

# *Statement of Intent*

2011 – 2014

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*

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## INTRODUCTION FROM THE PRIVACY COMMISSIONER

My office works within a global environment of exponential growth in technology – change is a constant. We work hard to build a climate in which businesses and government can safely exploit the technology for fiscal and economic benefit. This has to be coupled with a proven, trustworthy use of people’s personal information. Without that trust, technology driven economic growth may stumble. As an office we are working with changing demands across a wide front internationally and locally, with business, government, civil society, media and individuals.

The dynamic field in which we work means that we are coping with rising complaints, systemic inquiries, media demands and major government policy issues, e.g. information sharing across government. Against this background I am grateful to my staff for ‘doing more with less’, while consistently providing high quality services.

This Statement of Intent covers a three year time scale and sets demanding objectives within significant financial constraint. 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.

A handwritten signature in black ink, appearing to read 'Marie Shroff', with a stylized, cursive script.

Marie Shroff  
**Privacy Commissioner**

## OUR ROLE, PURPOSE AND PROCESSES

### OUR PURPOSE

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, manage 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.

### OUR PROCESSES

Role	What we do	How we do it
Legislation and policy	Assist public and private sector agencies to reach reasonable goals in a privacy-respectful manner	Comment on legislative, policy or administrative proposals that impact on the privacy of individuals  Comment to Cabinet committees or select committees when considering policy and legislative proposals
Complaints	Receive, investigate and seek to settle complaints about an interference with individual privacy	Manage a robust and responsive complaints investigation process
Education and awareness	Encourage awareness of personal information issues to help agencies and individuals to protect their privacy	Activities include: <ul style="list-style-type: none"> <li>• 0800 enquiries helpline with 6,000+ calls per year</li> <li>• A modern 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 86 authorised data matching programmes, of which 53 are active

Role	What we do	How we do it
Codes of practice	The Privacy Commissioner may issue sector specific codes of practice	Through a process of sector and public 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, international opportunities and commercial activity, while in turn, protecting data about individuals</p> <p>Remain active amongst our trading partners in the Asia-Pacific region and European Union countries</p>

## OUR OPERATING ENVIRONMENT

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?”*

Innovation is a constant and the internet is a tool everyone can use. New applications incorporating ‘cloud computing’ are sweeping the business world and will increasingly affect individuals as well. This new platform presents significant challenges to providers in maintaining customer acceptance and confidence in how their personal information is protected.

As a regulator my Office must ask the question. *“How can we protect the consumer’s information when few of us across the country understand the astonishing scale of collection, use and sharing of personal information?”* The recent financial crisis reminds us that regulators can be held to account by the public if they fail to moderate or stop unfair or rapacious practices.

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 both nationally and internationally, 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.

Issues include:

- social networking – e.g. Facebook, Twitter, Flickr and their successors
- increased use of surveillance – e.g. CCTV, electronic monitoring, international screening
- information sharing - e.g. across government, cross-border exchanges
- developing innovations in data management e.g. cloud computing.

## REGULATORY PRESSURES

### *National*

The Law Commission is conducting a review of the privacy legal framework for New Zealand. The review examines the complexity of the environment and will determine whether the law is still fit for purpose, and what improvements are required. There is the possibility of significant legislative change which may have downstream implications for the purpose, roles and functions of the Privacy Commissioner. These may require repositioning the Office, resourcing for new functions and managing public expectations.

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

### *International*

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.

There is international pressure from both global business and privacy regulators to strengthen trans-border 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.

The national and international security climate provides an important backdrop to the debate around the balance of privacy rights and regulation with the desire to identify and curb terrorist activity and security threats. There is little doubt the pressures of increasing security protections and the technologies becoming available will place significant pressure on privacy jurisdictions internationally.

## DETERMINING OPERATIONAL PRIORITIES

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 will be assessed. These criteria are:

- 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

## OUR OUTPUTS AND IMPACTS

The Office works towards four long term outcomes. We currently measure progress at the output level. The next step in completing the measurement framework will be to review the effect of those outputs at the impact level.

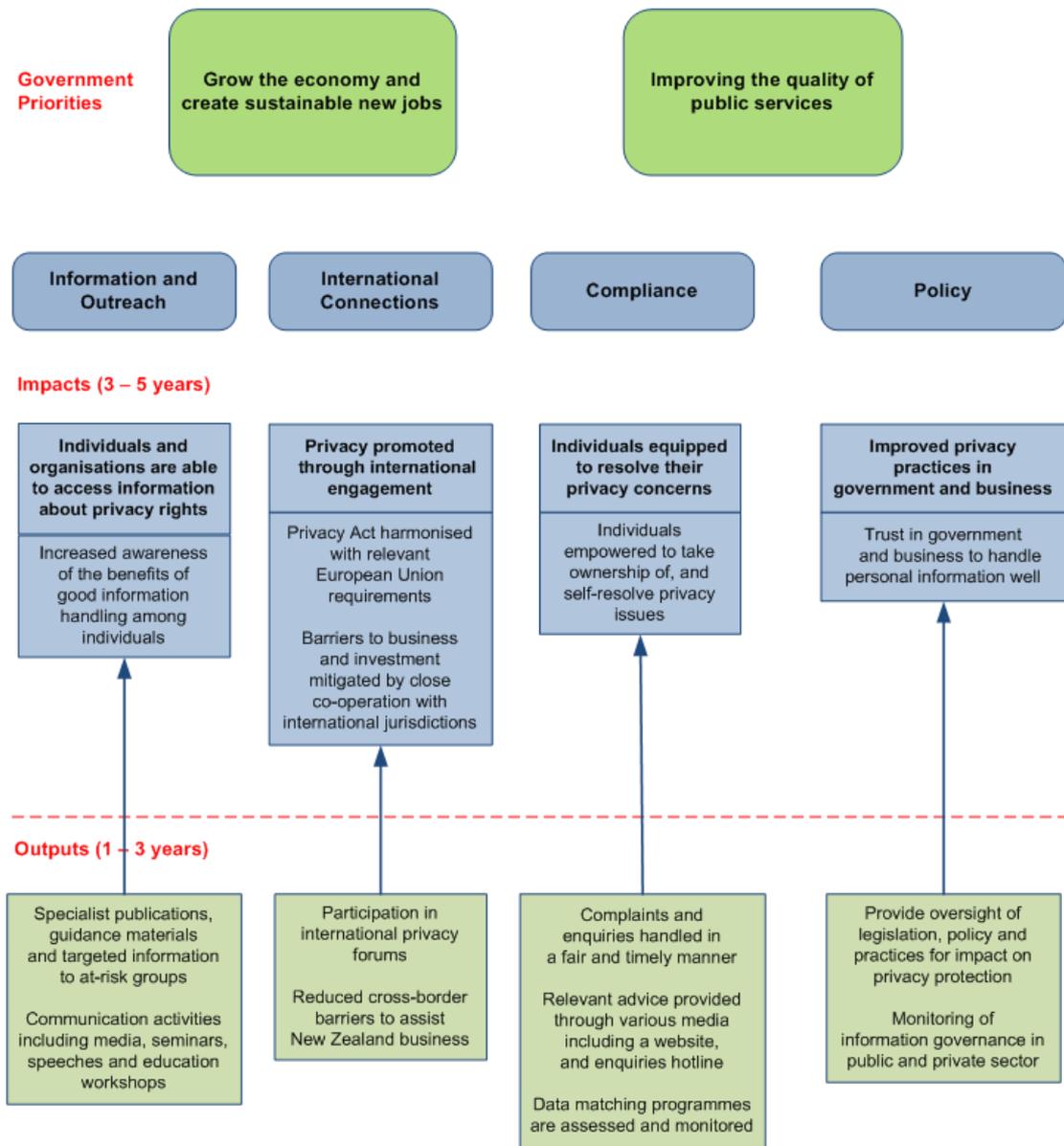


Fig. 1: Outputs and impacts in the medium and long term

## GOVERNMENT PRIORITIES AND JUSTICE SECTOR OUTCOMES

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. Business export opportunities can be enhanced through consistency in the international regulatory environment.

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 in the protection of personal information. Successful growth initiatives require trust by individuals in the accuracy, security and purpose for which personal information is collected, retained and used by business and government.

## ORGANISATIONAL CAPABILITY

The Office of the Privacy Commissioner is managed through 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 for a modest deficit this year, as we did in 2010/11. 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 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 four 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><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 measures and 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>Continue to 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>Plan recruitment and retention to ensure that the required skills are developed and maintained.</p> <p>Ensure staff are supported with professional development and performance management systems.</p> <p>Ensure opportunities exist for gaining wider experience and career development.</p>

## SERVICE PERFORMANCE MEASURES FOR THE YEAR 2010 - 2011

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 impacts.

### COMPLIANCE

- Handle complaints of breaches with privacy; and
- Monitor active information matching programmes.

#### *Quantity*

	<u>Estimation</u>
Number of complaints received	800
Number of current complaints processed to completion or settled or discontinued	800
Projected number of active information matching programmes monitored	53

#### *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.
- Provide all draft reports on operating, information matching programmes to the relevant departments for comment before they are published in the Annual Report.

#### *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.

## POLICY

Improved privacy practices in government and business

- Provide advice on the privacy impact of proposed legislation and other significant proposals.
- Improved management of privacy breaches within agencies.

### *Quantity*

- Contribute to the Law Commission's Review of Privacy, providing comment and other contributions as requested.
- 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).

### *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.

### *Timeliness*

- Advice given to agencies by the agreed date so that it is useful to them.

## INFORMATION AND OUTREACH

Implement our outreach programme across all activities of the Office to support and promote:

- Awareness and understanding of and compliance with the Privacy Act.
- Awareness of privacy rights and issues, and an appreciation of privacy as a human right.

### *Quantity*

- Organise annual New Zealand Privacy Awareness Week as part of Asia-Pacific Privacy Awareness Week.
- All media enquiries are recorded, and responded to within required deadlines.
- Provide assistance to promote better privacy practice in business and government.
- Provide an enquiries service including 0800 helpline and website access to information, supporting self-resolution of complaints.
- Preparation of 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.

<u>Activities</u>	<u>Estimation</u>
Education workshops delivered	30
Presentations at conferences / seminars	15
Projected number of enquiries received and answered	6,000
Media enquiries received	250

### *Quality*

- Seek out and act on feedback obtained from stakeholders and the public.
- Evaluations show that the expectations of 90% of attendees at workshops were either met or exceeded for quality of presentation and materials.
- 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*

- 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.

## INTERNATIONAL CONNECTIONS

- Monitor and advise on international developments, new technologies and other issues affecting privacy.
- Support for economic growth through facilitation of the cross-border transfer of personal information

### *Quantity*

- Participate in international forums.
- Contribute to international initiatives to facilitate cross-border cooperation in privacy standard setting and enforcement.
- Monitor international privacy activities, codes and standards for their impact upon New Zealand's trade and investment opportunities.

### *Quality*

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

### *Timeliness*

- Advice given to international jurisdictions by the agreed date so that it is useful to them.

## FINANCIAL FORECAST STATEMENTS

### FORECAST STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 30 JUNE

	2011/12 \$000	2012/13 \$000	2013/14 \$000
Crown revenue	3,148	3,148	3,148
Other revenue/seminars	266	260	260
Interest income	35	30	25
<b>Total Operating Revenue</b>	<b>3,449</b>	<b>3,438</b>	<b>3,433</b>
Marketing	53	53	53
Audit fees	18	20	20
Depreciation and Amortisation	150	150	150
Rental expenses	402	380	380
Operating expenses	391	400	400
Staff expenses	2,449	2,450	2,450
<b>Total expenses</b>	<b>3,463</b>	<b>3,453</b>	<b>3,453</b>
<b>Total Comprehensive Income</b>	<b>(14)</b>	<b>(15)</b>	<b>(20)</b>

### FORECAST STATEMENT OF MOVEMENTS IN EQUITY

FOR YEAR ENDED 30 JUNE

	2011/12 \$000	2012/13 \$000	2013/14 \$000
<b>Public equity as at 1 July</b>	<b>430</b>	<b>416</b>	<b>401</b>
Total Comprehensive Income	-14	-15	-20
<b>Total recognised revenues And expenses for the period</b>	<b>-14</b>	<b>-15</b>	<b>-20</b>
<b>Public equity as at 30 June</b>	<b>416</b>	<b>401</b>	<b>381</b>

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

	2011/12 \$000	2012/13 \$000	2013/14 \$000
<b>Public equity</b>			
General funds	416	401	381
<b>Total public equity</b>	<b>416</b>	<b>401</b>	<b>381</b>
Represented by:			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	349	358	362
Debtors and other Receivables	75	75	75
Prepayments	8	8	8
Inventory	4	4	4
<b>Total current assets</b>	<b>436</b>	<b>445</b>	<b>449</b>
<b>Non-current assets</b>			
Property, plant and equipment	208	168	128
Intangible assets	0	0	0
<b>Total non-current assets</b>	<b>208</b>	<b>168</b>	<b>128</b>
<b>Total assets</b>	<b>644</b>	<b>613</b>	<b>577</b>
<b>Less: Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other Payables	148	132	116
Employee entitlements	80	80	80
<b>Total current liabilities</b>	<b>228</b>	<b>212</b>	<b>196</b>
<b>Total liabilities</b>	<b>228</b>	<b>212</b>	<b>196</b>
<b>NET ASSETS</b>	<b>416</b>	<b>401</b>	<b>381</b>

**FORECAST STATEMENT OF  
CASH FLOWS**

FOR YEAR ENDED 30 JUNE

	2011/12 \$000	2012/13 \$000	2013/14 \$000
<b>Cash Flows from operating activities</b>			
Cash provided from:			
Supply of outputs to the Crown	3,148	3,148	3,148
Revenues from services provided	266	260	260
Interest received	35	30	25
Cash applied to:			
Payments to suppliers	864	853	853
Payments to employees	2,449	2,450	2,450
Net Goods and Services Tax	15	16	16
<b>Net cash flows from operating activities</b>	<b>121</b>	<b>119</b>	<b>114</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	11	9	4
Plus opening cash	338	349	358
<b>Closing cash balance</b>	<b>349</b>	<b>358</b>	<b>362</b>
Represented by: Cash and bank	349	358	362
<b>Closing cash balance</b>	<b>349</b>	<b>358</b>	<b>362</b>

## STATEMENT OF FORECAST SERVICE PERFORMANCE

The Privacy Commissioner has committed to provide three output classes in 2011/12 that meet the requirements of the Minister of Justice in terms of their description, quantity, timeliness and costs.

OUTPUT OPERATING STATEMENTS: 2011/12

Departmental Output Class Description	REVENUE			EXPENSES	SURPLUS
	Revenue Crown \$000	Revenue Other \$000	Capital Contribution \$000	Total Expenses \$000	Surplus / (Deficit) \$000
Privacy Policy	1,153	110	57	1,269	(6)
International	290	28	7	319	(1)
Information and 'Outreach'	412	39	57	452	(1)
Compliance	1,293	124	99	1,423	(6)
<b>TOTAL DEPARTMENTAL OUTPUT CLASSES</b>	<b>3,148</b>	<b>301</b>	<b>220</b>	<b>3,463</b>	<b>(14)</b>

## STATEMENT OF UNDERLYING ASSUMPTIONS

### SIGNIFICANT ASSUMPTION

The opening position of the forecasted statements is based on un-audited results for 2010/11. The actual results for April, May and June 2011 are unavailable, and therefore, the balance as at June 2011 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

These are the financial statements of the Privacy Commissioner, 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.

These financial statements have been prepared in accordance with the Public Finance Act 1989.

In addition, the Privacy Commissioner has reported the funding administered on behalf of the Crown as notes to the financial statements.

The Privacy Commissioner's primary objective is to provide public services to the NZ public, as opposed to that of making a financial return.

Accordingly, the Privacy Commissioner has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements for the Privacy Commissioner are for the year ended 30 June 2010, and were approved by the Commissioner on 29 October 2010. The financial statements cannot be altered after they have been authorised for issue.

### BASIS OF PREPARATION

#### STATEMENT OF COMPLIANCE

The financial statements of the Privacy Commissioner have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

The financial statements comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

### MEASUREMENT BASE

The financial statements have been prepared on an historical cost basis.

### FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Privacy Commissioner is New Zealand dollars.

### SIGNIFICANT ACCOUNTING POLICIES

The following particular accounting policies which materially affect the measurement of comprehensive income and financial position have been applied:

#### BUDGET FIGURES

The budget figures are those approved by the Privacy Commissioner at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Privacy Commissioner for the preparation of the financial statements.

## 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.

## 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.

## 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.

#### 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%
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### 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 these 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. The carrying amounts of property, plant and equipment are to be disclosed.

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

Management has exercised the following critical judgements in applying the Privacy Commissioner's accounting policies for the period ended 30 June each year:

### 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.

## CHANGES IN ACCOUNTING POLICIES

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

All policies have been applied on a basis consistent with previous years.

The Office has adopted the following revisions to accounting standards during the financial year which have had only a presentational or disclosure effect:

- NZ IAS 1 *Presentation of Financial Statements (Revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (Issued 2004)*. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Office has decided to prepare a single statement of comprehensive income for the year ended 30 June 2012 under the revised standard. Financial statement information for the year ended 30 June 2011 will be restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.
- Amendments to *NZ IFRS 7 Financial Instruments: Disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The Office has elected to disclose comparative information.