

# **STATEMENT OF PERFORMANCE EXPECTATIONS**

**1 JULY 2019 TO 30 JUNE 2020**

PRESENTED TO THE HOUSE OF REPRESENTATIVES  
PURSUANT TO SECTION 149 OF THE CROWN ENTITIES ACT 2004



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## Introduction by the Privacy Commissioner

A new Privacy Bill was introduced to Parliament on 20 March 2018 and received its first reading on 11 April 2018. The Justice Select Committee reported back on the Privacy Bill on 13 March 2019. The Bill will repeal the Privacy Act 1993 enacted 26 years ago.

We are in the process of developing an implementation plan for the new Privacy Act and have engaged a consulting firm to assist in the detailed planning required for this. The upcoming work programme for the period July 2019 – June 2020 will inevitably need to accommodate preparation for the legislative change ahead. This transitional work will be can be expected to put pressure on our ability to meet KPIs during this time.

Recent events in Christchurch have also put a global spotlight on the practices of multi-national technology companies. Some of our key trading partners such as Australia and the UK have initiated legislative change as a result. Internationally, the EU General Data Protection Regulation (GDPR) that affects Europe and has set standards internationally.

There is generally strong demand for outreach work and media and stakeholder engagement. We anticipate that this demand will grow in the period to June 2020, as communities seek clarity about new legal obligations – particularly data breach notification.

Our suite of education modules continues to attract good uptake, with the short-form modules, such as Privacy ABC and Health ABC, proving to be particularly popular. A module developed to build privacy maturity in policy advisers, is due to be completed in coming weeks. We plan to develop a new module that will give easy and clear advice on key changes arising from the law reform.

We continue to see the benefits of developing our online resources. We will be reviewing our online platforms and materials to ensure we effectively communicate the effects of the law reform across the community.

We continue to resolve privacy complaints promptly and to have no more than 10% of files over 6 months old. This target can be challenging to maintain, but we are committed to swift resolution of disputes wherever possible.



John Edwards  
**Privacy Commissioner**

20 June 2019

## Alignment with the Statement of Intent

The Statement of Performance Expectations is provided under the Crown Entities Act 2004. The Statement of Performance Expectations aligns with the Privacy Commissioner's strategy as provided in the Statement of Intent.

The Statement of Intent was reviewed and updated in 2017 to cover the period 1 July 2017 to 30 June 2021. It identifies three high level outcomes, each of which is supported by a number of medium-term initiatives as shown below.

Figure 1: Outcomes and Initiatives



Each of the four output classes will contribute to the three outcomes as set out in the Statement of Intent covering the period 1 July 2017 to 30 June 2021. This Statement of Performance Expectations provides further detail on the four output classes, with a focus

on the key services being delivered and how the Office’s performance in each area will be assessed for the year to 30 June 2020. The progress against each of these targets, along with progress against the medium-term initiatives, will be reported in the Annual Report.

The Statement of Performance Expectations supports the Annual Letter of Expectations 2019/20, in:

- preparing to implement the new Privacy Bill, subject to discussions on how this will be implemented
- continuing to receive and help resolve complaints
- continuing to develop guidance and education, and
- continuing to work with Justice officials on aspects of privacy law reform.

## Split of Funding in Budget 2020

In Budget 2014, the Privacy Commissioner received additional baseline funding of \$1.722m. The increased funding recognised the increased workload placed on the Office over recent years, and the need for an increased input by the Privacy Commissioner into a range of government initiatives.

In addition to the above, as part of Budget 2014, contingency funding was allocated in response to the proposed 2014 Privacy Act reforms. In December 2017<sup>1</sup>, it was agreed to extend the expiry of this tagged contingency funding for the implementation of the new Act to 1 February 2020 as per the below: -

Initiative name	\$m	\$m	\$m	\$m
	2019/20	2020/21	2021/22	2022/23 & out years
Privacy Act implementation costs	0.126	0.612	1.190	1.190

Following this extension agreement, it was further proposed by the government in March 2018<sup>2</sup> that the Privacy Bill be enacted by March 2019. As a result of the proposed date being brought forward, the Privacy Commissioner drafted the 2019 budget on the assumption that the first tranche of implementation costs would be available in 18/19. Since that time, the timeframe for enactment has further changed and enactment is now being proposed for 2019/20. Despite this change, the 2020 budget, as included in this Statement of Performance Expectations, has assumed that the first tranche will still be received in 18/19 and that the second tranche will be due in the 19/20 financial year.

<sup>1</sup> Cabinet Business Committee minute [CBC-17-MIN-0076]

<sup>2</sup> Cabinet Business Committee minute [CBC-18-MIN-0037]

The total additional funding is appropriated for the following four areas:

Areas	\$m	\$m	\$m
	2018/19	2019/20	2020/21 and out years
1. Existing work	0.826	0.826	0.826
2. Better Public Services	0.644	0.644	0.644
3. Information Sharing Initiatives	0.252	0.252	0.252
4. Privacy Act Implementation costs	0.126	0.612	1.190
<b>Total Increase</b>	<b>1.848</b>	<b>2.334</b>	<b>2.912</b>
<b>2013/14 Baseline</b>	<b>3.248</b>	<b>3.248</b>	<b>3.248</b>
<b>New Baseline</b>	<b>5.096</b>	<b>5.582</b>	<b>6.160</b>

The output classes identified below reflect the following areas of funding:

Output class	Area of Funding
<b>Guidance, education and awareness</b>	Existing work, Better Public Services, Privacy Act Implementation
<b>Information sharing / matching</b>	Better Public Services, Information sharing initiatives, Privacy Act Implementation
<b>Policy and research</b>	Existing work, Better Public Services, Privacy Act Implementation
<b>Compliance</b>	Existing work, Better Public Services, Privacy Act Implementation

## Summary of Output Revenue and Expenses for 2019/20

The Privacy Commissioner receives funding through an appropriation within Vote Justice. The appropriation is within the Non-Departmental Output Expenses; Services from the Privacy Commissioner and provides an appropriation of \$4.970m (plus the additional \$612k as noted above). The scope of this appropriation is limited to privacy issues relating to the collection and disclosure of personal information and the privacy of individuals. It is intended to achieve the efficient and effective provision of services by the Privacy Commissioner.

The Privacy Commissioner has committed through the appropriation to provide four output classes in 2019/20.

## Output operating statements: 2019/20

Output Class Description	REVENUE		EXPENSES	SURPLUS
	Revenue Crown \$000	Revenue Other \$000	Total Expenses \$000	Surplus / (Deficit) \$000
Guidance, education and awareness	903	55	926	32
Information sharing / matching	748	3	633	118
Policy and research	2,074	93	2,187	(20)
Compliance	1,857	91	1,952	(4)
<b>TOTAL OUTPUT CLASSES</b>	<b>5,582</b>	<b>242</b>	<b>5,698</b>	<b>126</b>

### Capital expenditure

Provision of \$275k has been included in 2019/20 to meet the needs of our programme of computer and software replacement, including capitalisation of proposed interactive online modules. During the 2019/20 year, the largest capital expense items being budgeted for, are a proposed new complaint management system and new e-learning modules. This expenditure will be met from existing cash balances. No additional funding is anticipated at this time.

### Budget 2020/21

The Privacy Commissioner will be seeking additional capital expenditure in Budget 2020/21 to meet critical infrastructure expenditure to meet the operational requirements of the new Privacy Act.

The Privacy Commissioner is undertaking a review of the budget requirements related to the implementation of the new Privacy Act. The business case will review funding assumptions supporting the Budget 2013/14 appropriation and international experience since that time, as a contributor to a Budget bid for 2020/21 and out-years.

## Outputs

In addition to supporting the three outcomes as set out in the Statement of Intent, the output classes support the three overall expectations for Justice Sector Crown entities:

- improving trust and confidence in your entity and the work it does
- improving services for New Zealanders, and
- improving value for money.



Measurable outputs include:

<b>Output class</b>	<b>Outputs</b>
<b>Guidance, education and awareness</b>	<ul style="list-style-type: none"><li>• Online delivery of education including assessment of learning uptake</li><li>• Development and delivery of online education modules</li><li>• Delivery of performance information on our website</li><li>• Continuing development of the interactive online enquiries service – Ask Us</li><li>• Guidance on the prevention and/or management of a data breach</li></ul>
<b>Information sharing/ matching</b>	<ul style="list-style-type: none"><li>• Facilitation of AISAs with individual agencies to assist them to operate more effectively and efficiently</li></ul>
<b>Policy and research</b>	<ul style="list-style-type: none"><li>• Collaboration and support of the Government Chief Privacy Officer</li><li>• International collaboration on emerging privacy issues</li><li>• Participation in the privacy law reform process</li></ul>
<b>Compliance</b>	<ul style="list-style-type: none"><li>• The online lodgement of complaints and the development of best practice.</li><li>• Continued emphasis on reducing time between receipt and closure of complaints</li><li>• Provision of the interactive access tool - AboutMe</li></ul>

Our focus on the delivery of services through a suite of online tools will enable us to deliver effective services across New Zealand. Through the process we will develop specialist online tools and capabilities which will be freely available to other public sector agencies. Collaboration of this nature will assist in the delivery of similar services for other organisations and allow them to capitalise on the knowledge and technology that has been developed.

## Forecast Service Performance 2019/20

The Privacy Commissioner has developed a set of measures within the outputs to provide a means to demonstrate both internally and externally that he is performing effectively in achieving the stated Output Classes. A brief summary of what each of the output classes is intended to achieve has also been provided.

The comparative results have been taken from the 2017/18 Annual Report and the 2018/19 Statement of Performance Expectations. Where the comment in the previous year column states “n/a”, this indicates that the target was new for the 2018/19 year and was therefore not reported against in the 2017/18 Annual Report. All new measures have been indicated as such.

Assessment of our performance against the targets identified will be based on the following grading system. This will take into account where performance may have improved but the actual target may not have been met exactly.

Criteria	Rating
On target or better	Achieved
< 5% away from target	Substantially achieved
>5% away from target	Not achieved

Many of the measures for output performance set out below will also be used to assess the Office’s progress against the three outcome areas identified earlier. The Office has not sought to directly link the targets below through to the Outcome areas as in many cases the work done in one output area will contribute to the Office’s progress in more than one outcome.

### ***Output 1 - Guidance, education and awareness***

One of the functions of the Privacy Commissioner is to promote individual privacy. Outreach to the public and businesses is a major focus and includes an active programme of seminars, presentations and regional outreach visits, as well as responding to enquiries from the public, media and businesses.

Over the period covered by the Statement of Intent, there will be a focus on outreach in diverse and regional communities. The Office also produces a range of guidance and other resource material.

The provision of the on-line modules and other interactive tools is expected to continue to increase during 2019/20.

Performance in this area will be assessed using the following key performance indicators:

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
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### Guidance, education and awareness: Quantity

Number of people completing education modules on the online system*	5,000	3,500	4,845	Reporting from online education tool
Presentations at conferences / seminars	90	90	96	Evidence retained in the document management system
Public enquiries received and answered *	8,500	7,500	9,147	Evidence retained in the document management system as well as website reports summarising usage of the AskUs tool.
Media enquiries received and answered *	250	200	345	Records of media enquiries available in document management system

\* Note that the above targets relate to output volume measures that are demand driven and therefore outside of the direct control of the Office. They are included to provide context to the level of work undertaken in any given year.

### Guidance, education and awareness: Quality

The office actively engages in and has proactively established multi-stakeholder relationships both nationally and internationally.	Achieved	New Measure	New Measure	Evidence of meetings, and work undertaken and retained on the document management system
The percentage of respondents to the annual stakeholder survey who indicate, where applicable, that the guidance materials reviewed on the website were	85%	85%	94%	Report of survey available for review

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
useful and met their needs.				

### Guidance, education and awareness: Timeliness

Respond to all enquiries within 2 working day.	95%	100%	95%	Evidence retained in the document management system
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### Output 2 - Policy and Research

The Privacy Commissioner actively comments and responds on legislative, policy or administrative proposals that impact on privacy to ensure that the requirements of the Privacy Act are being taken into account. Active involvement in international fora also takes place and provides the Privacy Commissioner with the ability to identify and respond to emerging issues in a timely manner.

The Privacy Bill, which will repeal and replace the Privacy Act 1993 when enacted, was introduced to Parliament on 20 March 2018. The Office will continue to remain actively involved as the Bill progresses through the House during 2019/20.

Performance in this area will be assessed using the following key performance indicators:

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
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### Policy and research: Quantity

The number of Consultations, Submissions and Office Projects completed in the year <sup>3</sup>	150	150	132	Evidence retained in the document management system
Identifiable progress in international efforts in which	Achieved	Achieved	Achieved	Description of changes from previous year based on public record

<sup>3</sup> This includes draft Bills, Cabinet Papers, Privacy Impact Assessments, consultations carried out under a statutory requirement to consult with the Privacy Commissioner, early consultations on new policy proposals, select committee submissions, reports to ministers and research projects. This was reported as 3 separate measures in previous years. The 2017/18 Annual Report figure has been calculated as the addition of these 3 separate measures.

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
we are actively engaged to work towards more sustainable platforms for cross border co-operation.				

*The first measure is in part demand driven and is included to provide context to the level of work undertaken in any given year.*

### Policy and research: Quality

Our participation in the law reform process is valued by the Ministry of Justice	Achieved	Achieved	Achieved	Direct feedback obtained from the Ministry of Justice
The percentage of externally reviewed policy, information sharing and information matching files that are rated as 3.5 out of 5 or better for quality. <sup>4</sup>	85%	85%	Policy files – 83% Information Sharing/matching files – 100%	Evidenced by report prepared by independent evaluator

### Policy and research: Timeliness

The percentage of policy files where advice was delivered within agreed timeframes	95%	100%	97%	Evidence retained in the document management system
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### Output 3 – Information sharing / matching

The Privacy Commissioner has statutory roles in overseeing authorised information matching programmes (Part 10 of the Privacy Act) and approved information sharing agreements (Part 9A of the Privacy Act). The Privacy Commissioner also provides advice to agencies carrying out information sharing and matching about how to meet their responsibilities under Part 9A and Part 10 respectively.

<sup>4</sup> This used to be reported as two separate measures, one for policy files and one for information sharing/matching files. The 2017/18 comparative is therefore shown as it was reported.

Performance in this area will be assessed using the following key performance indicators:

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
<b>Information sharing / matching: Quantity</b>				
The number of new Approved Information Sharing Agreements received for consultation under s96O of the Privacy Act	4	2	4	Evidence retained in the document management system
The number of formal reports produced that relate to information sharing or information matching programmes, under sections 96P, 96X, 96O or 106 of the Privacy Act	8	8	9	Evidence retained in the document management system
The number of proposals consulted on involving information sharing or matching between government agencies, completed during the year	30	30	38	Evidence retained in the document management system

*Note that the above targets relate to output volume measures that are in part demand driven and therefore outside of the direct control of the Office. They are included to provide context to the level of work undertaken in any given year.*

#### **Information sharing/ matching: Quality**

The quality of this output will be measured through the target included under output 2 which reads “*The percentage of externally reviewed policy, information sharing and information matching files that are rated as 3.5 out of 5 or better for quality*”.

### Information sharing/ matching: Timeliness

The percentage of information sharing and matching files where advice was delivered within agreed timeframes.	100%	100%	98%	Evidence retained in the document management system
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### Output 4 – Compliance

The provision and management of an independent, responsive, complaints and investigation process is another core function of the Office. The Office continues to transform the way in which it manages complaints with a focus on more timely resolution. It has recently moved to primarily electronic records management.

In addition, the Office also reviews and amends codes of practice.

Performance in this area will be assessed using the following key performance indicators:

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
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#### Compliance: Quantity

Number of complaints received *	800	900	807	Evidence retained in the document management system
Number of data breach notifications received *	200	130	168	Evidence retained in the document management system

*\* Note that the above targets relate to output volume measures that are demand driven and therefore outside of the direct control of the Office. They are included to provide context to the level of work undertaken in any given year.*

#### Compliance: Quality

The percentage of complaints files closed by settlement between the parties	40%	40%	50%	Evidence retained in the document management system
Amendments to codes of practice meet all statutory requirements	100%	100%	100%	Evidence of compliance with section 48(2) of the Privacy Act 1993
The percentage of externally reviewed complaints	85%	85%	95%	Evidenced by report prepared by independent evaluator

Measure	Expectation 2019/20	Expectation 2018/19	Previous year 2017/18	How it will be measured
investigations that are rated as 3.5 out of 5 or better for quality				

**Compliance: Timeliness**

The percentage of open files greater than 6 months old at the year end	10%	10%	11%	Evidence retained in the document management system
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# Prospective Financial Statements

## PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR YEAR ENDED 30 JUNE

	<b>Budget 2019/20 \$000</b>	<b>Forecast 2018/19 \$000</b>	<b>Actual 2017/18 \$000</b>
Crown revenue	5,582	5,096	4,970
Other revenue/seminars	212	223	252
Interest income	30	28	40
<b>Total Operating Revenue</b>	<b>5,824</b>	<b>5,347</b>	<b>5,262</b>
Marketing	223	118	125
Audit fees	31	30	30
Depreciation and Amortisation	250	240	195
Rental expenses	398	419	417
Operating expenses	1,057	1,039	939
Staff expenses	3,739	3,511	3,496
<b>Total expenses</b>	<b>5,698</b>	<b>5,357</b>	<b>5,201</b>
<b>Total Comprehensive Income</b>	<b>126</b>	<b>(10)</b>	<b>61</b>

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE

	<b>Budget 2019/20 \$000</b>	<b>Forecast 2018/19 \$000</b>	<b>Actual 2017/18 \$000</b>
<b>Public equity as at 1 July</b>	<b>1,170</b>	<b>1,180</b>	<b>1,119</b>
Total Comprehensive Income	126	(10)	61
<b>Total recognised revenues And expenses for the period</b>	<b>126</b>	<b>(10)</b>	<b>61</b>
<b>Public equity as at 30 June</b>	<b>1,296</b>	<b>1,170</b>	<b>1,180</b>

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

	<b>Budget 2019/20 \$000</b>	<b>Forecast 2018/19 \$000</b>	<b>Actual 2017/18 \$000</b>
<b>Public equity</b>			
General funds	1,296	1,170	1,180
<b>Total public equity</b>	<b>1,296</b>	<b>1,170</b>	<b>1,180</b>
Represented by:			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,033	932	1,051
Debtors and other Receivables	30	49	75
Prepayments	50	60	59
Inventory	15	18	18
<b>Total current assets</b>	<b>1,128</b>	<b>1,059</b>	<b>1,203</b>
<b>Non-current assets</b>			
Property, plant and equipment	175	297	299
Intangible assets	297	144	70
Capital Work in progress	-	-	89
<b>Total non-current assets</b>	<b>472</b>	<b>441</b>	<b>458</b>
<b>Total assets</b>	<b>1,600</b>	<b>1,500</b>	<b>1,661</b>
<b>Less: Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other Payables	124	139	237
Employee entitlements	180	179	212
<b>Total current liabilities</b>	<b>304</b>	<b>318</b>	<b>449</b>
Non-current liabilities	-	12	32
<b>Total liabilities</b>	<b>304</b>	<b>330</b>	<b>481</b>
<b>NET ASSETS</b>	<b>1,296</b>	<b>1,170</b>	<b>1,180</b>

**PROSPECTIVE STATEMENT OF  
CASH FLOWS**  
FOR YEAR ENDED 30 JUNE

	<b>Budget 2019/20 \$000</b>	<b>Forecast 2018/19 \$000</b>	<b>Actual 2017/18 \$000</b>
<b>Cash Flows from operating activities</b>			
Cash provided from:	5,582	5,096	4,970
Supply of outputs to the Crown			
Revenues from services provided	211	223	224
Interest received	30	28	39
Cash applied to:			
Payments to suppliers	1,729	1,671	1,479
Payments to employees	3,738	3,545	3,525
Net Goods and Services Tax	(20)	(26)	37
<b>Net cash flows from operating activities</b>	<b>376</b>	<b>157</b>	<b>192</b>
<b>Cash Flows from Investing Activities</b>			
Cash was provided from:			
Sale of Fixed Assets and Intangibles	-	-	(1)
Cash applied to:			
Purchase of Fixed Assets and Intangibles	275	276	136
<b>Net cash flows from investing activities</b>	<b>(275)</b>	<b>(276)</b>	<b>(135)</b>
Net increase (decrease) in cash held	<b>101</b>	(119)	57
Plus opening cash	<b>932</b>	1,051	994
<b>Closing cash balance</b>	<b>1,033</b>	<b>932</b>	<b>1,051</b>
Represented by: Cash and bank			
	1,033	932	1,051
<b>Closing cash balance</b>	<b>1,033</b>	<b>932</b>	<b>1,051</b>

## Statement of underlying assumptions

### Significant assumption

The opening position of the forecasted statements is based on un-audited results for 2018/19. The actual results for March, April, May and June 2019 are unavailable and therefore the balance as at 30 June 2019 has been estimated using the forecast figures as at 28 February 2019.

### Other assumptions

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

As noted on page 5, some assumptions have been made regarding the timing of receipt of additional contingency funding associated with the Privacy Act reforms.

The budget reflects staffing levels of FTEs to meet the work programme. The actual FTEs that are needed may end up being different.

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

### Nature of prospective financial statements

The forecasted financial statements have been prepared as a best efforts indication 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 Privacy Commissioner is 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.

In addition, the Privacy Commissioner reports on 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.

The Privacy Commissioner is classified as a tier 2 reporting entity under the new International Public Sector Accounting Standards (IPSAS) as it is not publicly accountable (as defined in XRB A1 Accounting Standards Framework) and has expenditure which is less than \$30m. As a result, it is eligible to apply the Public Benefit Entity Reduced Disclosure Regime (PBE RDR).

The financial statements for the Privacy Commissioner are for the year ended 30 June and are approved by the Commissioner prior to issue. The financial statements cannot be altered after they have been authorised for issue.

## **Basis of preparation**

The financial statements of the Privacy Commissioner are 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 PBE FRS 42, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

## **Significant accounting policies**

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

### **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 Performance Expectations.

The Privacy Commissioner considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding agreements.

#### Other grants

Non-government grants are recognised as revenue when they become receivable unless there is an obligation in substance 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 the conditions of the grant are satisfied.

#### Interest

Interest income is recognised by accruing on a time proportion basis.

#### Provision of services

Revenue derived through the provision of services to third parties is treated as exchange revenue and 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.

## **Other expenses**

#### Grant expenditure

Discretionary grants are those grants where the Office of the Privacy Commissioner has no obligation to award the grant on receipt of the grant application. Discretionary grants with substantive conditions are expensed when the grant conditions have been satisfied.

## **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.

### 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.

### Inventories

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at cost.

Inventories held for sale or use in the provision 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.

### Property, plant and equipment

Property, plant and equipment asset classes consist of furniture and fittings, computer equipment and office equipment.

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

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at a rate which will write off the cost 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.

#### 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, and sick leave.

#### 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 revenue and expenses.