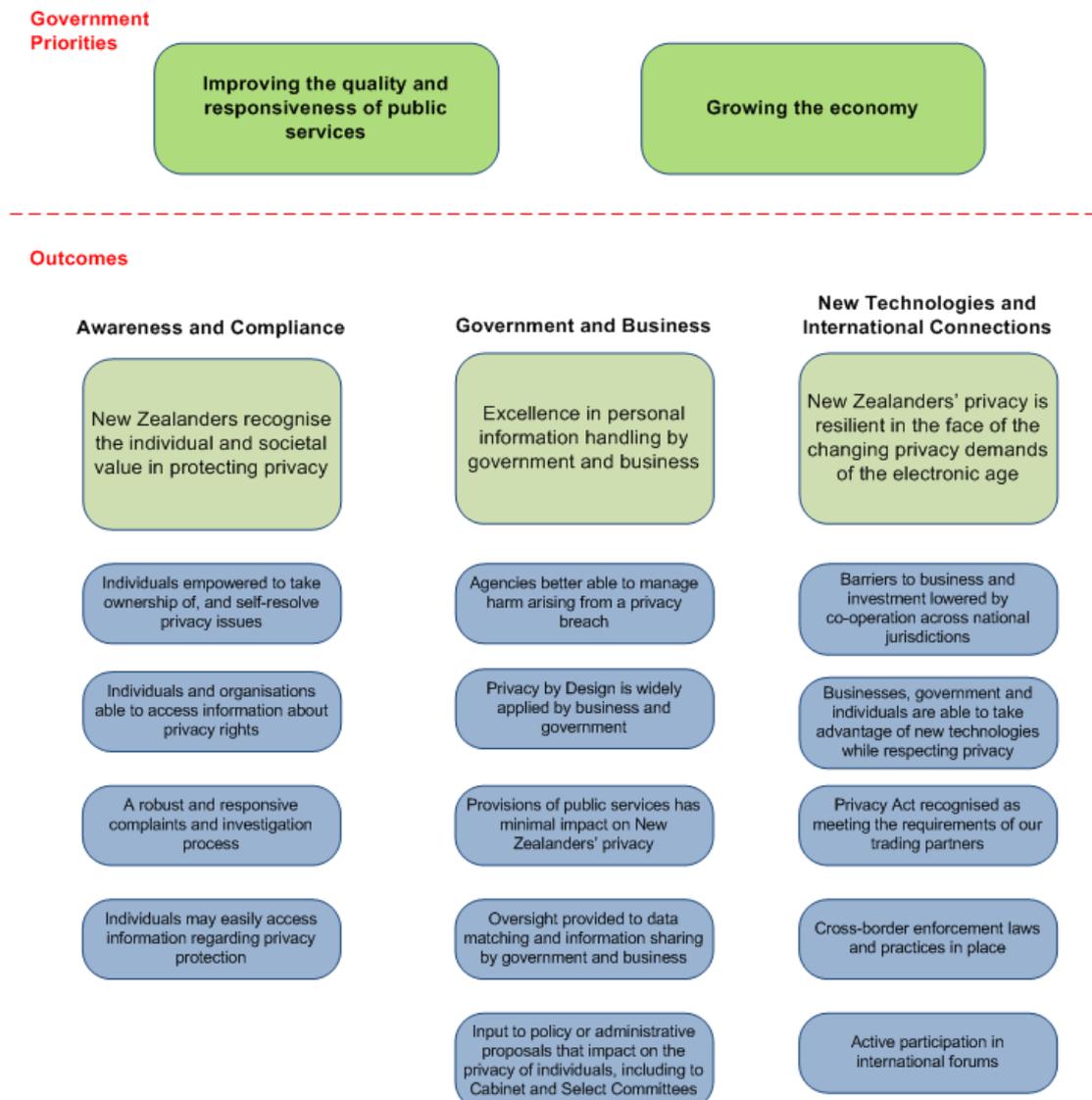


Fig. 1: Outcomes in the short and long term

## LINKAGES

The work of the Office supports government priorities and justice sector outcomes to deliver greater prosperity, security and opportunities to all New Zealanders through safer communities. While the Office of the Privacy Commissioner is an independent crown entity and strongly maintains such independence, the work programme complements the government priorities of growing the economy and improving the quality of public services. We support the improvement of the quality of public services, not just through our own actions but in our monitoring and advisory role.

An independent privacy regulator is an important institution in the support of trust in government. We provide oversight, and monitoring of the use of personal information in providing efficiencies in government processes.

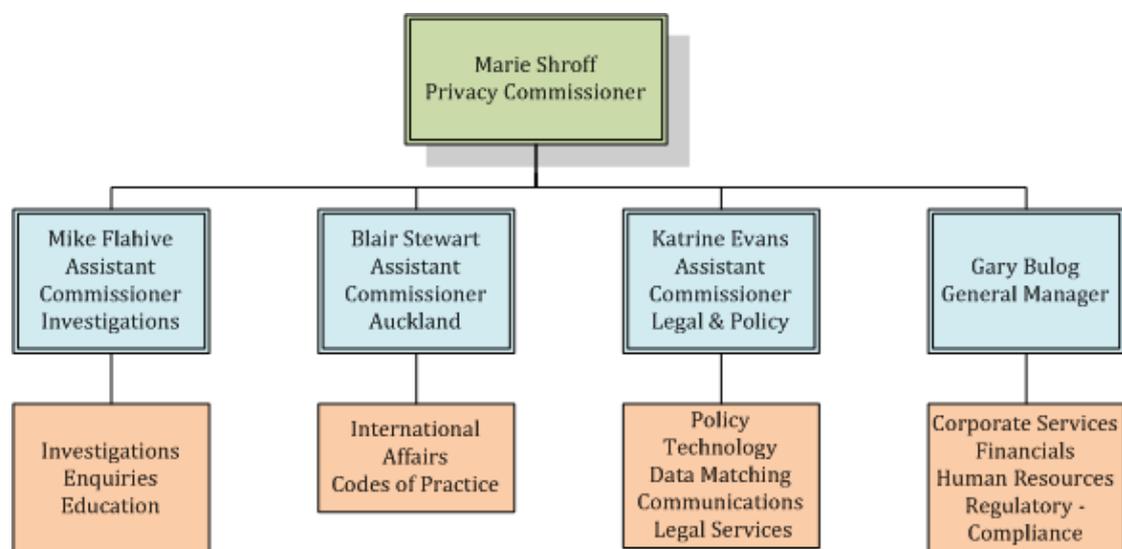
The effective uptake of many new technologies has been shown by research to be supported by robust and effective privacy protections and standards. In particular the work of the Office assists to promote public confidence and trust in the protection of personal information.

Trust means having faith or confidence in something or someone. It is at the core of the relationship between business and customer, government and citizen. With the rapid evolution of technology, trust remains critical. If individuals and organisations are to take advantage of the benefits arising from technological developments, they must have confidence in their reliability and safety.

The government in moving towards improving the quality of the Public Service has introduced information sharing legislation which will necessitate close scrutiny by the Office over the next few years.

## ORGANISATIONAL CAPABILITY

The Office of the Privacy Commissioner is led by the Management Team comprising the Privacy Commissioner as Chief Executive, three Assistant Commissioners and the General Manager.



The Office commissions independent research to assess individual concerns, awareness and developing trends in privacy within New Zealand. The research along with stakeholder input, contributes to the identification of the work programme.

## CORE CAPABILITIES

The Office measures quality and satisfaction with the complaints investigation process for complainants and respondents, and reports annually on the results.

Within the resources of the Office, the Privacy Commissioner maintains relationships with international privacy jurisdictions to keep a watch on international developments which have the potential to affect individuals, businesses and the government in New Zealand.

The Office participates in many public forums and speaking engagements, monitors media reporting of privacy issues, develops education programmes from which information and feedback is received and maintains close links with privacy officer interest groups in the public and private sectors.

Given the current and likely future operating environment where we have little financial flexibility, our core capabilities need to ensure we can:

- develop and maintain relationships with partners who have shared goals and can provide opportunities for greater leverage over privacy issues
- influence and persuade others
- actively manage the reputation of the Office
- identify and respond to significant new issues
- choose the 'right' issues in which to become involved
- work flexibly across functional areas to ensure that our knowledge and resources are used efficiently

- hire and retain competent and experienced people
- deliver value for money services.

We have budgeted a modest deficit this year, as we did in 2011/12. The current financial baseline is increasingly restrictive, in an environment of new technology and growing demand for our services. We are committed to meeting our responsibilities as far as possible within existing funding, and continue to seek opportunities where we might partner with other organisations or agencies to assist us to meet those responsibilities.

## EQUAL EMPLOYMENT OPPORTUNITIES AND GOOD EMPLOYER STATEMENT

The Office has an EEO policy and is an equal opportunities employer in its recruitment, human resources and staff development practices. The Office has documented human resource policies and regularly reviews staff morale as part of management reporting.

The Office reports on the Key Employment Elements in our Office in the Annual Report.

## RISKS

The Office has identified major risks and implemented responses to address those risks:

RISK TYPE	RESPONSES
<p><b>Credibility:</b></p> <p>The risk that the Office loses influence with the public, government, business and the media. The Office loses relevance.</p>	<p>Ensure statutory obligations and advisory responsibilities are met.</p> <p>Maintain the independence of the Office in the delivery of functions as a regulatory agency.</p>
<p><b>Demand and expectations:</b></p> <p>The risk that the Office cannot meet the level of complaints, public enquiries, media enquiries and demand for information arising from increased awareness.</p>	<p>Self resolution tools are in place.</p> <p>Manage work in line with the assessment process for operational priorities.</p>
<p><b>International standards:</b></p> <p>The risk that New Zealand fails to meet international privacy standards.</p>	<p>Participate in international privacy networks, remain abreast of international privacy developments and promote legislative change to reflect these standards.</p>
<p><b>Staff skills:</b></p> <p>The risk that key skill capabilities are not available for the Commissioner's work. Staff knowledge is lost.</p>	<p>Ensure that the required skills are developed and maintained.</p> <p>Staffs at all levels are supported with professional and personal development opportunities and provided opportunities for gaining wider experience and career development.</p>

## SERVICE PERFORMANCE MEASURES FOR THE YEAR 2012 - 2013

A set of performance measures has been developed to provide a means to demonstrate both internally and externally that the Office is performing effectively in achieving the stated outcomes.

The outcomes framework of the Statement of Intent links those outcomes contained within the mission statement of the Privacy Commissioner with measurable service performance standards.

### OUTCOME 1: AWARENESS AND COMPLIANCE

New Zealanders recognise the individual and societal value in protecting privacy.

#### **Why is this important?**

There is an increasing public awareness of privacy and privacy rights as a general issue, but this awareness remains relatively unsophisticated. The Office has experienced a trend of increasing numbers of media and public enquiries, and complaints over the past five years.

As awareness of privacy increases, this places further demand on the Office for perspectives and guidance on the key issues. Faced with resource pressures, we will require different ways of exerting influence over awareness and individual behaviour.

#### **The impacts we seek**

- Individuals empowered to take ownership of, and self-resolve privacy issues.
- Individuals and organisations are able to access information about privacy rights.

#### **Outputs**

##### Quantity

- Organise annual New Zealand Privacy Awareness Week as part of Asia-Pacific Privacy Awareness Week.
- Provide education activities to public and private organisations to facilitate an understanding of their obligations under the Privacy Act.
- Provide an enquiries service including 0800 helpline and website access to information, supporting self-resolution of complaints.
- Prepare practical guidance materials to assist public awareness and understanding of the Privacy Act.
- Maintain an effective website and other publications to assist stakeholders to promote better privacy practice.
- Respond to media enquiries.
- Provide a robust complaints and investigation service.

<u>Activities</u>	<u>Estimation</u>
Education workshops delivered	35
Presentations at conferences / seminars	15
Estimated number of enquiries received and answered	6,000
Media enquiries received	250
Number of complaints received	900
Number of current complaints processed to completion or settled or discontinued	900

#### Quality

- Complainants' and respondents' satisfaction with the complaints handling process rated as "satisfactory" or better in 80% of responses to a survey of complaints received and closed in the preceding period.
- Of the complaints processed, 30% are closed by settlement between the parties.
- In 90% of the complaints closed we demonstrate personal contact, either by phone or in person, with one or more of the parties.
- An external review of a sample of complaints investigations demonstrates an acceptable standard of the legal analysis, correctness of the legal conclusions, soundness of the investigative procedure and timeliness of response.
- Evaluations show that the expectations of 90% of attendees at workshops were either met or exceeded for quality of presentations.
- Case notes are published in accordance with standards adopted by the Asia Pacific Privacy Authorities (APPA) forum.
- Website publications provide reliable and relevant information which is legally accurate and in plain English.

#### Timeliness

- 80% of complaints are completed, settled or discontinued within nine months of receipt.
- Report on all operating information matching programmes in the Annual Report.
- Current information is placed on the website within five working days of being made available.
- Respond to 90% of 0800 line enquiries within one working day.
- Respond to 70% of phone enquiries live.
- All media enquiries are recorded, and responded to if required within agreed deadlines.

## OUTCOME 2: GOVERNMENT AND BUSINESS

Excellence in personal information handling by government and business.

### Why is this important?

Government and business hold large amounts of New Zealanders personal information. Evidence from the Office's own research, and from analysis of the complaints it receives, provides stark evidence that some agencies continue to make basic and avoidable mistakes in handling personal information. While there are some organisations that have very good privacy practices, a high standard of privacy practice is not widespread. Poor privacy practices and information handling by government and business is the major threat to New Zealanders' privacy.

### The impacts we seek

- Agencies are better able to manage harm arising from a privacy breach.
- Privacy by design is widely applied by business and government.
- Provision of public services has minimal impact on New Zealanders' privacy

### Outputs

#### Quantity

	<u>Estimation</u>
Projected number of active information matching programmes monitored	52

- Provide assistance to promote better privacy practice in business and government.
- Issue and keep current codes of practice.
- Provide practical advice to departments on privacy issues and fair information practices in proposed legislation and administrative proposals, including additional support to agencies as they undertake privacy impact assessments.
- Provide specialised assistance to government departments in accordance with agreed memoranda of understanding (currently with Department of Internal Affairs and Ministry of Health).
- Privacy Breach Guidelines for agencies are available to government and business.

#### Quality

- Assistance provided to government agencies presents a clear, concise and logical argument, and is supported by facts.
- Respond to feedback obtained from recipients of policy advice.
- All proposals for codes of practice will be the subject of discussion with stakeholders and where required, a public consultation process.
- All issued codes of practice are referred to the Regulations Review Committee of the House of Representatives.
- Provide all draft reports on operating, information matching programmes to the relevant departments for comment before they are published in the Annual Report.

- Reports on information sharing are reported in the Annual Report.
- Statutory responsibilities are met.

#### Timeliness

- Advice given to agencies by the agreed date so that it is useful to them.
- Report on all operating information matching programmes within the Annual Report.
- Formal response deadlines are met.
- Statutory timeframes are met.

### OUTCOME 3: NEW TECHNOLOGIES AND INTERNATIONAL CONNECTIONS

New Zealanders' privacy is resilient in the face of the changing privacy demands of the electronic age.

#### Why is this important?

Technological change and the future application of technology is not very predictable, although the rapid pace of change is well-recognised.

Often new technologies and applications are developed and put into use before analysing privacy implications. Existing regulatory frameworks were not established with the IT revolution fully in mind. The pace of change poses a real challenge for maintaining the relevance of the regulatory framework in privacy knowledge and practice.

There is an expectation that the Privacy Commissioner in her role as a privacy watchdog is able to quickly develop a view on the privacy implications of new technology and its use. For the Office to remain credible and effective over time it needs to be very good at scanning emerging developments, selecting the issues that require a proactive response, and moving quickly to develop the appropriate response.

#### The impacts we seek

- Barriers to business and investment lowered by close co-operation across international jurisdictions.
- Businesses, government and individuals are able to take advantage of new technologies while respecting privacy.
- Privacy Act recognised as meeting the requirements of our trading partners.
- Cross-border enforcement laws and practices in place.

#### Outputs

##### Quantity

- Participate in international forums.
- Contribute to international initiatives to facilitate cross-border cooperation in privacy standard setting and enforcement.
- Representation at key international forums including the International Conference of Data Protection and Privacy Commissioners (ICDPPC) and the Asia Pacific Privacy Authorities (APPA) forum.
- Membership of APEC's *Cross-border Privacy Enforcement Arrangement* (CPEA) and the *Global Privacy Enforcement Network* (GPEN).
- Undertake research into, and to monitor developments in, privacy related technologies.

##### Quality

- New Zealand remains in consideration to achieve 'adequacy finding' from European Union.
- Participation is valued by international colleagues and our contribution is influential.

- Technology research projects and their findings are presented to a public forum.

#### Timeliness

- Advice given to international jurisdictions within the agreed timeframes.
- Provide reports and updates on technology related research within the agreed timeframes.

## FINANCIAL FORECAST STATEMENTS

### FORECAST STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE

	2012/13 \$000	2013/14 \$000	2014/15 \$000
Crown revenue	3,248	3,248	3,248
Other revenue/seminars	266	260	260
Interest income	35	40	25
<b>Total Operating Revenue</b>	<b>3,549</b>	<b>3,548</b>	<b>3,533</b>
Marketing	53	53	53
Audit fees	18	20	20
Depreciation and Amortisation	150	150	150
Rental expenses	420	420	420
Operating expenses	420	420	420
Staff expenses	2,500	2,500	2,500
<b>Total expenses</b>	<b>3,561</b>	<b>3,563</b>	<b>3,563</b>
<b>Total Comprehensive Income</b>	<b>(12)</b>	<b>(15)</b>	<b>(30)</b>

### FORECAST STATEMENT OF MOVEMENTS IN EQUITY

FOR YEAR ENDED 30 JUNE

	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Public equity as at 1 July</b>	<b>430</b>	<b>418</b>	<b>403</b>
Total Comprehensive Income	(12)	(15)	(30)
<b>Total recognised revenues And expenses for the period</b>	<b>(12)</b>	<b>(15)</b>	<b>(30)</b>
<b>Public equity as at 30 June</b>	<b>418</b>	<b>403</b>	<b>373</b>

**FORECAST STATEMENT OF  
FINANCIAL POSITION**  
FOR YEAR ENDED 30 JUNE

	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Public equity</b>			
General funds	418	403	373
<b>Total public equity</b>	<b>418</b>	<b>403</b>	<b>373</b>
Represented by:			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	357	367	378
Debtors and other Receivables	75	75	75
Prepayments	8	8	8
Inventory	4	4	4
<b>Total current assets</b>	<b>444</b>	<b>454</b>	<b>465</b>
<b>Non-current assets</b>			
Property, plant and equipment	201	161	121
Intangible assets	0	0	0
<b>Total non-current assets</b>	<b>201</b>	<b>161</b>	<b>121</b>
<b>Total assets</b>	<b>645</b>	<b>615</b>	<b>586</b>
<b>Less: Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other Payables	146	131	117
Employee entitlements	80	80	80
<b>Total current liabilities</b>	<b>226</b>	<b>211</b>	<b>197</b>
<b>Total liabilities</b>	<b>226</b>	<b>211</b>	<b>197</b>
<b>NET ASSETS</b>	<b>419</b>	<b>404</b>	<b>389</b>

**FORECAST STATEMENT OF  
CASH FLOWS**

FOR YEAR ENDED 30 JUNE

	2012/13 \$000	2013/14 \$000	2014/15 \$000
<b>Cash Flows from operating activities</b>			
Cash provided from:			
Supply of outputs to the Crown	3,248	3,248	3,148
Revenues from services provided	266	260	260
Interest received	35	40	40
Cash applied to:			
Payments to suppliers	911	913	913
Payments to employees	2,500	2,500	2,500
Net Goods and Services Tax	15	14	14
<b>Net cash flows from operating activities</b>	<b>123</b>	<b>121</b>	<b>121</b>
<b>Cash Flows from Investing Activities</b>			
Cash was provided from:			
Cash applied to:			
Purchase of Property Plant and equipment	110	110	110
Purchase of Intangible Assets	0	0	0
<b>Net cash flows from investing activities</b>	<b>(110)</b>	<b>(110)</b>	<b>(110)</b>
Net increase (decrease) in cash held	13	11	11
Plus opening cash	344	357	367
<b>Closing cash balance</b>	<b>357</b>	<b>367</b>	<b>378</b>
Represented by: Cash and bank	357	367	378
<b>Closing cash balance</b>	<b>357</b>	<b>367</b>	<b>378</b>

## STATEMENT OF FORECAST SERVICE PERFORMANCE

The Privacy Commissioner has committed to provide three output classes in 2012/13 that meet the requirements of the Minister of Justice in terms of their description, quantity, timeliness and costs.

OUTPUT OPERATING STATEMENTS: 2012/13

Output Class Description	REVENUE			EXPENSES	SURPLUS
	Revenue Crown \$000	Revenue Other \$000	Capital Contribution \$000	Total Expenses \$000	Surplus / (Deficit) \$000
Awareness and Compliance	1,386	129	0	1,531	(16)
Government and Business	1,234	114	0	1,353	(5)
New Technologies and International Connections	628	57	0	677	9
<b>TOTAL OUTPUT CLASSES</b>	<b>3,248</b>	<b>301</b>	<b>0</b>	<b>3,561</b>	<b>(12)</b>

A major capital works project, the upgrading of information technology systems and software is to be completed by year end 2012. The project including the upgrade of all hardware, operating systems and supporting software will meet the operational needs of the Office for the next 3 to 5 years. We are expecting no additional capital contributions in the 2012/13 year, as covered by this Statement of Intent.

## STATEMENT OF UNDERLYING ASSUMPTIONS

### SIGNIFICANT ASSUMPTION

The opening position of the forecasted statements is based on un-audited results for 2011/12. The actual results for April, May and June 2012 are unavailable, and therefore, the balance as at June 2012 has been estimated using forecast figures.

### OTHER ASSUMPTIONS

The accrual basis of accounting has been used in the preparation of these forecast financial statement.

All revenue and expenditure will remain constant over the three years covered by these statements. The budget reflects staffing levels of FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

## NATURE OF FORECASTED FINANCIAL STATEMENTS

The forecasted financial statements have been prepared as a best efforts indication of the Office of the Privacy Commissioner's future financial performance. Actual financial results for the period covered are likely to vary from the information presented, potentially in a material manner.

## STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

The Office of the Privacy Commissioner is a corporation sole established by section 12(2) of the Privacy Act 1993, a Crown entity in terms of the Public Finance Act 1989 and the Crown Entities Act 2004. As such the Privacy Commissioner's ultimate parent is the New Zealand Crown, and is domiciled in New Zealand.

The Office has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

### MEASUREMENT BASE

The forecast financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars. The functional currency of the Office is New Zealand dollars.

### STATEMENT OF COMPLIANCE

This Statement of Intent complies with Financial Reporting Standard No. 42:

#### *Prospective Financial Statements.*

The forecast financial statements for 2012/13 comply with the applicable financial reporting standards, which include NZ IFRS and other applicable financial reporting standards, as for a public benefit entity.

### CHANGES IN ACCOUNTING POLICIES

There have been no changes from the accounting policies adopted in the last audited financial statements.

### ACCOUNTING POLICIES

#### **Income**

##### Revenue

Revenue is measured at the fair value of consideration received or receivable.

##### Revenue from the Crown

The Privacy Commissioner is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Privacy Commissioner meeting its objectives as specified in the statement of intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

##### Other grants

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

##### Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

### Sale of publications

Sales of publications are recognised when the product is sold to the customer.

### Rental Income

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term.

### Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

## **Expenditure**

### *Leases*

#### Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a straight-line basis over the term of the lease. All leases entered into by the Office are operating leases.

#### Goods and Services Tax (GST)

All items in the financial statements presented are exclusive of GST, with the exception of accounts receivable and accounts payable which are presented on a GST inclusive basis. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

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

The net GST paid to, 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 Privacy Commissioner is a public authority for tax purposes and therefore exempt from income tax. Accordingly no provision has been made for income tax.

#### Cash and cash equivalents

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

#### Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Privacy Commissioner will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter

into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

#### Inventories

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost (calculated using the weighted average cost method) and current replacement cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of comprehensive income in the period when the write-down occurs.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment asset classes consist of land, buildings, leasehold improvements, furniture and office equipment, and motor vehicles.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

#### Revaluations

The Privacy Commissioner has not performed any revaluations of property, plant or equipment.

#### Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

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

Furniture and fittings	5 - 7 years
Computer equipment	4 years
Office equipment	5 years

### Additions

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

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

### 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 Privacy Commissioner and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

## INTANGIBLE ASSETS

### Software acquisition

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

Staff training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of the Privacy Commissioner'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 period is recognised in statement of comprehensive income.

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

Acquired computer software	4 years	25%
----------------------------	---------	-----

### Impairment of non-financial assets

Property, plant and equipment and intangible assets 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Privacy Commissioner would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

#### Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

#### Employee Entitlements

Employee entitlements that the Privacy Commissioner expects to be settled within 12 months of balance date are measured at undiscounted nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Privacy Commissioner recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent the Privacy Commissioner anticipates it will be used by staff to cover those future absences.

The Privacy Commissioner recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

#### SUPERANNUATION SCHEMES

##### Defined contribution schemes

Obligations for contributors to KiwiSaver and the National Provident Fund are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

##### Financial instruments

The Privacy Commissioner is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income.

### Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Privacy Commissioner invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the Privacy Commissioner's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

The Privacy Commissioner invests funds from time to time in short term investment accounts with the National Bank of New Zealand under standard terms and conditions.

The Privacy Commissioner receives income from Government Grant and some other income is received from Government Departments, the sale of publications and a programme of seminars and workshops undertaken.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

#### Property, plant and equipment useful lives and residual value

At each balance date the Privacy Commissioner reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Privacy Commissioner to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Privacy Commissioner, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position.

The Privacy Commissioner minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Privacy Commissioner has not made significant changes to past assumptions concerning useful lives and residual values.

## CRITICAL JUDGEMENTS IN APPLYING THE PRIVACY COMMISSIONER'S ACCOUNTING POLICIES

Management exercises the following critical judgements in applying the Privacy Commissioner's accounting policies:

### Leases classification

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

### Non-government grants

The Privacy Commissioner must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract and in line with the Office policy regarding receipt of sponsorship.

## CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the previous financial year.

All policies are applied on a basis consistent with previous years.