



Annual Report

1 July 2011–30 June 2012

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2011/12 Highlights

3,400 staff supporting:

236 judges | 20 coroners | 50 Disputes Tribunal referees | 86 courts

ACHIEVEMENTS

- The Justice Sector Leadership Board established a justice sector four-year budget plan and a sector plan was developed. Recorded crime rate reached a 30-year low in 2011.
- Supported the introduction of 16 bills including the Bail Amendment Bill, Victims of Crime Reform Bill, and Privacy (Information Sharing) Bill.
- Six Treaty settlement bills were passed. 19 agreements in principle and seven deeds of settlement were signed.
- A major review of the Family Court.
- Integration of the Legal Services Agency and Public Defence Service into the Ministry.
- Prototype of Electronic Operating Model (EOM) developed.
- Continued Christchurch earthquake recovery operations through the provision of more than 20 temporary, permanent or hired premises.

COURT STATISTICS

- Supreme Court managed over 60 criminal and civil appeals.
- Court of Appeal managed over 1,300 criminal and civil appeals.
- High Courts conducted over 370 jury trials and managed over 5,600 civil cases.
- District Courts managed over 5,800 criminal jury cases.
- Environment Court completed over 800 cases.
- Employment Court completed over 220 cases.
- 5,500 Māori Land Court applications were completed.

FUNDING | **Vote Justice \$331m** | **Vote Courts \$659m** | **Vote Treaty \$388m**

Chief Executive's report

If there was a theme to the year, it was about modernising the Ministry and justice system: putting in place the foundations that will lead to substantially better services, outcomes and value for New Zealanders. We are building on areas of strength – including sector collaboration and success and delivering Treaty settlements and policy change – and shifting our focus to operational change and service improvements for our customers.

The year's obvious achievements were in three broad areas: progressing policy work to implement Government priorities around public safety and improving the justice system; settling historic Treaty of Waitangi claims; and running effective court and justice services.

The highlights in these areas are impressive.

The Bail Amendment Bill, Victims of Crime Reform Bill and Juries Amendment Bill were all introduced to Parliament, and policy and legislation was developed to enable public protection orders for high-risk offenders whose sentences have ended and to increase penalties for producing, trading or possessing child pornography. The Ministry also conducted a review of the Family Court and developed advice in response.

A record six Treaty of Waitangi settlement Bills were passed by Parliament, and a new legislative approach meant that five of these Bills were debated and passed on the same day. Through the year, six Treaty settlement Bills were introduced and 19 Agreements in Principle and seven Deeds of Settlement were signed.

Operational change included the integration of the Legal Services Agency and Public Defence Service into the Ministry on 1 July 2012 and implementing changes to improve the quality and sustainability of legal aid. Around 2,000 lawyers applied for approval to deliver legal aid under the new quality framework.

Considerable investment was made in technology to improve services and infrastructure. The use of audio-visual links between courts and prisons was expanded to Manukau and Hamilton, and the prototype of the Electronic Operating Model (EOM), which will provide judges with an electronic tool to manage cases and will move the court record away from paper, was developed and tested with the judiciary.

Around \$10 million was invested in earthquake recovery operations in Christchurch over the year. Courts were operating from more than 20 temporary, permanent or hired premises in March, including the District Court operation at Ngā Hau e Whā marae and a new temporary courthouse and the existing court tower building in central Christchurch. We were the first public sector agency to re-establish back in the formerly restricted red zone when we returned to Christchurch's main court building.

The Ministry also developed a business case for a \$40 million expansion of the Manukau Court and did considerable work around temporary premises and options for strengthening other courts, including Dunedin and Masterton.

The year's biggest achievement, however, was building the platform for future change in the Ministry and across the sector.

For some time, justice agencies have been working together across the 'criminal justice pipeline' to prevent crime, reduce its impacts on people and enhance public safety. In 2011/12, this approach was formalised, starting with governance. The justice sector was the first to be operating in line with the Better Public Services principles of coordinated planning, decision making and results:

- A sector Leadership Board, which I chair, was formed in October 2011 to report to justice sector ministers and ensure required results are delivered.
- A justice sector four-year budget plan to integrate all of our spending, operations and change through to 2016 was developed for the May Budget and a Justice Sector Fund created so that money saved can be used to meet the highest sector priorities.
- A sector plan was developed to deliver on the Government's Better Public Services goals of reduced total, violent and youth crime and reduced re-offending.

Success to date – recorded crime in 2011 was at a 30-year low – means we have the opportunity to build on what works and to look at how we operate and to take different approaches if they improve results or effectiveness.

Across the sector, we want money invested in the areas where it's going to make a real difference and to shift resources to frontline services.

These are exactly the same objectives that are driving Ministry change. Making this necessary change, however, requires taking a considerably different approach than previously. There has been a lot of individual change and reform in different parts of the Ministry as this document highlights, but many of our practices are still old-fashioned, and we could far better utilise our scale and resources by bringing in up-to-date systems and operations and using more technology.

To do this, we need a Ministry-wide approach to our business and change – there was significant progress through the year on critical behind-the-scenes work to establish a unifying business strategy, ‘to create modern, accessible, people-centred justice services’, and to develop the structures and culture necessary to support this.

My basic approach has been to:

- ensure staff know why we’re changing, which is to improve services for the people who use the system and our customers, and encourage their ideas for innovation
- get leadership roles sorted first so that there are clear accountabilities for what we need to do and then align other structures quickly and methodically, starting with head office
- gather key information needed to drive performance, use it to set targets and report monthly.

I’ve also engaged more actively with the people we support and who we need to make the system work – in particular, the judiciary, legal profession and our sector partners. They need to know what we’re doing because we need their help and we want the changes to work for them.

The Ministry’s Performance Improvement Framework (PIF) review conducted in January 2012 recognises that we need to shift from what we have done to what we can do and supports the approach we are taking.

Change, however, is challenging for people. It is particularly difficult when the change required is large and when structures and practices have been locked in for a long time. For example, 90 percent of courts nationwide are in the same location as 100 years ago, and the court system is one of the last areas of the public service to widely use technology in its operations and services. The planned changes arising from the Criminal Procedure Act, the move to an electronic operating model in courts and proposed reform to the Family Court all require significant change for Ministry staff, the judiciary, lawyers and other court users and stakeholders.

To be successful, along with careful planning, we need new systems and approaches, technology and capability, and a really clear focus on what we are trying to achieve to ensure the justice system works for the people who use it.

The results achieved in Christchurch – where we have created new ways of working out of new and different facilities used in different ways and have provided ongoing and improved service to Canterbury people – shows what is possible through the commitment of staff and the buy-in of stakeholders.

Similarly, the Collections unit has reorganised its structure, moved to a national operating model based on a technology system and customer segmentation and used technology supported by legislative change to improve the tools it uses and those for customers and has dramatically reduced the amount of outstanding fines.

I want to thank all of the Ministry’s staff for their efforts and achievements, which are captured in this document, and their support and commitment.

In accordance with section 44(1) of the Public Finance Act 1989, I submit the following report on the operations of the Ministry of Justice and its audited financial statements for the year 1 July 2011 to 30 June 2012.



Andrew Bridgman
Secretary for Justice and Chief Executive

The Ministry of Justice

New Zealand's justice and legal systems protect individual rights and freedoms, set out what is unacceptable in our society and the penalties for breaking the law and enforce the rules around how business and the economy operates and how the country is governed.

The Ministry of Justice leads the justice sector agencies in setting the overall direction of the sector to ensure we keep New Zealand safe and just.

The Ministry employs around 3,400 full-time equivalent staff, with most working in operational areas from more than 100 locations across New Zealand.

We work to support and strengthen our justice system so that crime is reduced and disputes can be resolved.

Our work spans criminal and civil justice. We provide advice on the law, the constitution, democratic and human rights and negotiate Treaty of Waitangi settlements for the Crown.

Our responsibilities range from administering the court system to licensing private security personnel; from providing advice to the Attorney-General on the consistency of proposed laws with the Bill of Rights Act 1990 to providing criminal record checks for people seeking employment; and from collecting court-imposed fines to supporting victims and the work of coroners.

We are the only agency working across all three arms of government – the executive, the legislature and the judiciary. In 2011/12, we delivered \$532.612 million of departmental outputs across Votes Justice, Courts and Treaty Negotiations.

The judiciary and constitutional independence

A key role for the Ministry is supporting the judiciary and courts. The Ministry ensures that the judiciary is provided with adequate levels of administrative, technological and human resources support and funding for continuing legal education.

In delivering services, the Ministry recognises the importance of the constitutional requirement of independence in judicial function and works with the judiciary to ensure this independence is preserved and maintained. This reflects the need for judicial independence – the courts must be, and must be seen to be, separate from and independent of the executive.

Staff who exercise judicial functions do so under the supervision of judges and with the guidance provided in handbooks and other training material approved by the judges. The Ministry has no ability to direct or control staff in their judicial functions.

The Ministry seeks judicial input into some of its operations through joint Ministry-judicial committees and councils on, for example, improvements to court processes and service design.

The justice sector

The justice sector collaborates to reduce crime and enhance public safety and to provide modern, accessible and cost-effective services.

The Ministry of Justice is the lead agency in the sector, which comprises the New Zealand Police, the Department of Corrections, the Crown Law Office, the Serious Fraud Office, the Ministry of Social Development (for youth justice) and a number of Crown entities and agencies.

Working as a sector recognises that there is a ‘pipeline’ across the criminal justice system. It extends from the investigation of crime to arrest and prosecutions, through to courts, sentencing, and sentencing management and rehabilitation. It means policies and approaches in one part of the system can have significant effects on others.

The criminal justice pipeline

Recently, the justice sector has seen substantial success. In 2011, the recorded crime rate reached a 30-year low. The number of new criminal summary court cases (which make up the majority of cases) fell by 11 percent between 2010/11 and 2011/12. We are forecasting the first sustained decline in the prison population since the Great Depression.

As criminal justice makes up about 80 percent of justice sector spending, falling crime, fewer people entering the system and fewer people in prison mean the sector can switch focus from responding to growing volumes to improving performance. New technology provides the opportunity to modernise the way we operate and improve service delivery. Lower numbers in the pipeline mean we can unlock fixed costs, simplify processes and shift resources to crime prevention and frontline services – further reducing crime and the social and economic cost of crime.



Sector goals

Delivering better public services within tight financial constraints is one of the Government’s key priorities for this term. This year, the justice sector was set Better Public Services targets to reduce the rates of crime, violent crime, youth crime and re-offending over five years. These will stretch our ability to deliver but are a deliberately ambitious way to drive change across the sector and innovation at the frontline. The Better Public Services targets are our key goals and focus. They build on targets and objectives set by the sector outcomes framework agreed in 2006.

Sector programmes

The sector is progressing three major programmes to improve public safety and deliver more modern justice services: Better Public Services (Reducing Crime and Re-offending), Addressing the Drivers of Crime and Accessible Justice. These complement the substantial change programmes under way within individual agencies. The sector has also worked together to innovate to maintain service delivery to Christchurch and has developed an initial business case for an integrated justice hub as a key project for the rebuild of Christchurch.

BETTER PUBLIC SERVICES (REDUCING CRIME AND RE-OFFENDING)

The Better Public Services, Reducing Crime and Re-offending Results Action Plan was developed in the first half of 2012 in preparation for the public release of the specific sector targets in July.

The six key areas for action the plan focuses on are:

- reducing opportunities for crime by targeting repeat locations
- providing strong support for people at risk of repeat victimisation
- improving interventions for vulnerable youth
- reducing the availability of alcohol
- increasing alcohol and drug treatment – both in prison and in the community
- reducing re-offending by investing in re-integration and rehabilitation to prepare and support people to live law-abiding lives.

ADDRESSING THE DRIVERS OF CRIME

The Addressing the Drivers of Crime programme has a longer-term focus and extends beyond the justice sector to social sector agencies. In 2011/12, work advanced on developing a refreshed policy framework for this programme. A proposal for intensive, tailored, whole-of-government community intervention to reduce crime and victimisation, particularly for Māori and youth, is being developed for consideration by Ministers.

ACCESSIBLE JUSTICE

Accessible Justice is a programme of work to deliver modern, effective and sustainable justice services to New Zealanders. It includes policy initiatives to help sustain the trend of reducing volumes and operational reforms to underpin a modern justice sector.

Sector governance

JUSTICE SECTOR LEADERSHIP BOARD

Working as a sector requires a different leadership approach. In October 2011, the Justice Sector Leadership Board comprising the chief executives of New Zealand Police, Justice and Corrections was established. The Board, with the Secretary for Justice as its chair, is responsible for driving performance across the justice system, coordinating the major change programmes under way and collectively planning to modernise the sector, reduce costs, improve services and further enhance public safety by delivering on the Better Public Services targets. The Board reports to a group of oversight Ministers.

A sector deputy chief executive role and new team to support the Leadership Board and sector were established at the Ministry in 2012.

FOUR-YEAR BUDGET PLAN

The total annual operating budget for the justice sector, covering Votes Attorney-General, Corrections, Courts, Justice, Police, Treaty Negotiations and Serious Fraud Office, is \$3.8 billion. The Leadership Board oversaw the development of a sector-wide four-year budget plan, which was presented in February, forming part of Budget 2012. This is the first time a large government sector has developed a joint four-year budget plan.

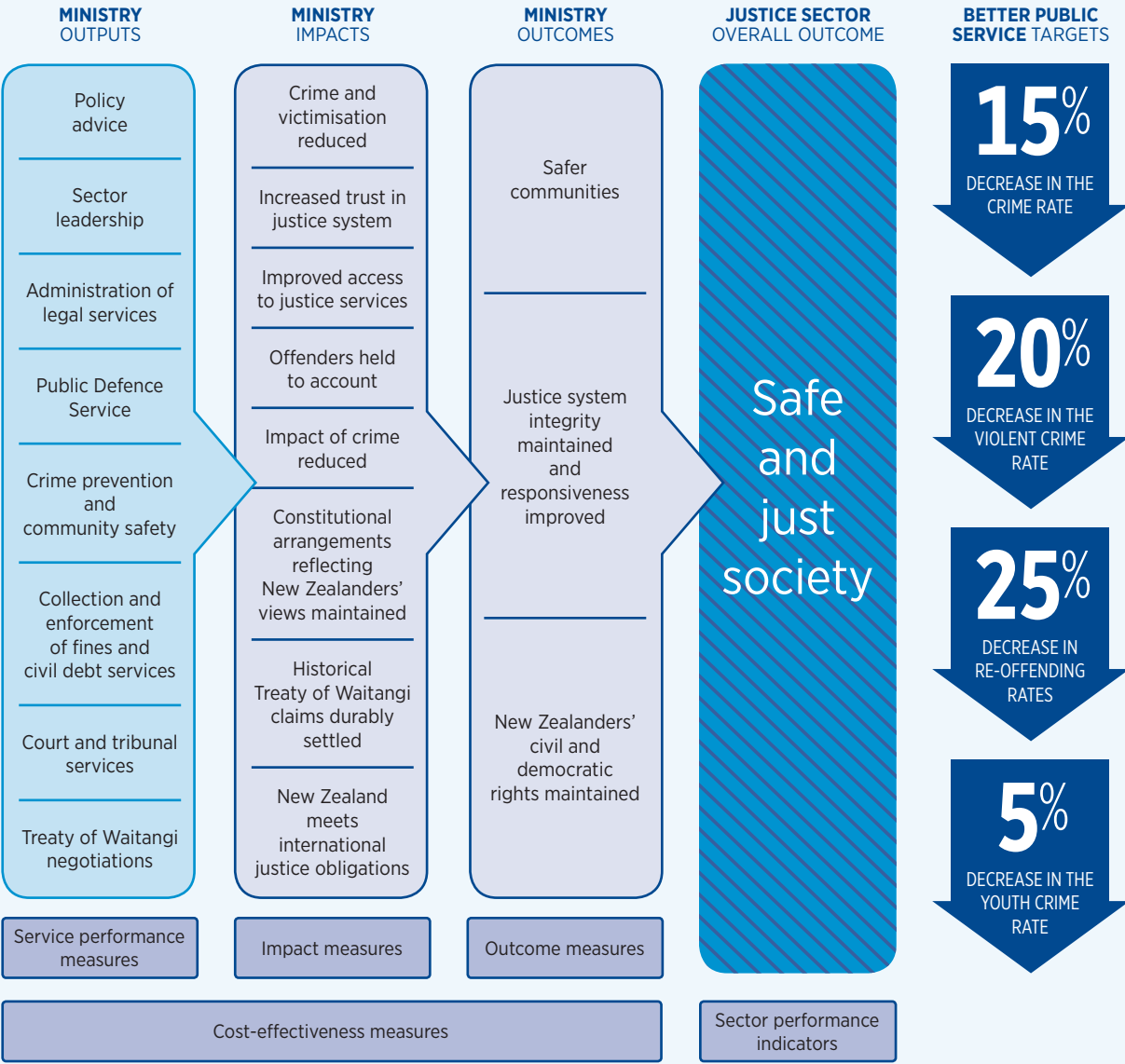
JUSTICE SECTOR FUND

A key budget innovation, the Justice Sector Fund, was established in April 2012. The funding pool allows savings to be transferred between justice sector agencies and across years. Rather than being restricted to reinvestment in the same Vote, the fund allows savings from agencies to be used across agencies and across years so that money can be directed towards the sector's highest priorities. Again, this is the first time a funding pool of this kind has been used in the public sector.

What we did and the impact we had

Our performance framework

The performance framework provides a way of looking at what we do. It shows what we are trying to achieve and how our work contributes to Ministry and justice sector outcomes.



Supporting our outcomes in a changing operating environment

The Ministry of Justice is undergoing significant change as we build the foundations for a modern, accessible, people-centred justice system. Over the past year, we have taken major steps to align our structure, systems and culture to meet the challenges of the current and future environment and to meet the Government's and the public's expectations for delivering better, smarter public services.

Alongside these expectations, a number of environmental factors shape the way we work, such as recovery from a global economic recession and the resulting fiscal constraints, the impact of the Christchurch earthquakes and reduced volumes entering the justice system. The Ministry has put a clear focus on innovation – new ways of working and delivering services – and of driving performance across the sector.

We have developed a business strategy and a four-year plan to reshape the Ministry into a modern organisation built around delivering better results and services to the public and to lead the justice sector to do the same.

Better Public Services

As the justice sector leader, we have focused on enabling effective cross-organisational work through shared goals, governance and services. The major initiatives delivered in the 2011/12 financial year are detailed in the justice sector section of this document (pages 5–6).

Reshaping the Ministry

Following a review of our second tier of management, the Ministry was reshaped into seven business groups, including a temporary Christchurch Recovery Group and an Innovation Group to deliver the Ministry's major change programmes, and a Sector Group, led by a deputy chief executive, was established to support the Justice Sector Leadership Board in setting and delivering the justice sector's shared agenda.

Following the appointment of the Strategic Leadership Team, the Ministry began reviewing its national office structure to align it to the new leadership structure and ensure the head office functions were better integrated and focused on frontline services and the needs of customers. Phase one of the National Office Review, which involved the Policy and Sector Groups, was announced in June 2012 and implemented in August 2012.

New business strategy

In the first half of 2012, the Ministry developed a new business strategy based on delivering modern, accessible, people-centred justice services. The nine major objectives the strategy is built around are:

- leading the justice sector
- delivering world-class personal services
- building a culture of empowerment and innovation
- identifying the 'overwhelming data' that drives the business and measuring our success
- forging active partnerships with stakeholders
- promoting what we do
- having services designed for the people who use them
- moving towards a fully electronic, paperless business
- developing stronger Ministry governance and rigorous prioritisation.

Work to promote and implement this strategy is under way.

Performance focus

The Ministry has identified five business performance indicators that capture the direct impact the Ministry is providing through its outputs. These impacts are the Ministry's contribution to the justice sector outcomes and will ultimately result in achievement of the targets set in the Better Public Services, Reducing Crime and Re-offending Results Action Plan. The five business performance indicators established by our Strategic Leadership Team are:

- speeding up disposal of cases
- reducing the cost of doing business – creating efficiencies to allow reinvestment in improving customer service

- that our customers are happy to do business with us – based on the results of customer satisfaction surveys covering court users, judges, fines customers and court lawyers
- doing business online – the proportion of common transactions that take place away from physical locations
- working for the Ministry of Justice is rewarding – staff engagement as surveyed by Kenexa (formerly JRA).

Over the next year, these five indicators will drive our business, inform resource allocation and shape a strong performance culture within the Ministry.

Innovation and transformation in Christchurch

The Ministry continues to play a vital role in Christchurch's recovery. We have shown leadership and commitment to the central city and were the first government agency to return services to the former red zone. The availability of court and justice services was restored to pre-earthquake levels when District Court trials returned to the city in February 2012. In March 2012, we opened a new multi-jurisdictional courthouse on Cambridge Terrace providing a facility for District Court and High Court hearings. New facilities will improve court processes and the services available to the public, other agencies and the legal profession.

The unique circumstances in Canterbury have led to ongoing cooperation and collaboration between agencies throughout 2011/12. This has enabled efficiencies through shared infrastructure and increasingly integrated service delivery. The achievements throughout the year have also relied on strong collaboration and cooperation with the judiciary and lawyers.

Christchurch court staff far exceeded performance targets set in August 2011 for the length of time taken to dispose of cases and were ahead of the national District Court average in August 2012. A key measure of a court's performance is caseload, or the number of weeks on average that it takes to dispose of cases. During the year, the time taken in Christchurch to dispose of criminal defended hearings dropped from 63.9 weeks to 20.7 weeks. Family hearings were heard in 19.1 weeks, down from 28.1 weeks, and civil cases are being disposed of in 18.3 weeks, down from 29 weeks.

Addressing seismic risk

The Ministry is committed to ensuring the safety of its staff and people using its buildings. Following the earthquake, we did an assessment of the safety of all of our buildings. Through that process, we got advice that some buildings posed a serious safety threat in the event of major earthquake. Courts have been temporarily closed in Rangiora, Oamaru, Balclutha, Upper Hutt, Masterton and Feilding. We have also partially closed the Dunedin court building.

As an interim measure, services have been provided from nearby courts or at alternative venues. This approach has worked well and shown that there is flexibility in how services are delivered. The changes have not created any backlogs. However, the Ministry continues to work to develop sustainable long-term solutions for each of these communities.

Making communities safer

During 2011/12, the Ministry worked with the sector to address the drivers of crime and to develop a plan to reduce crime and re-offending. The Ministry was also involved in work to reduce the extent and seriousness of crime, including in communities, and to deter potential offenders.

Reducing crime

Over the last year, the Ministry has worked to reduce the amount of crime, including alcohol-related offences, to support victims to reduce the impact of crime and to ensure that communities are safer.

As discussed earlier, a key development was the Government's announcement of the Better Public Services goals to reduce crime, violent crime, youth crime and re-offending. In the first half of 2012, we worked with the sector to develop the Better Public Services, Reducing Crime and Re-offending Results Action Plan, which was launched in July.

The four priority areas identified in the plan are:

- reducing opportunities for crime by targeting repeat locations and supporting repeat victims
- targeting vulnerable youth and youth offenders by strengthening the flow of information between the social and justice sectors and working with families and whānau
- reducing alcohol and drug abuse by reducing the availability of alcohol and increasing alcohol and drug treatment in the community
- reducing re-offending by strengthening rehabilitation and re-integration to prepare and support people to live law-abiding lives.

To reduce the harm from alcohol and improve the availability and accessibility of alcohol and other drug treatment services, the Ministry continued to support the Government's approach to Addressing the Drivers of Crime. An important part of this reform programme is the Alcohol Reform Bill, which includes a range of proposals to reduce the harm caused by alcohol use, including crime, disorder, public nuisance and negative public health outcomes. The Bill aims to reduce the availability of alcohol, reduce youth access to alcohol, facilitate community input into licensing decisions, enhance the industry and personal responsibility and improve the operation of the alcohol licensing system.

Over the last year, the Ministry supported the Minister of Justice and the Justice and Electoral Committee as the Bill continued through the House. This work included providing advice to the Government and the Justice and Electoral Committee in response to the 1,647 substantive submissions and 7,175 form submissions, as well as preparing amendments to the Bill for consideration during the Committee of the Whole House stage of the Bill. The Ministry also led a number of other alcohol-related projects such as the ongoing minimum price investigation and the \$10 million investment package to reduce harm from alcohol and drug abuse.

Progress has been made on Addressing the Drivers of Crime work through improving frontline services for priority groups, including more participation by at-risk children and

families in early childhood education, Well Child checks and parenting programmes and increased access for offenders to alcohol and other drug interventions, restorative justice conferences and pre-release prisoner re-integration services.

Supporting victims of crime

The Ministry funds support and services for victims of crime through the Offender Levy. In 2011/12, we collected \$4.39 million, which funded 13 grants and services for victims of serious crime delivered by Victim Support, the Accident Compensation Corporation and the Ministry of Justice.

The Victims of Crime Reform Bill aims to increase the accountability and responsiveness of government agencies providing services to victims and ensure victims are better informed about their rights and involved in criminal justice processes. The Bill is expected to be passed late in 2012.

A Victims Centre was established in July 2011 with a mandate to oversee victims' rights and services, provide information to people who work with victims and improve the coordination of services to victims. Work in this area has included improving services to those at high risk of experiencing victimisation, including working with a Māori Advisory Group and holding workshops with iwi and Māori service providers in five locations (Whangārei, Auckland, Tauranga/Rotorua, Wellington and Christchurch) to discuss the development of the Victims Code. The Victims Reference Group was established to engage with victims in the development of the Victims Code, a document that lists victims' rights and services available from government and other organisations.

The Ministry funded Safer Homes in New Zealand Everyday Inc (SHINE) \$0.5 million a year for two years from 2011/12 to run the safe@home programme for victims of family violence. The safe@home programme makes victims' homes safer from attack through education and providing security services and products to enable people to feel safer in their own homes. The safe@home programme will be established in three new locations (South Auckland, Tauranga and Christchurch) starting in 2012/13.

The Ministry has supported the progress of the Bail Amendment Bill to make it harder for defendants charged with serious offences to get bail. The Bill aims to increase the use of the reverse burden of proof for serious offences, strengthen bail laws for young offenders and protect the vulnerable.

Measuring our success

The Ministry has performance monitoring measures in place to track the success of its work against crime rates.

The recorded crime rate reached a 30-year low in 2011. From 2009/10 to 2010/11, the crime rate reduced by 7.2 percent, from 1,060 recorded offences per 10,000 of the population to 984.¹ Violent crime² has decreased by 5.5 percent from 115 recorded offences per 10,000 of the population in 2009/10 to 109 in 2010/11. Youth crime has also decreased from a level of 378 youth offenders aged 14–16 appearing in court per 10,000 of the population in 2009/10 to 360 in 2010/11, a decrease of 4.7 percent.

The Ministry continues to work with our sector partners and other agencies to develop measures in relation to alcohol-related offending. While an agreed set of measures is still in development, the number of drivers killed with excess blood alcohol has reduced from 68 in 2010 to 48 in 2011.³

The Ministry's outputs that contribute to making safer communities are policy advice, funding for crime prevention and community safety programmes, sector leadership and support (Vote Justice) and collection and enforcement of fines and civil debt services (Vote Courts). Our performance in delivering these outputs in 2011/12 is detailed in the statement of service performance (see pages 25–50).

¹ Data for 2011/12 is not yet available. The standard of reporting for this measure differs from previous years to align with the reporting standard under the Better Public Services, Reducing Crime and Re-offending Results Action Plan.

² This includes homicides and injury but excludes sexual offences.

³ Information produced by the Ministry of Transport.

Maintaining the integrity and improving the responsiveness of the justice system

The Ministry has delivered legislative, operational and technological changes to improve our court processes and to ensure that there are effective tools to hold offenders to account.

Offenders held to account

Restorative justice is a voluntary process for resolving crime that focuses on redressing the harm to victims while holding offenders to account and engaging the community in the resolution of conflict. This is primarily achieved through a meeting between the victim and the offender called a restorative justice conference. In 2011/12, the Ministry purchased restorative justice services from 24 community-based providers to deliver 1,700 restorative justice conferences to 36 District Courts. From 2011/12, the Ministry has increased funding for restorative justice conferences by \$2.0 million over three years. The additional funding will enable the purchase of an additional 300 conferences in 2013/14, strengthening the delivery of services, expanding services to metropolitan areas and for Māori and improving the quality of the services.

Two major initiatives focused on improving the collection of fines. The Segmentation and Workflow Management Project introduced customer segmentation to profile those receiving fines according to the likelihood of their anticipated compliance, and new workflow management technology enabled a national way of working. The project went live in October 2011, and by 30 June 2012, a number of the targeted project benefits had already been met:

- Ongoing operating costs were reduced by \$2 million per annum.
- Debt was being cleared faster than it was being incurred – 83 percent of debt was resolved (cleared or under arrangement) within 12 months, just below the first year target of 84 percent.

- Older debt was managed well – only 59 percent of total debt was older than 12 months, which was 2 percent better than the first year target.
- Data matching, where the Ministry obtains contact or employment information from the Inland Revenue Department and Ministry for Social Development for people with outstanding fines, was introduced. The forecast yearly target for data matching of \$15.6 million was surpassed within the first five months. A total of \$26.7 million in fines and reparation had been collected as a direct result of data matching, 71 percent above target.
- The debt book (including debt owed to the Crown and other parties) was sitting at \$615.5 million – down from \$666.5 million in 2010/11 and \$746.4 million in 2009/10 – and is forecast to continue to decline.

The 20 amendment Acts formerly comprising the Courts and Criminal Matters Bill received royal assent in July 2011. In February 2012, the first major initiative from this legislation – credit check of fines – went live. This initiative allows a person's overdue fines and reparation balances to be reported to prospective credit providers, providing an incentive for people to pay to avoid putting their access to credit at risk. As at 30 June 2012, there had been 101,811 credit report requests, identifying 6,245 people with outstanding fines and reparation totalling \$5.160 million. The credit check initiative resulted in \$1.281 million of fines and reparation being resolved.

Several smaller initiatives from the legislation have also been implemented. One initiative has strengthened the courts' warrant to seize property powers and removed restrictions on using seized property to settle fines. Another initiative aligned the courts' powers for enforcing fines and reparation imposed in the High Court with the powers for enforcing District Court penalties.

Improved access to justice services

The Legal Services Agency (LSA), which administered legal aid, was incorporated into the Ministry on 1 July 2011, and the Ministry progressed changes to reform legal aid and improve the quality of legal aid provision. The Legal Services Act 2011 requires all legal aid service providers to apply for approval and meet quality criteria. The Ministry received

1,927 applications for approval from lawyers by the end of the transitional approval period on 31 December 2011. This is about the same number of previously active legal aid providers, maintaining continuity of services while ensuring that quality standards are met.

To improve the delivery of legal aid, the Legal Assistance (Sustainability) Amendment Bill was introduced in August 2011. The Ministry provided advice to the Minister and the Justice and Electoral Committee during 2011/2012.

The Public Defence Service (PDS) provides legal aid services in a total of 13 metropolitan courts in New Zealand through the use of salaried Ministry staff. The Ministry has expanded the PDS over the last year from six offices to nine offices and is working towards receiving 33 percent of criminal legal aid cases nationally. Over the year, new offices were opened in Dunedin, Tauranga and Hawke's Bay. Plans to open an office in Christchurch were delayed due to the effects of the earthquakes.

In June 2011, the PDS was evaluated by independent consultants⁴ who concluded that it had a lower average cost per case than contracted private providers (an advantage that increased with case complexity), it provided a higher quality of service (client experience, case handling and outcomes and stakeholder perceptions) and it also tended to have a favourable wider impact on the courts.

The Family Court Review has focused on ways to improve the Family Court to ensure it is responsive to those who need to use it, sustainable, efficient and cost-effective. Between April and September 2011, the Ministry of Justice consulted with individuals, academics, government agencies, the judiciary, non-government organisations, professional services and the Family Law Section of the New Zealand Law Society on issues facing the Family Court.

In September 2011, the Government released a public consultation paper – Reviewing the Family Court – and an online questionnaire seeking court users' views on the issues facing the Family Court and possible areas for reform. By February 2012, the Ministry of Justice received 209

⁴ *Public Defence Service, Benchmarking – Final Report, Benchmarking the cost of the PDS against contracted providers*, 30 June 2011, Martin, Jenkins and Associates Ltd. justice.govt.nz

submissions on the consultation paper and 121 responses to the questionnaire. The Ministry prepared advice for the Minister of Justice on the reform of the Family Court and prepared advice and a regulatory impact statement for the Minister of Justice to present to Cabinet.

The Criminal Procedure Act 2011, passed in October 2011, represents the most significant reform of criminal procedure in over 50 years and will commence in two stages. In March 2012, stage one introduced changes to promote earlier resolution of cases through extending the powers of registrars to deal with unscheduled court appearances, allowed jury trials to continue with only 10 jurors and codified sentence indications to promote earlier entry of guilty pleas. The stage two changes will commence in July 2013.

Safe and effective court environments

The first phase of the electronic operating model will enable police charges to be filed electronically and to be processed and managed electronically by the courts instead of using a paper-based system and processes. Enabling legislation will also allow the decisions of the judge to be recorded electronically and for the official court record to be retained in electronic form. New software has been developed to allow the filing and management of judicial decisions. A prototype of the software was tested in April 2012, and the Ministry is working closely with the judiciary and New Zealand Police for it to go live on 1 July 2013. It is planned that the Electronic Operating Model will save 86,000 hours of court and police time each year and avoid the need for 250,000 charges to be filed and processed on paper.

The Auckland Service Delivery Model aims to ensure sustainable court services throughout the greater Auckland region to 2030. The new structure involves centralised back-office processing and management of Family Court and civil applications into hubs in Auckland and Manukau, while continuing to provide counter services and court hearings in all existing courts. This new structure and way of working took effect on 31 January 2012.

The audio-visual links (AVL) project is a joint initiative of the Ministry of Justice and the Department of Corrections. It implements audio-visual conferencing technology so people can participate remotely in court proceedings. First implemented in Auckland last year, AVL facilities were launched this year in Manukau and Hamilton.

Community Link in Courts (CLiC) is a joint initiative between the Ministry of Justice and the Ministry of Social Development, in partnership with New Zealand Police and the Department of Corrections. CLiC aims to give people affected by family violence timely access to appropriate support services provided by Work and Income case officers based at the Family Violence Court. CLiC was established in 2010 in the Porirua Family Violence Court and was implemented in the Masterton⁵ and Auckland Family Violence Courts in 2011/12.

The National Transcription Service (NTS) uses digital audio technology to enable proceedings to be recorded, transferred and stored electronically and for transcription to occur contemporaneously when required. In 2011/12, 26 additional courtrooms were connected to the NTS system, backup transcription services to the Employment Court were implemented and two Māori Land Court pānui (list hearings) were transcribed by the NTS as a pilot. Since 2007, NTS has contributed to a 15 percent overall reduction in High Court sitting time (a 26 percent reduction in evidence-only transcription time), a 14 percent overall reduction in District Court sitting time and reduced costs by no longer outsourcing transcription services and a reduction in travel by judges' associates and court reporters.

To ensure that people are safe at court, we have continued to provide court security officers across the country. In 2011/12, court security officers screened almost 1.3 million court users nationally and took almost 7,000 potential weapons into temporary custody. Throughout the year, security screening was extended to combined High/District Courts at Palmerston North, Napier, New Plymouth, Whangārei, Wanganui and Gisborne, to Waitākere and Hamilton District Courts and to the Auckland High Court. Services were restored to Christchurch High/District Court in April 2012.

⁵ Masterton Family Violence Court has temporarily closed due to seismic concerns.

Measuring our success

The Ministry uses a court user survey to measure satisfaction with court services and facilities. In 2012, 80 percent of court users were very or fairly satisfied with court services and facilities (77 percent in 2010), 63 percent found it very or fairly easy to obtain information about court services (65 percent in 2010) and 91 percent felt very or fairly safe at court (86 percent in 2010).

The proportion of people who have not paid or made arrangements to pay their fine, infringement or reparation has continued to fall from 47.6 percent in 2010/11 to 44.3 percent in 2011/12.

In 2011/12, the Ministry developed measures to monitor its success in improving the responsiveness of the justice system. To support the justice sector priorities, a target has been set of a 15 percent reduction in the median time from filing to disposal in High Court and District Court criminal jury cases by 2015. Progress against this target will be reported in 2012/13. Progress made in improving the quality of legal aid services will be illustrated in new measures and targets developed in 2011/12 for reporting in 2012/13. These measures are:

- 100 percent of quality and value audits of legal aid providers and Public Defence Service lawyers meet the expected standards of high-quality cost-effective services
- 93 percent of criminal legal aid applications are processed within one working day.

The Ministry's outputs that contribute to maintaining the integrity and improving the responsiveness of the justice system are policy advice, sector leadership and support, administration of legal services, Public Defence Service (Vote Justice), higher court services, District Court services, specialist courts, tribunals and other authorities' services, collection and enforcement of fines and civil debt services, and Waitangi Tribunal services (Vote Courts). Our performance in delivering these outputs in 2011/12 is detailed in the statement of service performance (see pages 25–50).

Maintaining the civil and democratic rights of New Zealanders

During 2011/12, the Ministry continued to work to ensure there is a credible legal basis for New Zealand's civil and democratic systems and that New Zealand responds appropriately to international laws and conventions. We also supported the Government's aim to maintain the momentum of Treaty of Waitangi settlements.

Historical Treaty of Waitangi claims durably settled

Settling historical Treaty of Waitangi claims as quickly as possible, while maintaining the durability of all settlements, is critical for Māori communities and for all of New Zealand to be able to move on in its development. The Ministry is working towards the aspirational goal of completing just and durable settlement of all historical Treaty of Waitangi claims by 2014. We are continuing to build momentum signing deeds of settlement while focusing on getting all groups willing and able to at least an agreement in principle.

Settlement momentum during 2011/12 continued to increase. A number of initiatives have contributed to this including the targeted utilisation of chief Crown negotiators and Ministry resources to prepare iwi groups for negotiations and achieve settlements, enhancements to the deed and legislation drafting process, efficiency improvements to settlement process procedures, simplified approaches to the settlement policy framework (for example, the Crown valuation policy) and better alignment between government agencies involved in Treaty settlements.

The following milestones were achieved in 2011/12:

Milestone	
Mandates recognised	3
Agreements in principle	19
Deeds initialled	13
Deeds signed	7
Legislation introduced	6
Legislation enacted	6
Total	54

Since 1994, 50 deeds of settlement have been signed with iwi, of which seven were signed in 2011/12. There were more negotiation and settlement milestones achieved in 2011/12 (54) than in any preceding financial year (42 in 2010/11). In addition, the rate at which Treaty legislation has progressed through Parliament has increased significantly over the financial year as a result of using a cognate approach that combines parliamentary debates for a number of stand-alone Bills with iwi agreement as well as extended House sitting hours.

Constitutional arrangements reflecting New Zealanders' views maintained

To maintain the civil and democratic rights of New Zealanders, we have ensured that there is a credible legal basis for New Zealand's civil and democratic systems and that New Zealand responds appropriately to international laws and conventions.

The independent Constitutional Advisory Panel is supported by a secretariat based in the Ministry of Justice. During 2012/13, the panel will inform and engage with New Zealanders on a wide range of constitutional questions, such as the term of Parliament and the role of the Treaty of Waitangi in New Zealand's constitutional arrangements.

The Ministry continues to work to develop a new Privacy Act that will improve the clarity, certainty and user-friendliness of the Act. It will incorporate many of the changes

recommended by the Law Commission Report, *Review of the Privacy Act 1993*, as well as additional proposals to ensure the privacy regime responds effectively in an increasingly networked environment.

The Ministry is supporting the Privacy (Information Sharing) Bill through Parliament. The Bill will enable government agencies to work together and with non-government organisations to deliver government-funded services to people. On 8 June 2012, the Justice and Electoral Committee recommended that the Bill proceed. The Bill is awaiting its second reading.

In January 2012, the Prime Ministers of Australia and New Zealand announced their agreement to improve the exchange of criminal history information between the two countries. Following this announcement, the Ministry of Justice worked with Australian authorities to support a six-month trial exchange of criminal history information for employment vetting purposes. The trial commenced in July 2012.

The Ministry developed legislation to authorise the Referendum on the Voting System held in conjunction with the 2011 General Election. As a result of the referendum, the Electoral Commission is undertaking an independent review of the Mixed Member Proportional (MMP) voting system. The Commission is due to report to the Minister of Justice by 31 October 2012.

The Electoral (Administration) Amendment Act 2011 provided for the final stage of electoral agency amalgamation to occur on 1 July 2012 (placing all electoral responsibilities with the Electoral Commission), authorised online voter re-enrolment and made a number of administrative changes to improve voter experiences and reduce administrative costs for the 2011 General Election.

New Zealand meets international justice obligations

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 places obligations on financial institutions and casinos to assist in the detection and deterrence of money laundering and terrorist financing.

As part of the all-of-government response to organised crime, over the past year, the Ministry has worked with a wide range of operational agencies to prepare for commencement of this Act in June 2013. The Act contributes to public and international confidence in the financial system.

In 2011/12, the Ministry produced a report on New Zealand's compliance with the Convention on the Elimination of Racial Discrimination. The report was submitted to the United Nations in February 2012 and will be considered in March 2013. The Ministry also supported New Zealand's presentation on the International Covenant on Economic, Social and Cultural Rights (May 2012).

The Ministry has continued to provide funding for the Optional Protocol to the Convention Against Torture monitoring bodies. The Crimes of Torture Act 1989 sets up the independent monitoring regime for places of detention to prevent torture and inhumane treatment. The New Zealand monitoring bodies are coordinated by the Central National Preventative Mechanism, which is the Human Rights Commission.

Measuring our success

Our important work settling historical Treaty of Waitangi claims gained momentum over the year. A record six Treaty Bills were passed, including five in one day – the most since the process began in the 1990s.

By December 2011, 19 percent of Treaty settlement legislation had been enacted. Work completed throughout

2011/12 on everything from recognising mandates through to introducing legislation will enable us to reach our target of 30 percent of legislation enacted by 2012/13 and ensure Treaty claims are durably settled.

In the Transparency International Corruptions Perceptions Index, New Zealand continued to score highly and be ranked as the least corrupt country in the world (our score was 9.5 out of 10 in 2011 compared to 9.6 out of 10 in 2006).

The Ministry's outputs that contribute to maintaining the civil and democratic rights of New Zealanders are policy advice, sector leadership and support (Vote Justice), policy advice – Treaty negotiations, representation – Waitangi Tribunal and property portfolio management (Vote Treaty Negotiations). Our performance in delivering these outputs in 2011/12 is detailed in the statement of service performance (see pages 25–50).

WORLD JUSTICE PROJECT RULE OF LAW INDEX

This index provides international recognition of the extent to which countries adhere to the rule of law. It also includes measures on access to civil justice, the effectiveness of criminal justice and the protection of fundamental human rights. These help to measure the success of the Ministry in meeting its three outcomes of safer communities, maintaining the integrity and improving the responsiveness of the justice system and maintaining the civil and democratic rights of New Zealanders. New Zealand participated in the project for the first time in 2011.

TABLE 1 WORLD JUSTICE RULE OF LAW INDEX RESULTS

Ministry outcome	Intermediate outcome	Rule of Law Index measure	Result (2011)
Maintaining the integrity of the justice system	New Zealanders have confidence in the effectiveness of the justice system	Civil justice in New Zealand is perceived to be free from corruption and improper influence by the Government	Score 0.78 World ranking 4/66
		Criminal justice system in New Zealand is perceived to be impartial and free from corruption	Score 0.84 World ranking 3/66
Maintaining civil and democratic rights of New Zealanders	New Zealanders have confidence that their human rights are protected	New Zealand is perceived to protect freedoms and be free from discrimination	Score 0.86 World ranking 4/66

Measuring the Ministry's efficiency and cost-effectiveness

The impact of the Ministry's work does not lend itself easily to direct cost-effectiveness analysis. Few of our outcomes have readily quantifiable measure of impact, and many are realised gradually over many years. However, we have identified the following measures as an effectiveness proxy for the Ministry.

Collection and enforcement of fines and reparation

The effective collection of fines and reparation enhances the credibility of the justice system. Fines also generate revenue for the Crown and prosecuting authorities. The Ministry's Collections business unit provides administrative support to the District Court for the collection and enforcement of fines.

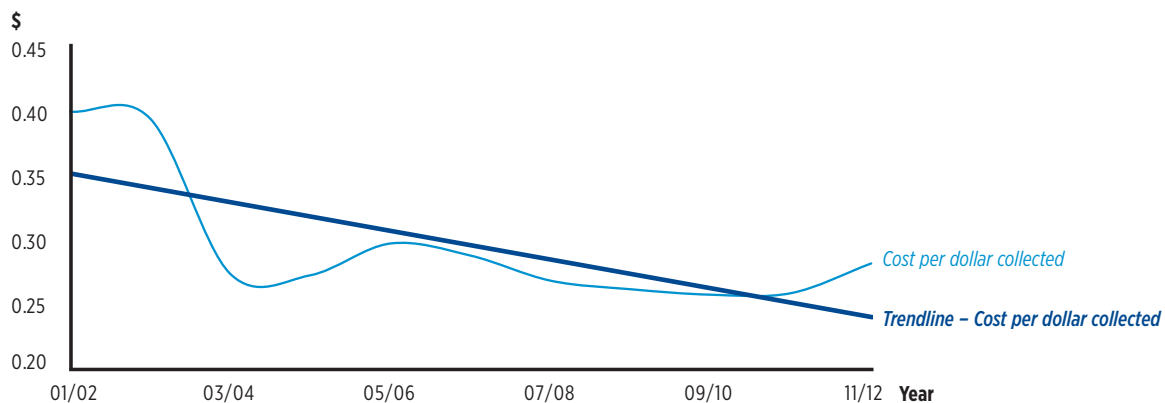
While the Collections business unit's major role is the collection and enforcement of fines and reparation, it also serves court documents and enforces civil judgments and orders on behalf of judgment creditors where payment has been ordered by the court.

Over the last 11 years, the cost-effectiveness of collections services has improved, as shown in the chart below. It costs the Ministry 28 cents for each dollar collected, down from 41 cents in 2001/2002.

How the costs of collection per dollar has changed

In 2011/12, the total cost of providing all collections services was \$65.826 million. These costs included all activities undertaken by the Collections business unit and all overheads. The cost increased from 26 cents for each dollar collected in 2010/11 to 28 cents in 2011/12 due to implementation costs of the new workflow manager system. This work is now completed, and the costs are expected to reduce over the next year.

FIGURE 1 HOW THE COST OF A DOLLAR COLLECTED HAS CHANGED



Court services

The Ministry is also developing specific measures on the cost-effectiveness of its support for the courts, including the efficiency of resource utilisation, focusing first on the District Courts. These will be ready during 2012/13.

Policy advice

Following the Review of Expenditure on Policy Advice (also known as the Scott Review), the Treasury is developing a standard approach to funding and reporting on policy advice functions. This work includes developing activity and cost-effectiveness measures for policy advice and related outputs. Definitions and performance measures for policy advice appropriations will be standardised for Budget 2013. The Ministry will assess its data and measures for the cost-effectiveness of policy advice after these changes have been implemented.

Assessing our organisational health and capability

Better Public Services and other programmes, structural changes to the Ministry and our new business strategy are about becoming a more performance-driven organisation. The scale and scope of change we have committed to means that, in some areas, significant shifts in capability are required.

The need for change was set out in the recent PIF review undertaken in 2011/12 and published in July 2012. The PIF report recognised the contribution that New Zealand needs from the Ministry of Justice and stated that the Ministry needs to transform if it is to reach its potential to look outwards; have an appropriate strategy, leadership and culture to foster change; and significantly modernise the way it operates and delivers services to suit the needs of customers. Initiatives in each one of these areas were undertaken this year.

The Ministry will address all areas that were identified as 'weak' or 'needing development' through the review. Specifically, the six key areas improvements will centre on are:

- strengthening the Ministry's sector leadership position
- better defining the Ministry's purpose and refreshing its strategy
- enlisting external support
- stronger people leadership and management
- a proactive policy function with stronger linkages between policy and operations
- stronger operational performance with a real focus on the public as the customer.

This focus means that robust performance measures are more important than ever. Initiatives this year have established better lines of oversight and improved collection and analysis of our business information. We committed to improving the way we work – building capability, rationalising investment and removing duplication, simplifying and streamlining systems and processes and using modern technology. Major work is under way to ensure a continuous cycle of assessment, addressing issues and capitalising on opportunities, and reassessment.

Strengthening our relationships

The Ministry has begun to take a far more active approach to external and stakeholder engagement through the year, and work has begun on a formal stakeholder strategy.

The first part – developing a framework and identifying all stakeholders and relationships – was undertaken in May and June 2012.

Having very active, formalised relationships is a significant part of our role as justice sector leader. We also need to engage differently and positively with the judiciary and legal profession – recognising the effect of current and planned changes on them and their key role in helping us to make the right changes successfully.

Strengthening our financial management

The Ministry has adopted a sector-wide approach to ensuring sustainable financial management. This involves long-term forecasting to ensure work programmes have sufficient allocation of resources and the management of the recently established Justice Sector Fund, which provides the mechanism to address demand pressures across the sector and use sector appropriations efficiently.

More detail on the Ministry's financial performance in 2011/12, including its capital expenditure, can be found in the financial statements (see pages 25-112).

Improving the performance of our assets

The Ministry operates and maintains a nationwide network of assets, ranging from courthouses to information and communications technology systems. Careful management of these assets is essential to ensure that they meet the needs of our customers and future operating requirements.

The Ministry is developing an asset management plan to help to minimise future fiscal and service delivery risks and deliver cost-effective services. The plan will take account of the outcome of reviews held across our asset holdings and investment portfolios to ensure that the classes of assets fairly reflect our operating requirements and provide value for money. The plan is due for completion during the 2012/13 year.

Leveraging technology for business innovation

Our technology strategy is focused on ensuring a sustainable, fit-for-purpose technology infrastructure, maintaining our focus on improving capability and technology to support business transformation.

During 2011/12, the Ministry evaluated its service supplier options and worked on building capability to support business transformation. The Ministry completed the Segmentation and Workflow Management Project, established the electronic operating model project and started work on the enterprise data warehouse project, which supports the implementation of the Criminal Procedures Act and business transformation. The technology component of the Legal Services Agency integration into the Ministry was also successfully completed.

The Ministry's five main technology applications were available 99.5 percent of the time during normal business hours, meeting the target for 2011/2012 (99.5 percent availability). The average resolution time for high-priority incidents in technology systems was two hours and 30 minutes, meeting the target for 2011/12.

Addressing seismic risk

The Ministry has been focused on ensuring that its buildings meet seismic safety requirements. As part of an ongoing programme, where buildings require remedial work, the Ministry is considering all options to ensure that the work meets the required standards and that our services suffer minimal disruption.

Engaging our people

Staff engagement is a key area of focus. In 2011, the Ministry conducted its first employee engagement survey, completed by 77.5 percent of employees. The results showed that 30.3 percent felt disengaged.

Three key areas of focus were identified from the 2011 survey – leadership, communication and ensuring our people feel valued. Action plans were put in place and practical steps taken to address these areas. This included the publication of a monthly electronic staff magazine and the inaugural

Chief Executive's Awards for Excellence. Eight winners were selected during the first quarter of the awards programme in 2011/12. There will be up to eight winners selected per quarter.

The Ministry has invested in staff training and development, particularly technical operational training and leadership, with an average training spend of nearly \$1,000 per employee. We have developed our leadership and staff capability frameworks and these underpin our investment and efforts to build capability.

The Ministry is committed to maintaining a diverse workforce with an inclusive culture. The Ministry has 66 percent female and 34 percent male employees, compared with the public sector average of 59 percent female and 41 percent male. The majority of our people identify as New Zealand European/Pākehā, with 12.2 percent identifying as Māori, 6 percent as Pacific Islander and 6.4 percent as Asian. Women hold 55.1 percent of management positions. Māori and Pacific Island people hold 11.6 percent and 4.7 percent of management positions respectively.

Staff turnover was 13.2 percent (as at June 2012) compared with 14.9 percent in June 2011.

Managing risk

A new risk and assurance strategy was developed in 2011/12 to provide focus and strengthen our abilities in managing both strategic and operational risk. This strategy is underpinned by a risk management framework that includes targeted training for key managers and staff to ensure that it is successfully implemented and embedded in business as usual.

The Audit and Risk Committee meets quarterly to provide independent risk management and internal control advice to the Chief Executive. Committee members are all senior managers external to the Ministry and have strong public sector, risk management and financial management credentials. The Audit and Risk Committee also supports the work of the Ministry by providing regular advice and guidance.

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Statement of responsibility

In accordance with the Public Finance Act 1989, I am responsible as Secretary for Justice and Chief Executive of the Ministry of Justice for the preparation of the Ministry's financial statements and statement of service performance and the judgements made in them.

I have the responsibility for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statements of service performance fairly reflect the financial position of the Ministry as at 30 June 2012 and its operations for the year ended on that date.

Signed



Andrew Bridgman
Secretary for Justice and Chief Executive

27 September 2012

Counter-signed



Thor Gudjonsson
Acting Chief Financial Officer

27 September 2012

Independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**To the readers of
the Ministry of Justice's
financial statements, non-financial performance information
and schedules of non-departmental activities
for the year ended 30 June 2012**

The Auditor-General is the auditor of the Ministry of Justice (the Ministry). The Auditor General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- the financial statements of the Ministry on pages 51 to 86, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of departmental unappropriated expenses and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non-financial performance information of the Ministry that comprises the statement of service performance on pages 25 to 50 and the report about outcomes and impacts on pages 7 to 16; and
- the schedules and statements of non-departmental activities of the Ministry on pages 87 to 112 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, and schedule of contingent liabilities and contingent assets as at 30 June 2012, the schedule of expenses, statement of expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, schedule of revenue and receipts and schedule of trust monies, for the year ended on that date and the notes to the schedules and statements that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 51 to 86:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Ministry's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- the non-financial performance information of the Ministry on pages 7 to 16 and 25 to 50:
 - complies with generally accepted accounting practice in New Zealand; and

- fairly reflects the Ministry’s service performance and outcomes and impacts for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Ministry on pages 87 to 112:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2012 managed by the Ministry on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 27 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules of non-departmental activities are free from material misstatement. Material misstatements are differences or omissions of amounts and disclosures that would affect a reader’s overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry’s preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministry’s internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within the Ministry’s framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities ; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities .

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Ministry’s financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes and impacts; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, and non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive’s responsibilities arise from the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Ministry.



Clint Ramoo
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements non-financial performance information and schedules of non-departmental activities.

This audit report relates to the financial, non-financial performance information and schedules of non-departmental activities of the Ministry of Justice (the Ministry) for the year ended 30 June 2012 included on the Ministry's website. The Secretary for Justice and Chief Executive is responsible for the maintenance and integrity of the Ministry's website. We have not been engaged to report on the integrity of the Ministry's website. We accept no responsibility for any changes that may have occurred to the financial statements, non-financial performance information and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, non-financial performance information and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, non-financial performance information and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, non-financial performance information and schedules of non-departmental activities as well as the related audit report dated 27 September 2012 to confirm the information included in the audited financial statements, non-financial performance information and schedules of non-departmental activities presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of service performance

The statement of service performance outlines the measures used by the Ministry to assess our performance in delivering our outputs. Our output classes are specified in the *Information Supporting the Estimates of Appropriations 2011/12*.

An explanation is provided for all service performance variances over 10 percent.

Where there is a range for a standard, the variance is calculated from the mid-point of the range. Actual results that fall within the projected range are deemed to be achieved.

Our new performance framework

During 2010/2011, the Ministry improved its performance framework. As part of this improvement, the Ministry developed a number of new measures to more accurately monitor our performance. These measures were published in the *Information Supporting the Estimates of Appropriations 2011/12* and are reported on for the first time in this report. As this is the first time this information has been presented, there is no comparative information presented for the new measures.

Vote Justice

The Vote Justice appropriation funds advice that is used to ensure that the justice system retains its integrity and remains responsive to the needs of New Zealanders, the work of the Ministry to lead the justice sector and the administration and provision of legal services.

OUTPUT CLASS ONE | ADMINISTRATION OF LEGAL SERVICES

Scope

This appropriation is limited to the administration of legal services including legal aid and related schemes; and the management and collection of legal aid debt.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
New measure	Number of new criminal legal aid applications administered	70,000–77,500	60,618	New policies were introduced across the sector to reduce the number of offenders entering the system, leading to fewer applications being administered.
New measure	Number of new civil legal aid (family) applications administered	28,000–32,500	25,619	
New measure	Number of civil legal aid (other) applications administered	3,100–3,750	2,642	Declining demand resulted in fewer applications being administered.
New measure	Number of criminal legal aid debts established	4,500–6,500	9,951	The proposed changes to legal aid entitlement were not made during the year upon which this forecast was based.
New measure	Number of civil (family) legal aid debts established	4,500–6,500	6,853	
New measure	Number of civil (other) legal aid debts established	550–850	846	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	26,277	18,457	26,277	-
Departmental	204	-	212	-
Other	35	-	38	-
Total revenue	26,516	18,457	26,527	-
Total expenses	25,319	18,457	26,527	-
Net surplus/(deficit)	1,197	-	-	-

OUTPUT CLASS TWO | CRIME PREVENTION AND COMMUNITY SAFETY

Scope

This appropriation is limited to provision of services and advice (excluding policy advice) focused on assisting local authorities and communities to develop crime prevention and community safety programmes.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
100%	Percentage of advice and documentation that meet the Ministry's performance criteria	100%	100%	
Achieved	All funding agreements will have their provider monitoring reports reviewed and assessed at least once per year for contract compliance	Achieved	Achieved	
95%	Percentage of contract offers made at least three months before previous contracts expire, where the contractor is fulfilling its contractual obligations and where extension is desirable	95%	Not applicable	This measure has been superseded as a result of changes in the Ministry's contracting approach. Contract offers are only made after appropriate negotiations have been completed.

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	928	1,815	928	1,601
Departmental	21	62	62	23
Other	1	6	6	1
Total revenue	950	1,883	996	1,625
Total expenses	954	1,883	996	1,472
Net surplus/(deficit)	(4)	-	-	153

OUTPUT CLASS THREE | POLICY ADVICE

Scope

This appropriation is limited to policy advice, legal advice and research and evaluation in relation to civil, criminal and constitutional law, foreshore and seabed policy and Treaty negotiation advice and providing agreed services to the Minister of Justice, Minister for Courts and Minister for Treaty of Waitangi Negotiations.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
Very good	The Minister is requested to indicate his/her level of satisfaction with the quality of policy advice	Very good	Very good	
New measure	Average total cost per ministerial response	\$560	\$1,126	The increasing complexity of ministerial responses resulted in an increase in the average cost per ministerial response.
New measure	Average total cost per standardised policy output	\$5,300	\$6,880	The number of papers produced dropped during the election and post-election period but the size of the Ministry's policy group remained static. The result was an increase in the average cost.

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	26,284	28,916	26,284	26,121
Departmental	377	292	292	398
Other	31	62	62	46
Total revenue	26,692	29,270	26,638	26,565
Total expenses	24,874	29,270	26,638	24,773
Net surplus/(deficit)	1,818	-	-	1,792

OUTPUT CLASS FOUR | PUBLIC DEFENCE SERVICE

Scope

This appropriation is limited to the provision of representation for defendants in criminal cases at specified courts.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
New measure	Number of cases open at 1 July 2011	2,500	2,209	The delayed opening of the Christchurch PDS office due to earthquakes had an effect on the number of open cases as of 1 July 2011.
New measure	Number of new cases accepted during the year	15,000–20,000	12,429	The number of new cases accepted was lower than forecast due to the delayed opening of the Christchurch PDS office and the success of policies introduced to reduce the number of offenders entering the system.
New measure	Number of cases open at 30 June 2012	5,000–7,000	5,544	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	15,992	14,388	15,992	-
Departmental	185	-	177	-
Other	25	-	29	-
Total revenue	16,202	14,388	16,198	-
Total expenses	15,681	14,388	16,198	-
Net surplus/(deficit)	521	-	-	-

OUTPUT CLASS FIVE | SECTOR LEADERSHIP AND SUPPORT

Scope

This appropriation is limited to advice and services focused on the Ministry's leadership role in the justice sector. This covers enhancing the Ministry's coordination with other sector and Government agencies, advice and information about judicial and statutory appointments and monitoring specific Crown entities.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
100%	Percentage of justice sector leadership advice and documentation that meets the Ministry's policy criteria	100%	100%	
Achieved	Justice Sector information assets, such as the Integrated Sector Intelligence System, are maintained and enhanced and 2-3 initiatives are delivered as per the annual work programme	Achieved	Achieved	
Good	The Minister will be requested to indicate his/her level of satisfaction with the quality of support and advice provided by the Ministry in relation to its management of Crown entities and agencies	Satisfactory or better	Very good	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	5,514	7,934	5,514	10,278
Departmental	91	185	185	82
Other	9	18	18	6
Total revenue	5,614	8,137	5,717	10,366
Total expenses	5,477	8,137	5,717	7,617
Net surplus/(deficit)	137	-	-	2,749

Vote Courts

The objective of Vote Courts is to provide for a transparent, efficient and independent court system. Vote Courts pays for the infrastructure supporting the work done by courts, such as the buildings, services and systems. Vote Courts also provides for the enforcement and collection of fines and civil debt services.

OUTPUT CLASS ONE | COLLECTION AND ENFORCEMENT OF FINES AND CIVIL DEBT SERVICES

Scope

Purchase of collection and enforcement of fines and civil debts services.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
\$252m	Amount collected	\$292.4m	\$222.6m	The amount collected was lower than forecast due to the low value of impositions.
85%	Percentage of court imposed fines collected or placed under arrangement within four months	84%	81%	
70%	Percentage of infringement fines collected or placed under arrangement within four months	74%	72%	
93.3%	Percentage of civil enforcement applications actioned within 28 days of receipt by court	94%	91%	
\$3.7m	Amount collected through the Offender Levy	\$3.9m	\$4.4m	The increase was due to offenders paying their levies quicker than forecast.
76.1%	Percentage of Offender Levy collected or placed under arrangement within four months	52%	88%	See above.
New measure	Satisfaction of court users with court (see Note 1)	80%	80%	

Note 1 – Court users are surveyed two-yearly for their satisfaction with the Ministry’s services at the largest courts. This measure is for overall satisfaction and is aligned with the Common Measurements Tool for measuring satisfaction with State services.

Output class statement

	Actual 30 June 2012 \$ 000	Main estimates \$ 000	Supplementary estimates \$ 000	Actual 30 June 2011 \$ 000
<i>Revenue</i>				
Crown	61,990	69,271	61,990	64,428
Departmental	625	1,052	1,052	675
Other	1,886	3,641	3,641	1,776
Total revenue	64,501	73,964	66,683	66,879
Total expenses	65,953	73,964	66,683	67,571
Net surplus/(deficit)	(1,452)	-	-	(692)

OUTPUT CLASS TWO | DISTRICT COURT SERVICES

Scope

Provision of services in regard to the work of the District Courts, including the Youth Court and Family Court.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
New measure	Satisfaction of court users with court services	80%	80%	
<i>Criminal jury</i>				
5,932	Number of criminal jury cases managed (see Note 1)	5,100	5,805	The forecast decrease in cases managed did not eventuate and resulted in the result exceeding the standard.
4	Number of District Court criminal jury cases stayed for undue delay in terms of section 25(b) of the New Zealand Bill of Rights Act 1990 for reasons wholly or partly the responsibility of the Ministry	0	1	This was the result of a failure to provide a jury trial date.
95%	Percentage of survey responses about jury trial cases that rate case management/ file preparation and presentation as 'meets expectations' or better (14 of the 17 respondents to the survey answered this question; see Note 2)	90%	79%	The result reflects the implementation issues with the centralisation of services in the Family and Civil Courts, which resulted in a lower than forecast satisfaction response.
100%	Percentage of survey responses about jury trial cases that rate courtroom support as 'meets expectations' or better (16 respondents; see Note 2)	90%	81%	
90%	Percentage of juror survey responses that rate overall juror satisfaction as 'satisfied' or better (1,087 respondents; see Note 3)	90%	92%	
<i>Criminal summary</i>				
216,144	Number of criminal summary cases managed (see Note 1)	217,800	191,481	The reduction was the result of new policies that were introduced across the sector to reduce the number of offenders entering the system (a 12% decline in new cases from 178,727 in 2010/11 to 156,494 in 2011/12).
81%	Percentage of survey responses about criminal summary cases that rate case management/file preparation and presentation as 'meets expectations' or better (30 respondents; see Note 2)	90%	81%	
92%	Percentage of survey responses about criminal summary cases that rate courtroom support as 'meets expectations' or better (30 respondents; see Note 2)	90%	93%	
0	Number of District Court Criminal cases stayed for undue delay in terms of section 25(b) of the New Zealand Bill of Rights Act 1990 for reasons wholly or partly the responsibility of the Ministry	0	7	The stays were due to acts or omissions of the courts, with three being a combination of prosecutorial and court delays.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Youth Court</i>				
6,301	Number of Youth Court cases managed (see Note 1)	6,300	5,900	
100%	Percentage of responses about Youth Court cases that rate case management/file preparation and presentation as 'meets expectations' or better (6 respondents; see Note 2)	90%	100%	
100%	Percentage of responses about Youth Court cases that rate courtroom support as 'meets expectations' or better (6 respondents; see Note 2)	90%	100%	
0	Number of Youth Court cases stayed for undue delay in terms of section 25(b) of the New Zealand Bill of Rights Act 1990 for reasons wholly or partly the responsibility of the Ministry	0	0	
<i>Civil</i>				
36,266	Number of civil cases managed (see Note 1)	35,500	30,751	Due to declining demand, fewer civil cases were managed.
90%	Percentage of survey responses about civil cases that rate case management/file preparation and presentation as 'meets expectations' or better (5 respondents; see Note 2)	90%	60%	Implementation issues experienced with the introduction of a new Auckland Service Delivery Model in the Family and Civil Courts resulted in a lower satisfaction result. The Ministry is addressing these issues.
90%	Percentage of survey responses about civil cases that rate courtroom support as 'meets expectations' or better (6 respondents; see Note 2)	90%	83%	
<i>Family Court</i>				
98,846	Number of Family Court substantive applications managed	97,700	93,422	
67%	Percentage of survey responses about Family Court cases that rate case management/file preparation and presentation as 'meets expectations' or better (28 respondents; see Note 2)	90%	46%	Implementation issues experienced with the introduction of a new Auckland Service Delivery Model in the Family and Civil Courts resulted in a lower satisfaction result. The Ministry is addressing these issues.
87%	Percentage of survey responses about Family Court cases that rate courtroom support as 'meets expectations' or better (28 respondents; see Note 2)	90%	73%	Implementation issues experienced with the introduction of a new Auckland Service Delivery Model in the Family and Civil Courts resulted in a lower satisfaction result. The Ministry is addressing these issues.

Note 1 – Cases managed counts the number of cases or applications on hand at the start of the financial year added to the number of new cases or applications filed or reactivated during the year.

Note 2 – Judicial satisfaction is measured by an annual survey of the District Courts judiciary. 89 out of 176 judges completed the survey in June 2012 as compared with 53 judges in 2011. In 2012, a new sector survey of District Court judges was introduced utilising a new survey method more broadly focused on the justice sector's services to the courts.

Note 3 – Juror satisfaction is measured by an annual survey of jurors. 1,087 jurors completed the survey in 2012 compared with 1,156 jurors in 2011.

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	182,687	185,729	182,687	173,135
Departmental	1,553	1,904	1,904	1,750
Other	16,554	20,531	20,531	20,025
Total revenue	200,794	208,164	205,122	194,910
Total expenses	204,949	208,164	205,122	187,441
Net surplus/(deficit)	(4,155)	-	-	7,469

OUTPUT CLASS THREE | HIGHER COURT SERVICES

Scope

Provision of services in regard to the work of the Supreme Court, Court of Appeal and High Court.

Performance information

Over the year we have made improvements to our measures, the way we define measures and the way we collect information to ensure that we can represent our business in the most accurate way possible.

Due to the low volume of business in the Supreme Court, a small change in the number of cases can cause significant variation. The number of leave applications managed in the previous financial year was unusually high due to a large number of new criminal leave applications filed.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
0	Number of High Court criminal cases stayed for undue delay in terms of section 25(b) of the New Zealand Bill of Rights Act 1990 for reasons wholly or partly the responsibility of the Ministry	0	0	
New measure	Supreme Court: Number of criminal and civil applications for leave to appeal managed	165	136	The number of leave applications managed in the Supreme Court was below forecast. Because of the low volume of business in the Supreme Court, a small change in the number of cases can cause significant variation. The number of leave applications managed in the previous financial year was unusually high due to a large number of new criminal leave applications filed, many of which related to the Urewera firearms trial, and was the basis for setting this standard.
169	Supreme Court: Number of criminal and civil appeals managed (see Note 1)	55	61	
1,380	Court of Appeal: Number of criminal and civil appeals managed	1,460	1,318	The number of appeals managed in the Court of Appeal was below forecast partially due to a decrease in new business of criminal appeals and partially due to the new way in which Court of Appeal appeals are reported. The new data source now only counts substantive appeal applications compared to the old data source, which included other applications that were also counted.
359	High Court: Number of jury trials managed	435	376	The number of jury trials managed in the High Court was below forecast. This was due to a sustained decrease in new business throughout 2011. While the number of High Court jury trials has decreased, total estimated hearing time for jury trials has not decreased. Trials are generally more complex, with average estimated hearing time for a High Court jury trial increasing over the past four years.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
3,771	High Court: Number of civil cases managed	3,950	5,604	The civil cases managed by the High Court were more than forecast due to the new way in which High Court civil cases are reported. The new data source now used includes all active cases compared to those cases that were deemed ready to be heard. Judicial reviews have now been included in the definition of 'civil cases,' in order to better reflect the workload of the High Court.
1,432	High Court: Number of criminal and civil appeals managed	1,480	1,953	This result was greater than forecast due to the new way in which High Court appeals are reported. The new data source counted multiple appeals as individual cases rather than being counted as one.
92%	Percentage of responses from High Court judges surveyed about criminal appeals and jury trial cases that rate case management/file preparation and presentation as 'meets expectations' or better (see Note 2)	90%	94%	
97%	Percentage of responses from High Court judges surveyed about criminal appeals and jury trial cases that rate courtroom support provided as 'meets expectations' or better (see Note 2)	90%	99%	
93%	Percentage of responses from High Court judges surveyed about civil cases and civil and family appeals that rate case management/file preparation and presentation as 'meets expectations' or better (see Note 2)	90%	94%	
98%	Percentage of responses from High Court judges surveyed about civil cases and civil and family appeals that rate courtroom support as 'meets expectations' or better (see Note 2)	90%	99%	
	Satisfaction of court users with court services (see Note 3)	80%	80%	

Note 1 - The measurement of appeals and applications for leave has been separated out from 2011/12 onwards as this is more meaningful.

Note 2 - Judicial satisfaction is measured by an annual survey of the High Court judiciary. Formal and informal feedback processes are used to manage the quality of support that the Ministry provides in all jurisdictions including the Supreme Court and Court of Appeal.

Note 3 - Court users are surveyed two-yearly for their satisfaction with the Ministry's services at the largest courts. This measure is for overall satisfaction and is aligned with the Common Measurements Tool for measuring satisfaction with State services.

Output class statement

	Actual 30 June 2012 \$ 000	Main estimates \$ 000	Supplementary estimates \$ 000	Actual 30 June 2011 \$ 000
<i>Revenue</i>				
Crown	58,852	59,159	58,852	59,566
Departmental	475	816	816	1,022
Other	7,822	7,973	7,973	8,298
Total revenue	67,149	67,948	67,641	68,886
Total expenses	67,550	67,948	67,641	66,665
Net surplus/(deficit)	(401)	-	-	2,221

OUTPUT CLASS FOUR | SPECIALIST COURTS, TRIBUNALS AND OTHER AUTHORITIES SERVICES

Scope

Provision of services in regard to the work of the Environment Court, Employment Court, Māori Land Court, Māori Appellate Court, Disputes Tribunals, Tenancy Tribunal, Liquor Licensing Authority, Coroners and a range of tribunals and other authorities. This output class also includes services to Māori landowners and contracting mortuary services as part of supporting the work of Coroners.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
	Satisfaction of court users with court services (see Note 1)	80%	80%	
<i>Disputes Tribunal</i>				
17,986	Cases received	22,300	16,602	The number of cases received was lower than expected. The target was based on previous years' numbers. It is likely that less consumer spending has resulted in fewer consumer related disputes.
18,741	Cases disposed	19,000	16,664	The number of cases disposed corresponds with the lower amount received this year.
75%	Percentage of Disputes Tribunal pending cases under three months old	70%	80%	The Tribunal has disposed of a greater percentage of cases within three months because there have been fewer cases filed.
<i>Weathertight Homes Tribunal</i>				
148	Cases received	210	117	The Government announced a Financial Assistance package for leaky home owners in 2011. The Ministry expected that this new package would result in more leaky homes being assessed, leading to more claims being lodged with the Tribunal. The take up of the package and the number of homes being assessed were lower than anticipated. As a result, the number of claims received was also lower.
105	Cases disposed	210	408	The number of disposals was higher than forecast due to a specific initiative to review claims over a two month period. This review resulted in 257 claims being disposed over those two months alone.
100%	Percentage of cases resolved within statutory timeframes	100%	100%	

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Tenancy Tribunal</i>				
37,323	Cases disposed – cases determined and mediation orders sealed	37,000	36,394	
3,455	Number of Tenancy Tribunal sitting days supported	3,328.5	3,564	The increasing complexity of some the cases has resulted in additional sitting days being supported.
<i>Employment Court</i>				
178	Cases received	230	177	The Employment Court received fewer cases than forecast due to the forecast allowing for an increase of 15% in cases being received from the Employment Relations Authority (ERA) as a result of the amendments made in April 2011. However, there were fewer challenges to ERA determinations than expected.
237	Cases disposed	230	222	
63%	Employment Court pending cases under 12 months old	80%	62%	A number of cases older than 12 months could not be progressed as they required interlocutory hearings or adjournments. Resources were redirected towards newer cases. As a result, the percentage of pending cases less than 12 months old has decreased.
100%	Percentage of Employment Court judges surveyed that are at least 'satisfied' with case management/file preparation (see Note 2)	95%	100%	
100%	Percentage of Employment Court judges surveyed that are at least 'satisfied' with courtroom and hearing support (see Note 2)	95%	100%	
<i>Environment Court</i>				
605	Cases received	780	499	The number of cases received was below target likely due to slower economic activity.
917	Cases disposed	900	801	The number of cases disposed was below target due to the impact of fewer cases being filed. Disposals were 61% higher than cases received.
52%	Percentage of Environment Court pending Plan and Policy Statement Appeals under 12 months old	55%	54%	
47%	Resource Consent Appeals and Other Matters under 6 months old	55%	50%	
93%	Percentage of Environment Court judges surveyed that are at least 'satisfied' with case management/file preparation and presentation (see Note 2)	95%	81%	Comments from respondents indicated a variety of operational processes could be improved. The Ministry will be implementing some changes in 2012/13.
100%	Percentage of Environment Court judges surveyed that are at least 'satisfied' with courtroom, hearing and mediation support (see Note 2)	95%	75%	See above.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Coronial Services Unit</i>				
5,848	Cases referred	5,800	5,953	
5,300	Cases disposed	5,800	5,663	
New measure	Percentage of coroners surveyed that are at least 'satisfied' with inquest hearing support (see Note 2)	95%	82%	Respondents' comments identified concern around co-ordinators' workload impacting on satisfaction levels. The move to a 24/7 national initial investigation office for coroners in the 2012/13 year will address these concerns. The office will co-ordinate the first 48 hours of the coronial process from notification of a death to release of a body. This will streamline the coronial process and relieve pressure from regional co-ordinators.
New measure	Percentage of coroners surveyed that are at least 'satisfied' with case management/file preparation and presentation (see Note 2)	95%	82%	See above.
<i>Māori Land Court</i>				
5,728	Number of applications received by the Māori Land Court	5,500	5,987	The higher than forecast result was due to a focus on trust reviews in 2011/12 generating additional applications.
5,538	Number of applications disposed by the Māori Land Court	5,500	5,521	
92%	Percentage of all Māori Land Court applications disposed within 12 months	80%	93%	The number of applications disposed within 12 months was ahead of target due to work focusing on completing newly received applications and as far as possible keeping up with the number of new cases received.
81%	Percentage of written enquiries completed within 10 working days of receipt	80%	89%	
83%	Percentage of Māori Land Court judges surveyed that are at least 'satisfied' with judicial support and administration services provided (see Note 2)	95%	100%	
100%	Percentage of Māori Land Court judges surveyed that are at least 'satisfied' with courtroom and hearing support provided (see Note 2)	95%	100%	
98%	Percentage of customers surveyed satisfied with the services provided by the Māori Land Court	90%	97%	

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Tribunals</i>				
83%	Percentage of judicial officers surveyed who are at least 'satisfied' with case management or file preparation and presentation (see Note 2)	90%	70%	The majority of dissatisfaction ratings have been identified as coming from the Disputes and Tenancy Tribunal judicial officers. There has been some dissatisfaction arising from the centralisation of services in Auckland, which has had a detrimental effect on levels of satisfaction. It is expected that this will improve as the new structure becomes more established.
72%	Percentage of judicial officers surveyed who are at least 'satisfied' with hearing or hearing room support (see Note 2)	90%	77%	The majority of dissatisfaction ratings have been identified as coming from the Disputes and Tenancy Tribunal judicial officers. There has been some dissatisfaction arising from the centralisation of services in Auckland, which has had a detrimental effect on levels of satisfaction. It is expected that this will improve as the new structure becomes more established.
<i>Legal Complaints Review Officer</i>				
296	Cases received	320	299	
172	Cases disposed	230	191	The number of cases disposed was lower than expected due to fewer cases being received and the increasing complexity of some cases.
42	Sitting days supported	60	65	
<i>Lawyers and Conveyancers Disciplinary Tribunal</i>				
23	Cases received	24	31	The higher than forecast tribunal cases received was due to increased demand.
21	Cases disposed	20	24	The increase in cases received resulted in a corresponding increase in cases disposed.
21	Sitting days supported	40	30	The reduction is the result of fewer cases needing a hearing to be disposed of.
<i>Real Estate Disciplinary Tribunal</i>				
134	Cases received	120	106	The Real Estate Agents Authority introduced a triage process to reduce the number of complaints, resulting in fewer cases being received by the tribunal.
64	Cases disposed	70	92	The increase was a result of extra tribunal sitting days being supported.
16	Sitting days supported	25	50	The increase in complexity of some cases and the increased number of cases disposed resulted in additional sitting days being required.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Immigration and Protection Tribunal</i>				
628	Cases received	1,020	1,398	The year-end targets were set only shortly after the introduction of the new Immigration and Protection Tribunal legislation and were based on workload information from the Department of Labour of the review bodies that the tribunal replaced. A greater number of cases have been filed than anticipated.
458	Cases disposed	620	962	The Immigration and Protection Tribunal has disposed of more cases than the target due to the higher than expected filing rate.
113	Sitting days supported	120	143	The Immigration and Protection Tribunal has required more sitting days due to the higher than expected filing rate.
<i>Private Security Personnel and Private Investigators Tribunal</i>				
New measure	Licence applications received	20	541	The result was higher than forecast due to the Private Security Personnel and Private Investigators Tribunal being a new tribunal with no benchmarking measures available. The forecast target was set in the project phase and was significantly underestimated. The targets for 2012/13 have been revised.
New measure	Certificate applications received	9,000	8,192	
New measure	Percentage of licence applications processed within four weeks	70%	28%	The target, set in the project phase, was inconsistent with the final legislation provisions. The legislation requires notices of intention to apply to be published for each licence application. No licence application, nor any associated application for a certificate of approval, can be considered until an objection period of one month has passed following the publishing of the notice of intention. This measure has been adjusted for 2012/13.
New measure	Percentage of licence applications processed within eight weeks	80%	67%	The target was set during the project phase with no benchmark data. This measure has been adjusted for 2012/13.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
<i>Private Security Personnel Licensing Authority</i>				
New measure	Cases received	370	1,715	The number of cases referred to the Private Security Personnel Licensing Authority (PSPLA) for a determination was greater than expected due to a high number of unnecessary declarations from applicants being received.
New measure	Cases disposed	320	1,313	The number of cases disposed by the PSPLA was greater than expected due to the higher number of cases received.
New measure	Sitting days supported	20	35	The PSPLA required more sitting days than forecast due to the higher than expected filing rate.
<i>Legal Aid Tribunal</i>				
New measure	Cases received	368	154	Fewer cases were received by the Legal Aid Tribunal because the Legal Services Act 2011 introduced the requirement for the applicant to obtain a reconsideration of a decision before proceeding to the tribunal.
New measure	Cases transferred from the Legal Aid Review Panel	220	33	The Legal Aid Review Panel (which preceded the Legal Aid Tribunal) disposed of more cases than anticipated prior to the transfer to the Legal Aid Tribunal on 1 August 2011.
New measure	Cases disposed	450	106	Fewer cases were disposed due to fewer cases being received.
<i>Legal Aid Review Authority</i>				
New measure	Cases received	100	14	A high approval rate for legal aid providers has resulted in a significant reduction in the number of cases requiring review.
New measure	Cases disposed	100	11	Fewer cases have been disposed due to fewer cases being received.

Note 1 – Court users are surveyed two-yearly for their satisfaction with the Ministry’s services at the largest courts. This measure is for overall satisfaction and is aligned with the Common Measurements Tool for measuring satisfaction with State services. In 2012 the Court User Survey was performed at nine court sites. In 2012, an additional five sites were also included (Rotorua, Whangārei, Dunedin, Hastings and Nelson). For this reason, differences in these figures may reflect changes in the sample composition rather than changes in the measure itself.

Note 2 – Judicial satisfaction is measured by an annual survey of Environment Court, Employment Court, and Māori Land Court judiciary and coroners. The performance measure is the percentage of survey responses where the overall satisfaction level with case management, file preparation, file presentation and courtroom hearing or mediation (where applicable) support is satisfied or better. The scale for responses is very satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied, very dissatisfied.

Output class statement

	Actual 30 June 2012 \$ 000	Main estimates \$ 000	Supplementary estimates \$ 000	Actual 30 June 2011 \$ 000
<i>Revenue</i>				
Crown	70,333	69,726	70,333	69,029
Departmental	599	2,519	2,959	1,737
Other	8,719	5,178	5,087	5,825
Total revenue	79,651	77,423	78,379	76,591
Total expenses	77,367	77,423	78,470	74,976
Net surplus/(deficit)	2,284	-	(91)	1,615

OUTPUT CLASS FIVE | WAITANGI TRIBUNAL SERVICES

Scope

Purchase of research and administrative services related to the management of claims through the Waitangi Tribunal.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
17	Number of new claims lodged	13	46	The increase in urgency applications was the result of the Supreme Court decision on <i>Haronga v Waitangi Tribunal</i> in May 2011.
55	Number of new claims registered	38	43	The increase in the number of new claims registered is attributed to the number of urgency applications received over the past 12 months.
89%	Percentage of research and report writing outputs provided by due date	85%	100%	
New measure	Percentage of Waitangi Tribunal judicial officers surveyed that are at least 'satisfied' with judicial support and administration services provided	90%	100%	
91%	Percentage of Waitangi Tribunal judicial officers surveyed that are at least 'satisfied' with hearing support provided	90%	100%	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	10,878	9,894	10,878	10,396
Departmental	102	83	83	101
Other	12	40	40	12
Total revenue	10,992	10,017	11,001	10,509
Total expenses	10,692	10,017	11,001	10,092
Net surplus/(deficit)	300	-	-	417

Vote Treaty Negotiations

The objective of Vote Treaty Negotiations is to provide the support and advice required for the Government to negotiate and address Treaty of Waitangi issues and historical Treaty claims. The Vote covers the advice and services needed to complete the Treaty settlement process and manage property included in settlements.

OUTPUT CLASS ONE | POLICY ADVICE – TREATY NEGOTIATIONS

Scope

Advice on generic Treaty issues and specific historical Treaty claims. Negotiation of historical Treaty claims. Where appropriate, the preparation of settlement legislation, property valuation, disclosure and preparation and execution of legal documentation required to enable the transfer of settlement assets to claimants.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
Achieved	The quality and nature of advice will be agreed with the Minister for Treaty of Waitangi Negotiations	Achieved	Achieved	
Very good	The Minister will be requested to indicate his/her level of satisfaction with the quality of advice and services provided by the Ministry	Good	Satisfactory	The result was lower than expected due to a slow down in settlement negotiation momentum in early 2012.
Very good	The Minister will be requested to indicate his/her level of satisfaction with progress towards negotiation milestones in priority regions	Good	Good	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	22,669	20,005	22,669	22,231
Departmental	191	101	101	183
Other	25	21	21	31
Total revenue	22,885	20,127	22,791	22,445
Total expenses	22,661	20,127	22,791	22,054
Net surplus/(deficit)	224	-	-	391

OUTPUT CLASS TWO | PROPERTY PORTFOLIO MANAGEMENT

Scope

Management, transfer and disposal of Crown-owned property for Treaty settlement purposes.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
100%	Percentage of property acquisitions, transfers and disposals where all Cabinet policies, legal and Deed of Settlement requirements are complied with	100%	100%	
99%	Percentage of property acquisitions where price agreed is based on criteria approved by Ministers and/or specified in a settlement agreement	100%	100%	

Output class statement

	Actual 30 June 2012 \$ 000	Main estimates \$ 000	Supplementary estimates \$ 000	Actual 30 June 2011 \$ 000
<i>Revenue</i>				
Crown	9,371	8,864	9,371	7,301
Departmental	13	14	14	12
Other	6	20	20	5
Total revenue	9,390	8,898	9,405	7,318
Total expenses	9,384	8,898	9,405	7,328
Net surplus/(deficit)	6	-	-	(10)

OUTPUT CLASS THREE | REPRESENTATION WAITANGI TRIBUNAL

Scope

Allows the Crown to undertake research into historical Treaty grievances and ensures the Crown is represented with well prepared documentation and evidence at Waitangi Tribunal hearings.

Performance information

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
100%	Participate in district and urgent enquiries of the Waitangi Tribunal	100%	100%	
100%	Participation satisfies Waitangi Tribunal timeframes	100%	100%	
100%	Evidence is peer reviewed and meets agreed standards	100%	100%	

Output class statement

	Actual 30 June 2012 \$000	Main estimates \$000	Supplementary estimates \$000	Actual 30 June 2011 \$000
<i>Revenue</i>				
Crown	2,042	2,958	2,042	2,047
Departmental	5	-	-	2
Other	1	14	14	-
Total revenue	2,048	2,972	2,056	2,049
Total expenses	1,751	2,972	2,056	1,373
Net surplus/(deficit)	297	-	-	676

MINISTRY CORRESPONDENCE

The Ministry receives and replies to a range of correspondence and questions each year on our work. These questions and requests for information cover the three Votes we administer; Votes Treaty Negotiations, Justice and Courts. These services are not funded from one particular Vote or output class.

Actual 2010/11	Performance measures	Standard 2011/12	Actual 2011/12	Variance explanation
Good-very good	Ministers will be required to indicate their level of satisfaction with the quality of advice and services provided by the Ministry (see Note 1)	Satisfactory or better	Very good	
95%	Percentage of first draft replies presented approved by Ministers	95%	94%	
93%	Percentage of draft replies to ministerial correspondence submitted to Ministers within required timeframes	95%	95%	
94%	Percentage of draft replies to Official Information Act 1982 requests completed within statutory timeframes	100%	95%	
98%	Percentage of draft replies to parliamentary questions submitted to Ministers within required timeframes	100%	98%	
2,721	Number of ministerial correspondence replies drafted	1,900-2,250	1,561	
670	Number of Official Information Act 1982 requests responded to	550-750	774	
1,323	Number of replies drafted in response to parliamentary questions	490-770	249	The number of parliamentary questions was lower than forecast and the previous year due in large part to the house rising over the election period.

Note 1 - Ministers are asked to assess the Ministry's performance as very good, good, satisfactory, poor or very poor.

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2012

Actual 30 June 2011 \$000		Notes	Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
<i>Revenue</i>					
447,917	Crown		493,817	497,116	493,817
5,991	Department		4,441	6,360	7,189
36,025	Other revenue	2	35,126	38,172	38,148
489,933	Total revenue		533,384	541,648	539,154
<i>Expenditure</i>					
209,881	Personnel costs	3	247,220	233,760	245,631
164,219	Operating costs	4	162,520	182,190	174,281
57,602	Capital charge	5	61,256	61,687	61,256
55,904	Depreciation, amortisation and impairment	7,8	61,616	64,011	58,077
487,606	Total expenditure		532,612	541,648	539,245
2,327	Net surplus/(deficit)		772	-	(91)
<i>Other comprehensive income</i>					
1,263	Gain on property revaluations		18,033	-	-
3,590	Total comprehensive income		18,805	-	(91)

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2012

Actual 30 June 2011 \$'000		Notes	Actual 30 June 2012 \$'000	Main estimates 30 June 2012 \$'000	Supplementary estimates 30 June 2012 \$'000
Assets					
<i>Current assets</i>					
115,351	Cash and cash equivalents		50,944	119,489	63,171
48,560	Debtors and other receivables	9	131,931	44,199	114,138
2,552	Prepayments		2,854	2,730	2,632
295	Non-current assets held for sale	7a	295	810	295
166,758	Total current assets		186,024	167,228	180,236
<i>Non-current assets</i>					
613,879	Property, plant and equipment	7	621,544	621,800	604,718
57,021	Intangible assets	8	58,304	59,611	72,856
670,900	Total non-current assets		679,848	681,411	677,574
837,658	Total assets		865,872	848,639	857,810
Liabilities and equity					
<i>Current liabilities</i>					
7,150	Creditors and other payables	10	15,535	13,375	10,466
11,600	Provisions	11	12,737	120	11,120
235	Finance lease	6	255	-	255
2,262	GST payable		3,693	4,000	4,000
18,833	Accrued expenses		13,534	17,913	20,328
16,788	Return of operating surplus	12	762	-	-
15,718	Employee entitlements	13	20,319	17,619	16,994
72,586	Total current liabilities		66,835	53,027	63,163
<i>Non-current liabilities</i>					
322	Finance lease	6	67	369	67
6,940	Employee entitlements	13	7,924	6,556	6,940
7,262	Total non-current liabilities		7,991	6,925	7,007
79,848	Total liabilities		74,826	59,952	70,170
<i>Equity</i>					
686,375	General funds	14	700,915	718,246	714,720
-	Memorandum accounts	14	663	-	1,485
71,435	Property revaluation reserves	14	89,468	70,441	71,435
757,810	Total equity		791,046	788,687	787,640
837,658	Total liabilities and equity		865,872	848,639	857,810

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2012

Actual 30 June 2011 \$000		Notes	Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
769,032	Equity as at 1 July		757,810	756,497	757,810
3,590	Total comprehensive income		18,805	-	(91)
(16,788)	Return of operating surplus to the Crown	12	(762)	-	-
4,267	Capital contribution from the Crown		28,345	32,190	28,345
(2,291)	Capital withdrawal		(13,805)	-	-
-	Capital injection for memorandum account opening balances		653	-	1,576
757,810	Equity as at 30 June	14	791,046	788,687	787,640

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2012

Actual 30 June 2011 \$000		Notes	Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
<i>Cash flows from operating activities</i>					
<i>Cash was provided from:</i>					
467,916	Receipts from Crown		407,240	497,116	428,817
5,394	Receipts from department		4,646	6,361	7,115
31,646	Receipts from others		38,870	38,097	40,149
504,956	Total cash flows from operating activities		450,756	541,574	476,081
<i>Cash was applied to:</i>					
(210,307)	Payments to employees		(243,551)	(233,165)	(245,036)
(152,466)	Payments to suppliers		(159,580)	(193,571)	(174,131)
(57,602)	Payment for capital charge		(61,256)	(61,687)	(61,256)
(679)	Goods and services tax (net)		1,430	(500)	1,738
(421,054)	Total cash applied for operating activities		(462,957)	(488,923)	(478,685)
83,902	Net cash flows from operating activities	20	(12,201)	52,651	(2,604)
<i>Cash flows from investing activities</i>					
<i>Cash was provided from:</i>					
892	Receipts from sale of property, plant and equipment		107	451	451
<i>Cash was applied to:</i>					
(13,809)	Purchase of intangible assets		(21,274)	(18,935)	(27,162)
(35,285)	Purchase of property, plant and equipment		(27,378)	(45,537)	(32,269)
(48,202)	Net cash flows from investing activities		(48,545)	(64,021)	(58,980)
<i>Cash flows from financing activities</i>					
<i>Cash was provided from:</i>					
4,267	Capital contribution	14	27,201	30,197	26,352
<i>Cash was applied to:</i>					
(163)	Payments of finance lease		(269)	(160)	(160)
-	Capital withdrawal	14	(13,805)	-	-
(12,695)	Return of operating surplus		(16,788)	-	(16,788)
(8,591)	Net cash flows from financing activities		(3,661)	30,037	9,404
27,109	Net increase/(decrease) in cash held		(64,407)	18,667	(52,180)
88,242	Cash as at 1 July		115,351	100,822	115,351
115,351	Closing cash as at 30 June		50,944	119,489	63,171

The GST (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of commitments

AS AT 30 JUNE 2012

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or recognised as a liability at the balance date.

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of its business. The majority of these leases are for premises that have a non-cancellable leasing period ranging from three to 10 years, with regular rent reviews.

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Capital commitments</i>		
3,099	Property, plant and equipment	1,775
3,099	Total capital commitments	1,775
<i>Non-cancellable operating lease commitments</i>		
16,252	Not later than one year	16,373
50,968	Later than one year and not later than five years	50,892
70,099	Later than five years	59,974
137,319	Total non-cancellable operating lease commitments	127,239
140,418	Total commitments	129,014

The accompanying notes form part of these financial statements.

Statement of contingent liabilities and contingent assets

AS AT 30 JUNE 2012

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Quantifiable contingent liabilities</i>		
190	Personal grievances	120
190	Total quantifiable contingent liabilities	120

Personal grievances

Personal grievances represent amounts claimed by employees for personal grievances cases.

Unquantifiable contingent liabilities

The Ministry has no unquantifiable contingent liabilities (2010/11: nil).

Contingent assets

The Ministry has contingent assets of \$0.288 million (2010/11: nil).

Prior to integration with the Ministry of Justice on 1 July 2011, the Legal Services Agency had made a claim under its business interruption insurance as a result of the Christchurch earthquake. On integration the cover provided by this insurance policy was transferred to the Ministry and a further claim was made to cover the loss of assets as a result of the earthquake. The Ministry is working to settle these claims.

The accompanying notes form part of these financial statements.

Statement of departmental expenses and capital expenditure against appropriations

FOR THE YEAR ENDED 30 JUNE 2012

	Actual expenditure inclusive of remeasurements 30 June 2012 \$000	Remeasurements ⁶ 30 June 2012 \$000	Actual expenditure exclusive of remeasurements 30 June 2012 \$000	Appropriation Voted ⁷ 30 June 2012 \$000
<i>Vote Justice</i>				
Administration of Legal Services	25,319	(51)	25,268	26,527
Crime Prevention and Community Safety	954	(2)	952	996
Policy Advice	24,874	(51)	24,823	26,638
Public Defence Service	15,681	(31)	15,650	16,198
Sector Leadership and Support	5,477	(11)	5,466	5,717
Total Vote Justice	72,305	(146)	72,159	76,076
<i>Vote Treaty Negotiations</i>				
Policy Advice – Treaty Negotiations	22,661	(43)	22,618	22,791
Property Portfolio Management	9,384	(18)	9,366	9,405
Representation – Waitangi Tribunal	1,751	(4)	1,747	2,056
Total Vote Treaty Negotiations	33,796	(65)	33,731	34,252
<i>Vote Courts</i>				
Collection and Enforcement of Fines and Civil Debts Services	65,953	(127)	65,826	66,683
District Court Services	204,949	(391)	204,558	205,122
Higher Court Services	67,550	(129)	67,421	67,641
Specialist Courts, Tribunals and Other Authorities Services	77,367	(149)	77,218	78,470
Waitangi Tribunal Services	10,692	(21)	10,671	11,001
Total Vote Courts	426,511	(817)	425,694	428,917
Total appropriation for output expenses	532,612	(1,028)	531,584	539,245
Departmental capital expenditure	48,652	-	48,652	59,430

The accompanying notes form part of these financial statements.

⁶ A remeasurement is generally the movement in the value of an asset or liability that is outside the control of the Ministry as defined by the Public Finance Act 1989. Remeasurements do not require an appropriation. The remeasurements shown above are the result of changes to discount rates used in the valuation of Ministry employee entitlements.

⁷ This includes adjustments made in the Supplementary Estimates.

Statement of departmental unappropriated expenses and capital expenditure

FOR THE YEAR ENDED 30 JUNE 2012

Transfers under section 26A of the Public Finance Act 1989

No section 26A transfers were authorised in the year ended 30 June 2012.

There were no expenses and capital expenditure incurred in excess of appropriation.

There were no expenses and capital expenditure incurred without appropriation or other authority or outside the scope of appropriation.

There were no breaches of projected departmental net asset schedules.

Notes to the financial statements

Note 1 | **Statement of accounting policies for the year ended 30 June 2012**

REPORTING ENTITY

The Ministry of Justice (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. These financial statements have been prepared pursuant to section 45B of the Public Finance Act 1989.

In accordance with the Legal Services Act 2011, the Legal Services Agency was disestablished and its operations merged with the Ministry of Justice with effect from 1 July 2011.

The Electoral (Administration) Act 2010, which received royal assent on 21 May 2010, transferred the activities of the Chief Electoral Office to the new Electoral Commission with effect from 1 October 2010.

The comparative values for 30 June 2011 are those of the Ministry of Justice prior to the merger of the Legal Services Agency and do not include the financial information for the former Legal Services Agency. However, the comparative values included the financial information of the former Chief Electoral Office for the first quarter of the financial year 2011.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry 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 of the Ministry are for the year ended 30 June 2012. The financial statements were authorised for issue by the Chief Executive of the Ministry on 27 September 2012.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury instructions.

These financial statements have been prepared in accordance with, and comply with NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings and certain financial instruments at fair value.

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 Ministry is New Zealand dollars.

CHANGES IN ACCOUNTING POLICY

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

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

- Amendments to NZ IAS 1 Presentation of financial statements. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes to the Financial Statements, for each component of equity, an analysis of other comprehensive income by item. The Ministry has decided to present this analysis in note 14.
- FRS-44 New Zealand Additional Disclosures and amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonise Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments to the Ministry is that certain information about property valuations is no longer required to be disclosed. Note 7 has been updated for these changes.
- Amendment to NZ IFRS 7 Financial Instruments: Disclosures. The amendment reduces the disclosure requirements relating to credit risk. Note 9 has been updated for the amendments.

STANDARDS, AMENDMENTS, AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted and that are relevant to the Ministry:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. The Ministry has not yet assessed the effect of the new standard and expects it will not be early adopted.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Ministry is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Ministry expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Ministry is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

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

Revenue Crown is recognised on the basis of the supply of outputs to the Crown and is recognised when earned.

Department and other revenue are from the supply of goods and services to other government departments and third parties.

Revenue from filing and similar fees is recognised when the obligation to pay the fee is incurred to the extent the application has been processed by the Ministry.

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Interest income is accrued using the effective interest rate method.

CAPITAL CHARGE

The capital charge is recognised as an expense in the period to which the charge relates.

PROPERTY, PLANT AND EQUIPMENT

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

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

Additions

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

Asset capitalisation

Property, plant and equipment are initially recorded at cost of purchase.

These are capitalised:

- if purchased individually and the cost price is greater than \$3,000
- if purchased as a group and the combined value is greater than \$5,000.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully acceptance tested, operational and therefore capitalised.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the surplus or deficit unless the asset is carried at a revalued amount, in which case, any impairment loss is treated as a revaluation decrease.

Asset revaluation

Land and buildings are stated at fair value as determined by an independent registered valuer as at 30 June. Fair value is determined from market evidence by an independent valuer. The Ministry accounts for revaluations on a class-of-asset basis. All other asset classes are carried at depreciated historical cost .

Revaluations are performed on a rolling basis over three years. Within the three-year period, the carrying value of all land and buildings are reviewed utilising desktop valuations undertaken by a registered valuer.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive income.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows.

Asset category	Asset life (years)	Residual value
Buildings	Up to 65	Nil
Fit-out/leasehold improvements	Up to 25	Nil
Computer equipment	4-7	Nil
Furniture and fittings, office equipment	5	Nil
Motor vehicles	5	30% of cost

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Disposal of property, plant and equipment

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When a revalued asset is sold, the amount included in the property revaluation reserve in respect of the disposed asset is 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 Ministry and the cost of the item can be measured reliably.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

INTANGIBLE ASSETS

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only.

Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. Amortisation is charged to the surplus or deficit on a straight-line basis over the useful life of the asset. Estimated useful lives are:

Asset category	Asset life (years)
Acquired software	4-7
Internally generated software	4-7

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured at 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 Ministry recognises a liability for sick leave to the extent that 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 that the Ministry anticipates it will be used by staff to cover those future absences.

The Ministry recognises a liability and an expense for performance payments where it is contractually obliged to pay them or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long-service leave and retiring leave, are calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested long-service leave and non-vested long-service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

PROVISIONS

The Ministry recognises a provision for future expenditure of uncertain amount and timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

SUPERANNUATION

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

COST ALLOCATION

The Ministry derives the costs of outputs using a cost allocation system outlined below.

Cost allocation policy

Direct costs are charged to output classes as and when they occur. Indirect costs are accumulated and allocated to output classes based on cost drivers such as assessment of personnel time, building area occupied or asset utilisation, which reflect

an appropriate measure of resource consumption usage. Costs identified to overhead areas are accumulated and allocated to output classes based on resource consumption usage where possible (such as full-time equivalent staff numbers) or in proportion to the direct and indirect charges made to the output class.

Criteria for direct and indirect costs

Direct costs are those costs that can be directly attributed to an output. Indirect costs are those that cannot be identified in an economically feasible manner to a specific output.

COMMITMENTS

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the lower of the remaining contractual commitment and the value of that penalty or exit cost.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities and contingent assets are recorded at the point at which the contingency is evident.

INCOME TAX

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

BUDGET ESTIMATES

The budget figures are those included in the *Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2012*, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

GOODS AND SERVICES TAX (GST)

The statement of financial position is exclusive of GST, except for accounts payable and accounts receivable, which are GST inclusive. All other statements are GST exclusive.

The amount of GST owed to or from the Inland Revenue Department at balance date, being the difference between output GST and input GST, is shown as a current asset or current liability as appropriate in the statement of financial position.

Commitments and contingencies are disclosed exclusive of GST.

FINANCIAL INSTRUMENTS

The Ministry is party to financial instruments as part of its normal operations. These include bank accounts, 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 surplus or deficit.

Financial assets

Debtors and other receivables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Debtors and receivables issued with duration less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses and foreign exchange gains and losses are recognised in the surplus or deficit.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

Financial liabilities

Other financial liabilities are recognised initially at fair value less transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the surplus or deficit as is any gain or loss when the liability is derecognised.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

LEASES

Finance leases

A finance lease is a lease that transfers to the Ministry substantially all the risks and rewards incidental to ownership of an asset to the Ministry, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Ministry will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

The Ministry has exercised its judgement on the appropriate classification of equipment leases, and has determined one lease arrangement to be a finance lease.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Leasehold improvements are capitalised, and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

EQUITY

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as general funds, memorandum accounts and property revaluation reserves.

Memorandum accounts

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies or charges. The balance of each memorandum account is expected to trend towards zero over time.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. The estimates and assumptions that have a risk of causing an adjustment to the carrying amount of assets and liabilities within the next financial year are as follows.

Retiring and long-service leave

Note 13 provides analysis of the exposures and uncertainties relating to retiring and long-service leave liabilities.

Valuation of land and buildings

Revaluations of land and buildings are carried out each financial year to ensure the carrying amount reflects fair value. As fair value is determined based on market evidence, movements in property values may affect the fair value of land and buildings owned by the Ministry.

CRITICAL JUDGEMENTS IN APPLYING THE MINISTRY'S ACCOUNTING POLICIES

Management has exercised the following critical judgement in applying the Ministry's accounting policies for the period ended 30 June 2012.

Finance lease

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all of the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas with an operating lease, no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of equipment leases and has determined some lease arrangements to be finance leases.

Note 2 | Other revenue

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
29,368	Filing fees	27,811
6,034	Other	6,746
623	Interest	569
36,025	Total other revenue	35,126

Note 3 | Personnel costs

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
187,292	Salaries and wages	212,978
4,543	Employer contributions to defined contribution plans	4,939
482	Increase/(decrease) in employee entitlements	2,919
17,564	Other	26,384
209,881	Total personnel costs	247,220

Employer contributions to defined contribution plans include contributions to the Government Superannuation Fund, KiwiSaver and the State Sector Retirement Savings Scheme.

Note 4 | Operating expenses

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
342	Audit fees for financial statements audit	419
296	Bad debts written off/provided for	179
21,095	Computer and telecommunications	23,253
984	Advertising and publicity	796
8,835	Jurors' fees and expenses	7,764
6,893	Library and information services	7,250
2,345	Loss on disposal of property, plant and equipment	70
8,888	Maintenance of facilities	8,995
17,268	Other occupancy costs (excluding rental)	19,228
30,366	Professional services	33,487
16,743	Property rental	18,853
8,106	Printing, stationery and postage	8,636
10,664	Sitting fees and judicial costs	11,316
11,586	Travel	13,179
32	Koha	22
19,776	Other operating costs	9,037
164,219	Total operating expenses	162,520

Note 5 | Capital charge

The Ministry pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2012 was 8.0 percent (2010/11: 7.5 percent).

Note 6 | Finance lease

The Ministry has entered into a finance lease covering items of telephony equipment. The net carrying amount of the leased equipment is shown in note 7. The finance lease can be renewed at the Ministry's option. The Ministry does not have the option to purchase at the end of the lease term. There are no restrictions placed on the Ministry by the leasing arrangement.

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Minimum lease payments payable:</i>		
269	Not later than one year	269
336	Later than one year and not later than five years	67
-	Later than five years	-
605	Total minimum lease payments	336
(48)	Future finance charges	(14)
557	Present value of minimum lease payments	322
<i>Present value of minimum lease payments payable:</i>		
235	Not later than one year	255
322	Later than one year and not later than five years	67
<i>Represented by:</i>		
235	Current	255
322	Non-current	67
557	Total finance leases	322

Note 7 | Property, plant and equipment

	Land (at valuation) \$000	Buildings (at valuation) \$000	Fitout/ leasehold improvements \$000	Computer equipment \$000	Computer equipment (finance lease) \$000	Furniture and fittings, office equipment \$000	Motor vehicles \$000	Total \$000
<i>Cost/valuation</i>								
Balance at 1 July 2010	155,367	401,483	37,752	52,415	1,108	29,942	6,435	684,502
Additions	3,733	18,361	1,484	5,518	-	6,493	1,001	36,590
Revaluation increase/(decrease)	(4,674)	(20,548)	-	-	-	-	-	(25,222)
Transfer to held for sale	(295)	-	-	-	-	-	-	(295)
Reclassification of assets	-	-	-	(63)	-	63	-	-
Disposals	-	(975)	(2,732)	(1,697)	-	(874)	(277)	(6,555)
Balance at 30 June 2011	154,131	398,321	36,504	56,173	1,108	35,624	7,159	689,020
Balance at 1 July 2011	154,131	398,321	36,504	56,173	1,108	35,624	7,159	689,020
Additions	-	7,787	743	9,155	-	11,018	727	29,430
Revaluation increase/(decrease)	(2,597)	3,565	-	-	-	-	-	968
Reclassification of assets	-	-	(1,723)	-	-	1,723	-	-
LSA movement	-	-	1,965	1,329	-	1,263	112	4,669
Impairment	-	(9,108)	-	-	-	-	-	(9,108)
Other movements	-	1	2,346	1,481	-	607	11	4,446
Disposals	-	-	(2,346)	(5,564)	-	(672)	(492)	(9,074)
Balance at 30 June 2012*	151,534	400,566	37,489	62,574	1,108	49,563	7,517	710,351
<i>Accumulated depreciation and impairment losses</i>								
Balance at 1 July 2010	-	2,226	9,433	37,405	388	13,863	3,021	66,336
Depreciation expense	-	25,171	3,375	6,070	221	4,348	640	39,825
Elimination on disposal	-	(48)	(1,191)	(1,558)	-	(704)	(193)	(3,694)
Elimination on revaluation	-	(26,486)	-	-	-	-	-	(26,486)
Elimination on transfer to held for sale	-	(840)	-	-	-	-	-	(840)
Reclassification of assets	-	13	9	(100)	-	81	(3)	-
Balance at 30 June 2011	-	36	11,626	41,817	609	17,588	3,465	75,141

	Land (at valuation) \$000	Buildings (at valuation) \$000	Fitout/ leasehold improvements \$000	Computer equipment \$000	Computer equipment (finance lease) \$000	Furniture and fittings, office equipment \$000	Motor vehicles \$000	Total \$000
Balance at 1 July 2011	-	36	11,626	41,817	609	17,588	3,465	75,141
Depreciation expense	-	26,173	2,941	6,374	222	4,746	619	41,075
Elimination on disposal	-	-	(1,064)	(5,335)	-	(557)	(334)	(7,290)
Elimination on revaluation	-	(26,173)	-	-	-	-	-	(26,173)
LSA movement	-	-	1,167	977	-	765	40	2,949
Other asset movements	-	-	1,096	1,517	-	491	1	3,105
Balance at 30 June 2012	-	36	15,766	45,350	831	23,033	3,791	88,807
<i>Carrying amounts</i>								
At 1 July 2010	155,367	399,257	28,319	15,010	720	16,079	3,414	618,166
At 30 June/1 July 2011	154,131	398,285	24,878	14,356	499	18,036	3,694	613,879
At 30 June 2012	151,534	400,530	21,723	17,224	277	26,530	3,726	621,544

*This includes work in progress (WIP) of \$23.638 million (2010/11: \$29.409 million).

The Ministry has assets valued at \$79.619 million listed under the Historic Places Trust Act 1993 (2010/11: \$78.667 million), which are included in the assets above.

The land and buildings were valued at fair value as at 30 June 2012 by Nigel Hoskin, BBS (VPM) ANZIV, of Beca Valuations Limited, and are in accordance with the New Zealand Institute of Valuers' Asset Valuation Standards. The total value of land and buildings valued to fair value by Beca Valuations Limited in 2012 was \$540.168 million (2010/11: \$533.682 million).

The valuations are performed on a rolling basis over three years. Within the three-year period, the carrying value of all land and buildings are reviewed utilising desktop valuations undertaken by a registered valuer. Land and buildings purchased and/or capitalised during the current financial year have not been revalued at 30 June 2012 and are shown at cost less accumulated depreciation, which approximates to and is not materially different from the respective fair values.

Note 7a | Non-current assets held for sale

The Warkworth courthouse land (excludes buildings) has been identified for sale and lease back as part of a Treaty settlement with Ngāti Manuhiri.

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Non-current assets held for sale include:</i>		
295	Land	295
295	Total non-current assets held for sale	295

Note 8 | Intangible assets

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

	Acquired software \$'000	Internally generated software \$'000	Total \$'000
<i>Cost</i>			
Balance at 1 July 2010	44,744	67,173	111,917
Additions	4,408	12,204	16,612
Disposals	(2,216)	(841)	(3,057)
Reclassification of assets	747	(747)	-
Balance at 30 June 2011	47,683	77,789	125,472
Balance at 1 July 2011	47,683	77,789	125,472
LSA movement	2,102	5,273	7,375
Additions	15,267	3,935	19,202
Disposals	(27)	-	(27)
Other movements	(81)	-	(81)
Reclassification of assets	(11,226)	11,226	-
Balance at 30 June 2012*	53,718	98,223	151,941
<i>Accumulated amortisation and impairment losses</i>			
Balance at 1 July 2010	27,770	26,754	54,524
Amortisation expense	1,597	14,017	15,614
Disposals	(1,632)	(514)	(2,146)
Impairment losses	-	459	459
Reclassification of assets	567	(567)	-
Balance at 30 June 2011	28,302	40,149	68,451
Balance at 1 July 2011	28,302	40,149	68,451
Amortisation expense	3,469	17,072	20,541
LSA movement	1,424	3,460	4,884
Disposals	(13)	-	(13)
Impairment losses	-	-	-
Other movements	(226)	-	(226)
Reclassification of assets	(9,365)	9,365	-
Balance at 30 June 2012	23,591	70,046	93,638
<i>Carrying amounts</i>			
At 30 June 2010	16,974	40,419	57,393
At 30 June/1 July 2011	19,381	37,640	57,021
At 30 June 2012	30,127	28,177	58,304

*This includes work in progress (WIP) of \$13.280 million (2010/11 - \$17.923 million).

Note 9 | Debtors and other receivables

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
39,999	Debtor Crown	127,229
78	Travel advances	47
8,843	Sundry debtors	4,759
(360)	Less: provision for doubtful debts	(104)
8,483	Total sundry debtors	4,655
48,560	Total debtors and other receivables	131,931

The carrying value of debtors and other receivables approximates their fair value. As at 30 June 2012, all overdue receivables have been assessed for impairment and appropriate provisions applied as detailed below.

	2011			2012		
	<i>Gross</i> \$000	<i>Impairment</i> \$000	<i>Net</i> \$000	<i>Gross</i> \$000	<i>Impairment</i> \$000	<i>Net</i> \$000
Not past due	39,999	-	39,999	127,229	-	127,229
Past due 1-30 days	5,920	-	5,920	2,823	-	2,823
Past due 31-60 days	1,396	-	1,396	264	-	264
Past due 61-90 days	304	-	304	167	-	167
Past due >90	1,301	(360)	941	1,552	(104)	1,448
Total	48,920	(360)	48,560	132,035	(104)	131,931

The provision for doubtful debts has been calculated based on the expected losses over all Ministry debtors.

Movements in the provision for impairment of receivables are as follows.

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
75	Balance as at 1 July	360
285	Additional provisions made during the year	44
-	Less: reversal of prior year provision	(238)
-	Less: receivables written off during the year	(62)
360	Balance as at 30 June	104

Note 10 | Creditors and other payables

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Current liabilities</i>		
7,150	Creditors and other payables	15,535
7,150	Total creditors and other payables	15,535

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

Note 11 | Provisions

	Onerous contracts \$000	Remuneration-related \$000	Christchurch earthquake \$000	Restructuring \$000	Other provision \$000	Total \$000
Opening balance 1 July 2010	-	90	-	467	-	557
Additional provisions made	539	-	10,657	362	-	11,558
Amount utilised	-	(50)	-	(385)	-	(435)
Unused provisions reversed	-	(40)	-	(40)	-	(80)
Transfers	-	-	-	-	-	-
Closing balance 30 June 2011	539	-	10,657	404	-	11,600
Opening balance 1 July 2011	539	-	10,657	404	-	11,600
Additional provisions made	-	133	1,683	2,080	-	3,896
Amount utilised	(270)	-	(2,192)	(335)	-	(2,797)
Unused provisions reversed	-	-	-	-	-	-
Transfers	-	-	-	-	38	38
Closing balance 30 June 2012	269	133	10,148	2,149	38	12,737

Restructuring provisions provide for the expected costs arising from the reorganisation within the Ministry. Payments from these provisions are expected to be completed within 12 months of balance date.

The onerous lease provision relates to a leased property that was damaged by the Christchurch earthquakes and is currently not in a condition to be occupied by the Ministry.

The Christchurch earthquake provision relates to make good obligations the Ministry has as a result of the Christchurch earthquakes.

Note 12 | Return of operating surplus

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
2,327	Net surplus/(deficit)	772
	- Surplus of memorandum accounts included above	(10)
<i>Departmental other expenses</i>		
14,461	Christchurch earthquake expenses	-
16,788	Total return of operating surplus	762

The net operating surplus from the delivery of outputs must be repaid by 31 October of each year.

Note 13 | Employee entitlements

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Current liabilities</i>		
2,218	Retirement and long-service leave	3,016
5	Sick leave	1
9,288	Annual leave	11,459
4,207	Salaries	5,843
15,718	Total current liabilities	20,319
<i>Non-current liabilities</i>		
6,940	Retirement and long-service leave	7,924
6,940	Total non-current liabilities	7,924
22,658	Total provision for employee entitlements	28,243

The present value of the retirement and long-service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The discount rate used was 2.5 percent with 3.5 percent salary inflation (2010/11: 2.84 percent with 3.5 percent salary inflation).

The valuations of long-service leave and retirement leave as at 30 June 2012 were conducted by an independent actuary, Bernie Higgins, FIA, FNZSA, of AON Hewitt.

Note 14 | Equity

Equity comprises the three components of general funds, memorandum accounts and property valuation reserves. These are set out below.

Actual 30 June 2011 \$'000		Actual 30 June 2012 \$'000
698,521	General funds as at 1 July	686,375
3,590	Total comprehensive income	18,805
(1,263)	Transfer revaluation gain to property revaluation reserves	(18,033)
339	Transfer realised revaluation from property valuation reserves	-
4,267	Capital contribution (cash) from the Crown	27,201
-	Capital contribution (non-cash) from the Crown	1,144
(2,291)	Capital withdrawal	(13,805)
(16,788)	Return of operating surplus to the Crown	(762)
-	Transfer of memorandum account net (surplus)/deficit	(10)
686,375	General funds as at 30 June	700,915
	<i>Memorandum accounts</i>	
-	Opening balance 1 July	-
-	Capital contribution for memorandum account opening balances	653
-	Net memorandum account surpluses/(deficits) for the year	10
-	Balance as at 30 June	663
	<i>Property valuation reserves</i>	
70,511	Balance at 1 July	71,435
1,263	Revaluation gains	18,033
(339)	Transfer realised revaluation to general funds	-
71,435	Property valuation reserves as at 30 June	89,468
757,810	Total equity	791,046
16,055	Land revaluation reserve	13,458
55,380	Buildings revaluation reserve	76,010
71,435	Total property valuation reserves	89,468

Note 15 | Related-party transactions and key management personnel

All related-party transactions have been entered into on an arm's length basis.

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

Significant transactions with government-related entities

The Ministry has received funding from the Crown of \$493.817 million (2010/11: \$447.917 million) to provide services to the public for the year ended 30 June 2012.

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from paying income tax.

The Ministry also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$19.491 million (2010/11: \$18.917 million). These purchases included the purchase of electricity from Genesis, air travel from Air New Zealand, legal services from Crown Law Office and postal services from New Zealand Post.

RELATED-PARTY TRANSACTIONS INVOLVING KEY MANAGEMENT PERSONNEL (OR THEIR CLOSE FAMILY MEMBERS)

The Ministry had not purchased goods and services in which a related party to the key management personnel (or their close family members) had been employed (2010/11: \$0.055 million).

No provision has been required nor any expense recognised for impairment of receivables from related parties.

Key management personnel compensation

Actual 30 June 2011 \$'000		Actual 30 June 2012 \$'000
2,541	Salaries and other short-term employee benefits	2,470
5	Other long-term benefits	12
-	Post-employment benefits	-
52	Termination benefits	552
2,598	Total key management personnel compensation	3,034

Key management personnel of the Ministry comprise the Minister of Justice, the Minister for Courts, the Minister for Treaty Negotiations, the Chief Executive and the nine (2010/11: six) members of the Strategic Leadership Team.

The above key management personnel compensation excludes the remuneration and other benefits the Minister of Justice, the Minister for Courts and the Minister for Treaty Negotiations receive. The Ministers' remuneration and other benefits are not received only for their role as members of key management personnel of the Ministry. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority and not paid by the Ministry of Justice.

Note 16 | Financial instruments

The Ministry is a party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, 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 surplus or deficit. They are shown at their estimated fair value.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of its business, the Ministry incurs credit risk from transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 8) and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

FAIR VALUE

The fair value of financial assets and liabilities is equivalent to the carrying amount disclosed in the statement of financial position.

CURRENCY RISK AND INTEREST RATE RISK

The Ministry has no exposure to interest rate risk or currency risk on its financial instruments as there were no foreign currency forward contracts at balance date and the Ministry does not hold any interest bearing financial instruments.

LIQUIDITY RISK

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with the expected cash drawdowns as negotiated with the New Zealand Debt Management Office through Treasury. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below shows the Ministry's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Creditors/other payables 30 June 2011 \$000	Finance lease 30 June 2011 \$000		Creditors/other payables 30 June 2012 \$000	Finance lease 30 June 2012 \$000
25,952	115	Less than six months	29,069	125
31	120	Between six months and one year	-	130
-	322	Between one and five years	-	67
-	-	Over five years	-	-
25,983	557	Total	29,069	322

Note 17 | Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows.

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Loans and receivables</i>		
115,351	Cash and cash equivalents	50,944
48,560	Debtors and other receivables (note 9)	131,931
163,911	Total loans and receivables	182,875
<i>Financial liabilities measured at amortised cost</i>		
7,150	Creditors and other payables (note 10)	15,535
18,833	Accrued expenses	13,534
25,983	Total financial liabilities measured at amortised cost	29,069

Note 18 | Capital management

The Ministry's capital is its equity, which comprise general funds, memorandum accounts and revaluation reserves. Equity is represented by net assets.

The Ministry manages its revenue, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a byproduct of managing income, expenses, assets, liabilities and compliance with the Government Budget processes, Treasury's instructions and the Public Finance Act 1989.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Note 19 | Memorandum accounts

These accounts summarise financial information related to the accumulated surpluses and deficits incurred by the Ministry on a full cost recovery basis.

Previously, memorandum accounts were 'notional' accounts included for transparency around outputs that are fully cost recovered from third parties through fees charged for services. Effective 1 July 2011, all government department memorandum accounts were required to change from being 'notional' accounts requiring note disclosure to being 'real' accounts requiring separate recognition within the financial statements. As a result the Ministry has changed the way it accounts for the Second Hand Dealers and Pawnbrokers, Private Investigators and Security Guards, and Legal Complaints Review Offices memorandum accounts. The remaining memorandum accounts are treated the same as they always have been.

For the changed memorandum accounts, transactions are included as part of the Ministry's operating income and expenses in the surplus or deficit. However, effective 1 July 2011, these transactions will be excluded from the calculation of the Ministry's return of operating surplus (refer note 12). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 14).

The use of these accounts enables the Ministry to take a long run perspective to fee setting and cost recovery. The balance of each memorandum account is expected to trend towards zero over a reasonable period of time, with interim deficits being met either from cash from the Ministry's statement of financial position or by seeking approval for a capital contribution from the Crown. Capital contributions will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

The Second Hand Dealers and Pawnbrokers account records the financial activities around the licensing of second hand dealers and pawnbrokers and the certification of certain employees of licence holders.

The Motor Vehicle Dealers account records the financial activities of the tribunal that inquires into and determines applications made by purchasers of motor vehicles against motor vehicle traders.

The Private Investigators and Security Guards account records the financial activities around the licensing of private investigator and security guard companies and certification of employees of those licence holders.

The Legal Complaints Review Officer (LCRO) account records the financial activities of the LCRO which provides independent oversight and review of the decisions made by the standards committees of the New Zealand Law Society and the New Zealand Society of Conveyancers.

The Real Estate Agents Disciplinary Tribunal (READT) account records the financial activities of the READT which deals with matters relating to the licensing and discipline of persons licensed under the Real Estate Agents Act 2008 to carry out real estate agency work.

The Private Security Personnel and Private Investigators (PSPPI) account records the financial activities of PSPPI, which deals with the regulation of the private security and private investigation industry and establishes the new licensing authority.

In addition, the 2011/12 cost for Department of Internal Affairs for PSPPI is \$0.662 million.

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Second Hand Dealers and Pawnbrokers</i>		
273	Opening balance/(deficit) at 1 July	461
345	Revenue	258
(157)	Expenses	(202)
461	Closing balance/(deficit) at 30 June	517
<i>Motor Vehicle Dealers</i>		
(630)	Opening balance/(deficit) at 1 July	(896)
355	Revenue	252
(492)	Expenses	(450)
(129)	Transfers and adjustments	-
(896)	Closing balance/(deficit) at 30 June	(1,094)

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Private Investigators and Security Guards</i>		
470	Opening balance/(deficit) at 1 July	1,038
199	Revenue	-
(329)	Expenses	(115)
698	Transfers and adjustments	(923)
1,038	Closing balance/(deficit) at 30 June	-
<i>Legal Complaints Review Office</i>		
(700)	Opening balance/(deficit) at 1 July	77
608	Revenue	653
(515)	Expenses	(583)
684	Transfers and adjustments	-
77	Closing balance/(deficit) at 30 June	147
<i>Real Estate Disciplinary Tribunal</i>		
452	Opening balance/(deficit) at 1 July	520
466	Revenue	464
(398)	Expenses	(548)
520	Closing balance/(deficit) at 30 June	436
<i>Private Security Personnel and Private Investigators</i>		
-	Opening balance/(deficit) at 1 July	1,666
2,184	Revenue	1,592
(294)	Expenses - Ministry of Justice	(1,001)
(224)	Expenses - Department of Internal Affairs	(662)
1,666	Closing balance/(deficit) at 30 June	1,595

Note 20 | Reconciliation of net surplus/(deficit) to net cash flows from operating activities

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
2,327	Net surplus/(deficit)	772
	<i>Add/(deduct) non-cash items</i>	
55,445	Depreciation and amortisation	61,616
459	Property, plant and equipment impairments	-
55,904	Total non-cash items	61,616
	<i>Add/(deduct) movements in working capital items</i>	
(4,693)	(Increase)/decrease in debtors and other receivables	3,949
160	(Increase)/decrease in prepayments	(302)
20,000	(Increase)/decrease in debtor Crown	(87,230)
9,440	Increase/(decrease) in creditors and other payables	6,337
24,907	Total movements in working capital	(77,246)
	<i>Add/(deduct) items classified as investing and financing activities</i>	
(1,728)	(Increase)/decrease in accrued expenses in property, plant and equipment and intangibles	1,699
163	(Increase)/decrease in finance lease	235
2,329	Loss/(gain) on disposal of property, plant and equipment	70
-	Other non-cash items	653
764	Total movement in investing and financing activities	2,657
83,902	Net cash flows from operating activities	(12,201)

Note 21 | Budget variation

Explanations for major variances from the Ministry's budgeted figures in the *Information Supporting the Estimates of Appropriations* are as follows.

STATEMENT OF COMPREHENSIVE INCOME

Other revenue was \$3.046 million lower than budget mainly due to a reduction in the number of applications filed in courts for which fees are charged.

Expenditure was below budget by \$9.036 million. This was due to a combination of:

- lower than budgeted depreciation and amortisation of \$2.395 million (because of timing changes in the Ministry's capital programme)
- lower than budgeted operating costs of \$19.670 million (due to a conscious effort to reduce expenditure during the year to fund higher than expected personnel costs and also so that funding could be carried forward to the 2012/13 financial year in line with the justice sector four-year budget plan)
- offset by higher than budgeted personnel costs of \$13.460 million (resulting from a combination of remuneration increases, the impact of the merger with the Legal Services Agency and termination payments associated with the national office review).

STATEMENT OF CASH FLOWS

Cash received from operating activities was \$90.818 million lower than budget. This was mainly due to less Crown funding being drawn down from Treasury to fund operating and capital expenditure.

Cash paid to suppliers was lower than budget due to the conscious effort to reduce spending to allow funding to be carried forward to 2012/13 as noted above.

Net cash paid on investing activities was lower than budget due to changes in timing of the Ministry's capital programme.

STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents are \$68.545 million lower than budgeted due to changes in the Ministry cash drawn from Treasury. This is offset by a higher debtor owing from the Treasury of \$87.230 million than was initially budgeted.

Plant, property and equipment, and intangible assets are \$4.075 million lower than budget. This is due to changes in timing of the Ministry's capital programme.

Provisions are \$12.617 million higher than budgeted. This is mainly due to delays in payments of earthquake-related expenses that were provided for in 2010/11.

Note 22 | Events after the balance sheet date

There have been no significant events after the balance sheet date.

Non-departmental statements and schedules

FOR THE YEAR ENDED 30 JUNE 2012

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the Ministry manages on behalf of the Crown.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2012.

Statement of non-departmental expenses and capital expenditure against appropriations

FOR THE YEAR ENDED 30 JUNE 2012

	Actual expenditure inclusive of remeasurement 30 June 2012 \$000	Remeasurements ⁸ 30 June 2012 \$000	Actual expenditure exclusive of remeasurements 30 June 2012 \$000	Appropriation voted ⁹ 30 June 2012 \$000
Vote Justice				
<i>Non-departmental output expenses to be incurred by the Crown</i>				
Advice from the Law Commission	4,120	-	4,120	4,120
Equity Promotion and Protection Services	16,808	-	16,808	16,818
Equity Promotion and Protection Services – Inspector-General PLA ¹⁰	64	-	64	130
Legal Aid	138,328	-	138,328	156,469
Community Law Centres	10,941	-	10,941	10,970
Provision of Services from the Electoral Commission	35,860	-	35,860	35,860
Provision of Services from the Electoral Commission – Broadcasting PLA	2,855	-	2,855	2,855
Producing and Maintaining Electoral Rolls	16,081	-	16,081	16,081
Provision of Protective Fiduciary Services	4,500	-	4,500	4,500
Support and Assistance Provided by Victim Support to Victims of Crime	7,078	-	7,078	7,078
Crime Prevention and Community Safety Programmes	6,835	-	6,835	7,245
<i>Non-departmental other expenses to be incurred by the Crown</i>				
Administrative Assistance for Foreshore and Seabed Arrangements	500	-	500	500
Impairment of Legal Aid Debt	11,547	(2,900)	8,647	22,319
Victims Services	2,297	-	2,297	2,386
Impairment of Offender Levy	1,366	-	1,366	1,433
Total Vote Justice	259,180	(2,900)	256,280	288,764

The accompanying notes form part of these financial statements.

⁸ A remeasurement is generally the movement in the value of an asset or liability that is outside the control of the Crown as defined by the Public Finance Act 1989. Remeasurements do not require an appropriation. The remeasurements shown above are the result of changes to discount rates used in the valuation of the legal aid debt portfolio.

⁹ This includes adjustments made in the Supplementary Estimates.

¹⁰ This other expense appropriation covers the costs of the Inspector-General of Intelligence and Security. This appropriation is established through a Permanent Legislative Authority under section 8 of the Inspector-General of Intelligence and Security Act 1996.

Statement of non-departmental expenses and capital expenditure against appropriations for the year ended 30 June 2012
(continued)

	Actual expenditure inclusive of remeasurement 30 June 2012 \$000	Remeasurements 30 June 2012 \$000	Actual expenditure exclusive of remeasurements 30 June 2012 \$000	Appropriation voted ¹¹ 30 June 2012 \$000
Vote Treaty Negotiations				
<i>Non-departmental other expenses to be incurred by the Crown</i>				
Debt Write-offs	118	-	118	120
Depreciation	3,170	-	3,170	3,600
Claimant Funding	6,401	-	6,401	10,082
Contribution Toward Determining Customary Interests in the Marine and Coastal Area	182	-	182	300
Write Down of Commercial Properties in Vote Treaty Negotiations	-	-	-	35,298
<i>Non-departmental other expenses to be incurred by the Crown: multi-year appropriations</i>				
Historical Treaty of Waitangi Settlements ¹²	344,655	-	344,655	350,000
<i>Capital expenditure</i>				
Land, Stock, Plant Purchases	10,702	-	10,702	24,088
Total Vote Treaty Negotiations	365,228	-	365,228	423,488

The accompanying notes form part of these financial statements.

¹¹ This includes adjustments made in the supplementary estimates.

¹² Multi-year appropriation – historical Treaty of Waitangi settlements. This multi-year appropriation reflects the Crown's commitment to settling historical Treaty of Waitangi claims and the uncertain timing of achieving settlement for each claim. The appropriation is \$1,400 million over a period of four years. The supplementary estimates for 2011/12 established the \$1,400 million for the period 30 June 2012 to 30 June 2016 and replaced the unexpended balance of the appropriation covering the period 30 June 2011 to 30 June 2015. Expenditure against this appropriation over the last four years is:

2011/12	\$344,655
2010/11	\$420,591
2009/10	\$23,038
2008/09	\$44,696
	\$832,980

Statement of non-departmental expenses and capital expenditure against appropriations for the year ended 30 June 2012
(continued)

	Actual expenditure inclusive of remeasurement 30 June 2012 \$ 000	Remeasurements ¹³ 30 June 2012 \$ 000	Actual expenditure exclusive of remeasurements 30 June 2012 \$ 000	Appropriation voted ¹⁴ 30 June 2012 \$ 000
Vote Courts				
<i>Non-departmental other expenses to be incurred by the Crown</i>				
Abortion Supervisory Committee – Certifying Consultants Fees	4,427	–	4,427	5,063
Assistance to Victims of Crime	–	–	–	40
Children, Young Persons and their Families Professional Services	8,449	–	8,449	9,250
Coroner Related Fees and Expenses	4	–	4	55
Coroner-Directed Post-Mortems	7,952	–	7,952	8,155
Coroners' Salaries and Allowances PLA ¹⁵	4,608	–	4,608	4,738
Costs in Criminal Cases	53	–	53	300
Domestic Violence Professional Services	7,453	–	7,453	14,250
Family Court Professional Services	38,071	–	38,071	44,368
Impairment of Fines Receivable	30,567	(7,000)	23,567	46,559
Judges' Salaries and Allowances PLA ¹⁵	108,436	(3,833)	104,603	110,840
Judicial Review Costs	1,037	–	1,037	1,196
Justices of the Peace Association	334	–	334	350
Medical and Other Professional Services	3,969	–	3,969	3,978
MVDT Adjudicator Remuneration and Assessors' Costs	304	–	304	305
Personal Property Protection Rights Costs	1,819	–	1,819	1,950
Representations for Blood Sampling	7	–	7	10
Tribunal Members' Fees and Expenses	4,075	–	4,075	4,698
Visiting Justices to Prisons	348	–	348	350
Witness Fees and Expenses	3,295	–	3,295	3,460
Youth Court Professional Fees	7,450	–	7,450	8,000
Total Vote Courts	232,658	(10,833)	221,825	267,915
Total non-departmental expenses and appropriations	857,066	(13,733)	843,333	980,167

The accompanying notes form part of these financial statements.

¹³ A remeasurement is generally the movement in the value of an asset or liability that is outside the control of the Crown as defined by the Public Finance Act 1989. Remeasurements do not require an appropriation. The remeasurements shown above are the result of changes to discount rates used in the valuation of the outstanding fines portfolio and judges' leave entitlement.

¹⁴ This includes adjustments made in the Supplementary Estimates.

¹⁵ This appropriation is established through a Permanent Legislative Authority.

Statement of non-departmental unappropriated expenses and capital expenditure

FOR THE YEAR ENDED 30 JUNE 2012

There have been no expenses or capital expenditure incurred in excess of appropriation (2010/11: \$0.753 million).

Schedule of non-departmental revenue and receipts

FOR THE YEAR ENDED 30 JUNE 2012

The schedule of non-departmental revenue and receipts summarises non-departmental revenue that the Ministry administers on behalf of the Crown.

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
<i>Revenue and receipts</i>				
184,305	Court fines	170,017	194,028	169,782
6,023	Offender levies	5,464	6,000	5,733
5	Money forfeited to the Crown	180	49	200
803	Recovery of judicial salaries from Crown entities	455	476	476
-	Hotel investment account interest	-	-	-
384	Gain on property, plant and equipment and held-for-sale assets	183	-	-
8,802	Rental from land bank properties	9,683	8,130	9,270
-	Legal aid debt established	26,069	33,000	33,000
-	Community law centre receipts	4,779	3,853	3,853
1,157	Other revenue	18,119	28,042	15,042
201,479	Total revenue and receipts	234,949	273,578	237,356

Explanations of significant variances against budget are detailed in note 10.

Schedule of non-departmental capital receipts

No capital receipts were received by the Ministry on behalf of the Crown during the year ended 30 June 2012 (2010/11: nil).

The accompanying notes form part of these financial statements.

Schedule of non-departmental expenses

FOR THE YEAR ENDED 30 JUNE 2012

The schedule of non-departmental expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown.

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
<i>Expenditure</i>				
102,285	Personnel – judges'/coroners' salaries and allowances	113,044	109,770	115,578
253,397	Crown expenditure Vote Justice (details on page 88)	259,180	329,402	288,764
432,871	Crown expenditure Vote Treaty Negotiations (details on page 89)	354,526	364,120	399,400
108,696	Crown expenditure Vote Courts (details on page 90)	119,614	172,178	152,337
897,249	Total non-departmental expenditure	846,364	975,470	956,079

Explanations of significant variances against budget are detailed in note 10.

The accompanying notes form part of these financial statements.

Schedule of non-departmental assets

AS AT 30 JUNE 2012

The schedule of non-departmental assets summarises non-departmental assets that the Ministry administers on behalf of the Crown.

Actual 30 June 2011 \$ 000		Note	Actual 30 June 2012 \$ 000	Main estimates 30 June 2012 \$ 000	Supplementary estimates 30 June 2012 \$ 000
Assets					
<i>Current assets</i>					
117,018	Cash		85,237	92,831	73,229
1,843	Accounts receivable (Treaty)		2,003	-	-
(118)	Less provision for doubtful debts (Treaty)		(118)	-	-
-	Prepayments		-	-	-
85,000	Fines receivable	2	80,000	60,453	71,130
21,905	Other accounts receivable	3	35,571	124,678	30,442
3,288	Non-current assets held for sale	4	37,988	2,302	36,256
228,936	Total current assets		240,681	280,264	211,057
<i>Non-current assets</i>					
141,000	Fines receivable	2	133,000	118,046	118,046
32,860	Other accounts receivable	3	39,555	39,555	39,555
437,618	Assets held for Treaty of Waitangi settlements	4	343,608	466,239	376,840
1,209	Hotel investment account advances		1,209	1,209	1,209
612,687	Total non-current assets		517,372	625,049	535,650
841,623	Total non-departmental assets		758,053	905,313	746,707

Explanations of significant variances against budget are detailed in note 10.

In addition, the Ministry monitors six Crown entities. These are the Privacy Commissioner, Legal Services Agency, Law Commission, Independent Police Conduct Authority, Human Rights Commission and Electoral Commission. The investment in those entities is consolidated in the Financial Statements of the Government on a line-by-line basis.

The accompanying notes form part of these financial statements.

Schedule of non-departmental liabilities and revaluation reserves

AS AT 30 JUNE 2012

The schedule of non-departmental liabilities summarises non-departmental liabilities that the Ministry administers on behalf of the Crown.

Actual 30 June 2011 \$000		Note	Actual 30 June 2012 \$000	Main estimates 30 June 2012 \$000	Supplementary estimates 30 June 2012 \$000
<i>Current liabilities</i>					
67,001	Creditors and other payables	6	56,537	140,002	67,725
5,844	Other creditors		5,790	1,424	1,900
29,638	Judges' leave entitlements	7	31,425	25,971	30,591
124,600	Treaty settlements creditors – property settlements, interest accruals, etc	5	533,626	589,347	631,476
227,083	Total current liabilities		627,378	756,744	731,692
<i>Non-current liabilities</i>					
289,766	Treaty settlements creditors – property settlements, interest accruals, etc	5	–	–	–
27,072	Judges' leave entitlements	7	30,606	30,353	30,639
316,838	Total non-current liabilities		30,606	30,353	30,639
543,921	Total non-departmental liabilities		657,984	787,097	762,331
<i>Revaluation reserves</i>					
140,744	Property revaluation reserves	8	115,736	146,074	92,446
140,744	Total revaluation reserves		115,736	146,074	92,446

Explanations of significant variances against budget are detailed in note 10.

The accompanying notes form part of these financial statements.

Schedule of non-departmental contingent liabilities and contingent assets

AS AT 30 JUNE 2012

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Quantifiable contingent liabilities</i>		
679	Māori Land Court quantifiable contingent liabilities	881
679	Total quantifiable contingent liabilities	881

Māori Land Court contingent liabilities arise from orders made by the court where any costs that arise from the order will be a charge against the Māori Land Court Special Aid Fund in terms of section 98 of Te Ture Whenua Māori Act 1993.

UNQUANTIFIABLE CONTINGENT LIABILITIES

Justices of the Peace, Community Magistrates and Disputes Tribunal Referees

Section 197 of the Summary Proceedings Act 1957 requires the Crown to indemnify justices of the peace and community magistrates against damages or costs awarded against them as a result of them exceeding their jurisdiction, provided a High Court judge certifies that they exceeded their jurisdiction in good faith and ought to be indemnified.

Section 58 of the Disputes Tribunal Act 1988 confers a similar indemnity on Disputes Tribunal referees.

Treaty of Waitangi claims

Under the Treaty of Waitangi Act 1975, any Māori may lodge claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Crown with respect to land that has been transferred by the Crown to an SOE or tertiary institution or is subject to the Crown Forest Assets Act 1989.

On occasion, Māori claimants pursue the resolution of particular claims against the Crown through higher courts. There are currently two actions against the Crown, one being heard at the Court of Appeal and another at the High Court. Failure to successfully defend such actions may result in a liability for historical Treaty grievances in excess of that currently anticipated.

Treaty of Waitangi claims – settlement relativity payments

The deeds of settlement negotiated with Waikato-Tainui and Ngāi Tahu include a relativity mechanism. The mechanism provides that, where the total redress amount for all historical Treaty settlements exceeds \$1 billion in 1994 present-value terms, the Crown is liable to make payments to maintain the real value of Ngāi Tahu's and Waikato-Tainui's settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17 percent for Waikato-Tainui and approximately 16 percent for Ngāi Tahu.

In future years, additional costs may be incurred in accordance with the relativity mechanism as Treaty settlements are reached; however, no value can be placed on these at this point in time as there is uncertainty as to when each negotiation will settle and the value of any settlement when reached.

Criminal Proceeds (Recovery) Act

The Ministry of Justice is responsible for administering the Criminal Proceeds (Recovery) Act 2009. This Act requires the Crown to give an undertaking as to damages or costs in relation to asset restraining orders. In the event that the Crown is found liable, payments may be required. The timing and amount of any possible payments required are not able to be estimated at this time.

CONTINGENT ASSETS

The Ministry on behalf of the Crown has no contingent assets (2010/11: nil).

The accompanying notes form part of these financial statements.

Schedule of trust monies

FOR THE YEAR ENDED 30 JUNE 2012

The following trust money was administered on behalf of the Crown under Part VII of the Public Finance Act 1989.

Trust Money is not included in the schedule of non-departmental assets.

The schedule shows the opening and closing trust balances and the movements during the year.

	Foreign currency € 000	Court law \$ 000	Fines \$ 000	Employment Court \$ 000	Māori land court \$ 000	Prisoners' and victims' claims \$ 000	Supreme Court \$ 000	Legal complaints review \$ 000	Foreign currency US \$ 000
Opening cash balance	-	13,068	32,207	168	57	28	66	599	-
Contributions	7,561	37,823	353,714	76	8	39	50	2	10,507
Distributions	(7,561)	(27,988)	(353,371)	(165)	(4)	(38)	(54)	(590)	(10,507)
Closing cash balance	-	22,903	32,550	79	61	29	62	11	-

Court Law Trust Account

This trust account holds deposits made by persons filing for action in the District Court, the High Court, the Court of Appeal or the Supreme Court. There are 71 individual law trust accounts, which are managed by the individual courts and collections offices.

Fines Trust Account

This trust account holds deposits for all fines collected and associated fees prior to disbursement back to the Crown and local authorities or victims. Fines collected are court-imposed fines (including reparations) and infringement fines collected on behalf of New Zealand Police, local authorities, and other prosecuting agencies.

Employment Court Trust Account

This trust account holds deposits as security for costs against outstanding proceedings as required by the Employment Relations Authority and the Employment Court under the Employment Relations Act 2000.

Māori Land Court Trust Account

This trust account holds money for security for costs, and for other matters associated with proceedings of the court.

Prisoners' and Victims Claims' Act Trust Account

This trust account is established under section 50 of the Prisoners' and Victims' Claims Act 2005. This account holds payments of compensation money.

Supreme Court Trust Account

This trust account holds deposits made by persons filing for action and to allow the Supreme Court to administer proceedings.

Legal Complaints Review Trust Account

This trust account holds levies received by the Ministry to reimburse the costs of the Legal Complaints Review process.

Foreign Currency United States Dollar Trust Account

This trust account, on instruction from court judges, holds US dollar deposits made from time to time where the final outcome of cases is yet to be determined.

Foreign Currency Euro Fund Trust Account

This trust account, on instructions from court judges, holds Euro dollar deposits made from time to time where the final outcome of cases is yet to be determined.

The accompanying notes form part of these financial statements.

Notes to the non-departmental financial statements and schedules

Note 1 | **Statement of significant accounting policies for the year ended 30 June 2012**

REPORTING ENTITY

These non-departmental statements and schedules present financial information on public funds managed by the Ministry on behalf of the Crown. These non-departmental balances are consolidated into the *Financial Statements of the Government for the year ended 30 June 2012*. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the *Financial Statements of the Government*.

BASIS OF PREPARATION

Statement of compliance

The non-departmental statements and schedules have been prepared in accordance with the Government's accounting policies as set out in the *Financial Statements of the Government*, and in accordance with relevant Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore, readers of these statements and schedules should also refer to the Financial Statements of the Government.

SIGNIFICANT ACCOUNTING POLICIES

The following particular accounting policies have been applied.

REVENUE

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

Revenue from fines and enforcement fees is recognised when the fine or enforcement fee is imposed.

Revenue received from the New Zealand Law Society (NZLS) Special Fund for the funding of community law centres is recognised as revenue when received.

JUDGES' LEAVE ENTITLEMENTS

Provision is made for the liability for judges' entitlement to sabbatical and retiring leave. These provisions are calculated on an actuarial basis, based on the present value of expected future entitlements.

GOODS AND SERVICES TAX (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

COMMITMENTS

No non-cancellable capital or operating lease contracts have been entered into at balance date.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities and contingent assets are recorded at the point at which the contingency is evident.

PROPERTY, PLANT AND EQUIPMENT (ASSETS HELD FOR TREATY SETTLEMENTS)

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

Asset capitalisation

Property, plant and equipment are initially recorded at cost of purchase.

Capital work in progress is recognised as costs are incurred. Depreciation is not recorded until the asset is fully acceptance tested, operational and therefore capitalised.

The carrying amounts of plant, property and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the schedule of non-departmental expenses, unless the asset is carried at a revalued amount, in which case, any impairment loss is treated as a revaluation decrease.

Asset revaluation

Land and buildings are stated at fair value as determined by an independent registered valuer as at 30 June 2012. Fair value is determined from market-based evidence by an independent valuer. All major land and buildings (over \$400,000) are inspected and valued on a rolling basis over five years. Within the five-year period, the carrying values of all land and buildings are reviewed utilising desktop valuations undertaken by a registered valuer.

Any surplus on revaluation of a class of land or buildings is transferred directly to the applicable property, plant and equipment revaluation reserve unless it offsets a previous decrease in value recognised in the schedule of non-departmental expenses, in which case, it is recognised in the schedule of non-departmental expenses.

A decrease in value relating to a class of land or buildings is recognised in the schedule of non-departmental expenses where it exceeds the surplus previously transferred to revaluation reserves.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Depreciation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives after allowing for residual values (where appropriate by asset category). The estimated useful life of major asset categories is as follows.

Asset category	Asset life (years)	Residual value
Buildings	Up to 50	Nil
Improvements	Up to 50	Nil
Plant and equipment	Up to 25	Nil

Land and work in progress are not depreciated. The total cost of work in progress is transferred to the appropriate asset class on its completion and depreciated accordingly.

Disposal of property, plant and equipment

Where property, plant or equipment is disposed of, the gain or loss recognised in the schedule of non-departmental expenses is calculated as the difference between the sale price and the carrying amount. If an asset is sold that has contributed to the revaluation reserve, the related portion of the reserve is transferred to the general fund within equity.

BIOLOGICAL ASSETS

Biological assets (for example, trees) managed for harvesting into agricultural produce (for example, logs) are measured at fair value less estimated point-of-sale costs, with any realised and unrealised gains or losses reported in the schedule of non-departmental expenses. For commercial forests, fair value takes into account age, quality of timber and the forest management plan.

Biological assets (for example, farm shelter belts) not managed for harvesting into agricultural produce are reported under property, plant and equipment as above.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the schedule of non-departmental expenses.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Non-current assets are held in two separate categories: those where the assets are no longer required for Treaty settlements and those that are part of a Treaty settlement where transfer to the claimant group is expected to be completed within the next 12 months.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial schedules, the Ministry on behalf of the Crown has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

The estimates and assumptions that have a risk of causing an adjustment to the carrying amount of assets and liabilities within the next financial year are:

- **Fines receivable**

The future fair value of the fines receivable is dependent on ongoing collection and remittal rates as well as the discount rate utilised in the valuation. Note 2 provides an analysis of the uncertainties relating to the valuation of fines.

- **Debtors and other receivables**

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

- **Legal aid receivables**

The future fair value of the legal aid receivable is dependent on ongoing repayment rates as well as the discount rate utilised in the valuation. Note 3a provides an analysis of the uncertainties relating to the valuation of legal aid.

- **Legal aid accrual**

At each balance date, the Ministry uses an independently developed actuarial model to calculate the legal aid accrual figure for the three law types: criminal, family and civil. The assumptions adopted are as follows:

- The application references open cases no greater than 15 months old.
- The last invoice from the provider was received within that 15-month period.
- The cost of service still to be incurred is based on estimates of the total cost of the case, based on the law type, matter type (subgroup of law type) and the number of days.

At each balance date, the Ministry produces an accrual for Waitangi cases. It is known that the Ministry is not invoiced for work completed on a regular basis. On this assumption, the Ministry cannot process the accrual through the actuarial model. The Ministry accrues for Waitangi cases based on either external confirmations from providers or on certified payments made after balance date. Note 6 provides an analysis of the creditors, and other payables are non-interest bearing and are normally settled within 12 months.

BUDGET FIGURES

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

Note 2 | Fair value: fines collectable

The impaired and fair value of fines collectable has been determined on an actuarial basis by discounting the expected flow of repayments, net of servicing costs, at a discount rate of 4.60 percent (2010/11: 5.86 percent) resulting in a fair value of \$213.0 million (2010/11: \$226.0 million). If the discount rate was 2 percent higher, the impaired value would decrease by \$9.0 million to \$204.0 million; if 2 percent lower, the value would increase by \$11.0 million to \$224.0 million.

The discount rate is made up of the two components of a risk-free rate and a risk premium rate. The risk-free rate of 2.6 percent is based on the two year government bond yield, with the risk premium rate of 2.0 percent reflecting traded risky debt with similar characteristics to the fines debt.

The impaired and fair value was calculated by Andrea Gluyas, Actuary, FNZSA, FIAA and Ross Simmonds Actuary FNZSA, FIAA, of PricewaterhouseCoopers.

The table below shows the gross value of fines collectable and the analysis of the receivable into current and non-current.

30 June 2011 \$ 000		30 June 2012 \$ 000
473,195	Fines receivable	418,449
(247,195)	Impairment provision	(205,449)
226,000	Impaired value	213,000
<i>Being</i>		
85,000	Current	80,000
141,000	Non-current	133,000
226,000	Total	213,000

Movements in the impairment provision for fines receivable are as follows.

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Fines provisioning</i>		
321,943	Opening balances as at 1 July	247,195
85,960	Impairment on initial recognition	83,161
(131,801)	Impairment recovered	(114,083)
(28,907)	Valuation changes	(10,824)
247,195	Closing balances as at 30 June	205,449

Note 3 | Other accounts receivable

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
<i>Current assets</i>		
11,851	Fines	13,376
8,706	Legal aid receivable (Note 3a)	12,204
1,348	Other receivables	9,991
21,905	Total current assets	35,571
<i>Non-current assets</i>		
32,860	Legal aid receivable (Note 3a)	39,555
54,765	Total debtors and receivables	75,126

The carrying value of accrued revenue and other receivables approximates their fair value.

Note 3a | Legal aid receivable

Actual 30 June 2011 \$000		Actual 30 June 2012 \$000
-	Legal aid receivable	127,290
-	Impairment provision	(75,531)
-	Impaired value	51,759
<i>Being</i>		
-	Current	12,204
-	Non-current	39,555
-	Total	51,759

2011/12	Gross debt \$000	Net debt \$000
Secured	51,152	24,893
Unsecured	76,138	26,866
Total	127,290	51,759

Movements in the impairment provision for legal aid receivable are as follows.

Actual 30 June 2011 \$000	Actual 30 June 2012 \$000
<i>Legal aid provision</i>	
- Opening balance as at 1 July	69,960
- Interest unwind	(5,065)
- Impairment (charge)/reversal	(3,110)
- Fair value write-down	13,746
- Closing balance as at 30 June	75,531

The 2010/11 comparative information for legal aid receivable and impairment were related in the *Legal Services Agency closure report*.

Legal aid receivables represent the debts that have been set as a result of a grant of legal aid. These debts have been set by legal aid legislation and comprise:

- 2000 and 2006 Act debt
- 1991 Act debt
- 1969 Act debt.

An actuarial model is used to value debt. The model takes the gross debt for secured and unsecured debt and impairs the debt based on the repayment history for that type of debt.

This debt has been impaired inside of the actuarial model based on an assessment of the recoverable amount.

This assessment takes into account whether the debt is secured against property and receipts to date against the debt.

The discount rate is made up of the two components of a risk-free rate and a risk premium rate.

The risk-free rate is the return that an investor could achieve without risk and is taken to be the yield on government bonds. The risk-free rate used is the five-year government bond yield at 30 June 2012 of 3.4 percent (2011: 5.08 percent).

The risk premium has been estimated by finding traded risky debt with a comparable default rate to the default rate of the outstanding debt and determining a risk premium based on that debt. The risk premium used is 3.1 percent (2011: 2.75 percent).

Adding the risk-free rate and the risk premium together gives a discount rate of 6.5 percent (2011: 7.83 percent).

The impaired and fair value was calculated by Andrea Gluyas, Actuary, FNZSA, FIAA, and Ross Simmonds Actuary FNZSA, FIAA, of PricewaterhouseCoopers.

Note 4 | Assets held for Treaty of Waitangi settlements

The Office of Treaty Settlements operates a mechanism to protect surplus Crown, district health board and Crown research institute land for potential use in settling historical Treaty of Waitangi claims. Where the Crown agrees the land meets the criteria, the land is purchased and held in a regional land bank until a Treaty settlement is signed. Until all Treaty claims within a regional land bank area are settled, the options for disposal of properties are limited. The value assigned to a property selected for settlement may differ from the carrying value for financial reporting purposes once specific covenants and restrictions included in the deed of settlement are taken into account.

The table below shows the classification for financial reporting of assets held for Treaty settlements.

Balance at 30 June 2011 \$000		Note	Balance at 30 June 2012 \$000
436,153	Property, plant and equipment	4a	342,134
988	Forests	4b	997
477	Shares in co-operative companies	4c	477
437,618	Total assets held for Treaty settlements		343,608
3,288	Non-current assets held for sale	4d	37,988
440,906	Total		381,596

Note 4a | Property, plant and equipment

Land, building and improvements valuations were conducted by an independent valuer, Nigel Hoskin, BBS (VPM) ANZIV, of Beca Valuations Limited, and are in accordance with the New Zealand Institute of Valuers' Asset Valuation Standards. In 2012, the percentage of land and buildings assets revalued (Treaty property portfolio) is 19.61 percent of total assets (2010/11: 23.7 percent). The increase to the revaluation reserve as at 30 June 2012 was \$1.923 million (2010/11: decrease of \$4.255 million). The total value of land and buildings valued to fair value by Beca Valuations Ltd in 2012 was \$68.477 million.

	Land (at valuation) \$000	Non-residential building (at valuation) \$000	Residential building (at valuation) \$000	Plant and equipment \$000	Total \$000
<i>Cost/valuation</i>					
Balance at 1 July 2010	331,919	41,597	58,107	5,700	437,323
Additions	13,746	714	2,412	4	16,876
Revaluation increase/(decrease)	(4,453)	(1,566)	26	(55)	(6,048)
Other asset movement	8,485	(591)	(13,858)	(5)	(5,969)
Disposals	(185)	-	-	-	(185)
Balance at 30 June 2011	349,512	40,154	46,687	5,644	441,997
Balance at 1 July 2011	349,512	40,154	46,687	5,644	441,997
Additions	11,869	535	1,857	2	14,263
Revaluation increase/(decrease)	(1,827)	1,316	(453)	(16)	(980)
Other asset movement	(89,893)	(6,952)	(6,498)	(5,343)	(108,686)
Disposals	(241)	(136)	-	-	(377)
Balance at 30 June 2012	269,420	34,917	41,593	287	346,217
<i>Accumulated depreciation and impairment losses</i>					
Balance at 1 July 2010	-	2,020	1,666	106	3,792
Depreciation expense	-	2,032	1,279	566	3,877
Eliminate on revaluation	-	(1,418)	(364)	(13)	(1,795)
Other asset movement	-	(23)	(7)	-	(30)
Balance at 30 June 2011	-	2,611	2,574	659	5,844
Balance at 1 July 2011	-	2,611	2,574	659	5,844
Depreciation expense	-	1,671	1,254	245	3,170
Elimination on revaluation	-	(2,212)	(646)	(45)	(2,903)
Eliminate on transfer to held for sale	-	(307)	(962)	(759)	(2,028)
Balance at 30 June 2012	-	1,763	2,220	100	4,083
<i>Carrying amounts</i>					
At 30 June/1 July 2010	331,919	39,577	56,441	5,594	433,531
At 30 June 2011	349,512	37,543	44,113	4,985	436,153
At 30 June 2012	269,420	33,154	39,373	187	342,134

Note 4b | Forests

The two forests managed for harvesting are Pukeora Forest, Hawkes Bay and Upper Bluehills Forest, Nelson.

	Forests \$ 000
Balance at 1 July 2010	575
Gain/loss in fair value from valuation	413
Increase due to purchases	-
Decrease due to disposal	-
Decrease due to other changes	-
Forests' value at 30 June 2011	988
Balance at 1 July 2011	988
Gain/loss in fair value from valuation	9
Increase due to purchases	-
Decrease due to disposal	-
Decrease due to other changes	-
Forests' value at 30 June 2012	997

The valuation of forests was conducted by independent valuers Marty Watson, NZIF Registered Forestry Consultant, and Theo Vos, NZIF Registered Forestry Consultant, of PF Olsen Limited and are in accordance with the New Zealand Institute of Valuers' Asset Valuation Standards. The date of the valuation is at 30 June 2012. The increase in value of the forests reflects the increased maturity of the forests, which is partly offset by a small decrease in projected log prices and increases in cartage costs.

Note 4c | **Shares in co-operative companies**

	Shares \$ 000
<i>Cost valuation</i>	
Balance at 1 July 2010	330
Additions	-
Revaluation increase/(decrease)	147
Transfer to held for sale	-
Disposals	-
Movement	-
Balance at 30 June 2011	477
Balance at 1 July 2011	477
Additions	-
Revaluation increase/(decrease)	-
Transfer to held for sale	-
Disposals	-
Movement	-
Balance at 30 June 2012	477

To facilitate farm operations on leased properties, shares in co-operative companies are required to be held.

Note 4d | **Assets held for sale**

	Held for sale – surplus \$000	Held for sale – settlements \$000	Total \$000
Balance at 30 June 2010	-	452	452
Balance at 1 July 2010	-	452	452
Additions	-	5,159	5,159
Revaluation increase	-	-	-
Transfer to held for sale	-	-	-
Disposals	-	(2,323)	(2,323)
Balance at 30 June 2011	-	3,288	3,288
Balance at 1 July 2011	-	3,288	3,288
Additions	-	-	-
Revaluation increase	-	-	-
Transfer to held for sale	-	47,514	47,514
Disposals	-	(12,814)	(12,814)
Balance at 30 June 2012	-	37,988	37,988

This asset category includes assets no longer required for Treaty settlement purposes and those committed to Treaty settlements expected to be completed within the next 12 months. The table below shows the asset groups from which assets held for sale have been transferred.

	Held for sale – surplus \$000	Held for sale – settlements \$000	Total \$000
<i>Asset type pre-transfer</i>			
Land	-	25,481	25,481
Non-residential improvement	-	5,249	5,249
Plant and equipment	-	2,869	2,869
Residential improvement	-	4,389	4,389
Balance at 30 June 2012	-	37,988	37,988

Note 5 | Treaty settlement creditors

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
57	GST payable	302
278	Rent received in advance	270
414,031	Accrued settlement expenses	533,054
414,366	Total Treaty settlement creditors	533,626

Note 6 | Creditors and other payables

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
51,217	Legal aid payable	41,357
15,784	Other payables	15,180
67,001	Total creditors and other payables	56,537

Creditors and other payables are non-interest bearing and are normally settled within 12 months, therefore the carrying value of creditors and other payables approximates their fair value.

Note 7 | Judges' leave entitlements

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Current liabilities</i>		
26,616	Retiring and sabbatical leave	28,007
409	Annual leave	409
2,613	Salaries	3,009
29,638	Total current liabilities	31,425
<i>Non-current liabilities</i>		
27,072	Retiring and sabbatical leave	30,606
27,072	Total non-current liabilities	30,606
56,710	Total provision for judges' leave entitlements	62,031

The present value of judges' retiring and sabbatical leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability. The discount rate used was 2.5 percent with 3.5 percent salary inflation (2010/11: 2.84 percent with 3.5 percent salary inflation).

The valuation of retiring and sabbatical leave as at 30 June 2012 was conducted by an independent valuer, Bernie Higgins, FIAA, FNZSA, of AON Hewitt.

Note 8 | Property revaluation reserves

	Land \$000	Non-residential buildings \$000	Residential buildings \$000	Total \$000
Balance at 1 July 2010	114,851	15,436	15,787	146,074
Current year movement	(5,528)	(192)	390	(5,330)
Balance at 30 June 2011	109,323	15,244	16,177	140,744
Balance at 1 July 2011	109,323	15,244	16,177	140,744
Current year movement	(22,493)	506	(856)	(22,843)
Transfer to general funds on disposal	(1,877)	(219)	(69)	(2,165)
Balance at 30 June 2012	84,953	15,531	15,252	115,736

Note 9 | Financial instruments

The Ministry on behalf of the Crown is a party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, debtors and creditors.

All financial instruments are recognised in the schedule of non-departmental assets and schedule of non-departmental liabilities, and all revenues and expenses in relation to financial instruments are recognised in the schedule of non-departmental revenue and receipts and schedule of non-departmental expenses. They are shown at their estimated fair value.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the Ministry on behalf of the Crown causing the Ministry on behalf of the Crown to incur a loss.

Credit risk arises from debtors and deposits with banks.

Funds must be deposited with Westpac, a registered bank.

In the normal course of its business, the Ministry on behalf of the Crown incurs credit risk from transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. Other than Westpac bank, there are no significant concentrations of credit risk.

FAIR VALUE

The fair value of financial assets and liabilities is equivalent to the carrying amount disclosed in the schedule of non-departmental assets and schedule of non-departmental liabilities.

CURRENCY RISK AND INTEREST RATE RISK

The Ministry on behalf of the Crown has no exposure to interest rate risk or currency risk on its financial instruments as there were no foreign currency forward contracts at balance date and the Ministry on behalf of the Crown does not hold any interest bearing financial instruments.

LIQUIDITY RISK

Liquidity risk is the risk that the Ministry on behalf of the Crown will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with the expected cash drawdowns as negotiated with the NZDMO through the Treasury. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below shows the financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Treaty creditors and other payables 30 June 2011 \$000		Treaty creditors and other payable 30 June 2012 \$000	
57	Less than six months	572	
124,543	Between six months and one year	533,054	
289,766	Between one and five years	-	
-	Over five years	-	
414,366	Total	533,626	

Note 10 | Major budget variations

Explanations for major variances from the budgeted figures in the *Information Supporting the Estimates of Appropriations* are as follows.

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

The lower level of fines imposed was mainly driven by a reduced level of impositions and receipts for court fines, enforcement fees and court costs, including a reduced level of police infringements being lodged following a reduction in driving offences and changes to the demerit points scheme.

The decrease in legal aid debt revenue reflects the overall reduction in legal aid volumes, a portion of which is recovered through the creation of legal aid debt.

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

Personnel costs (judges' and coroners' salaries and allowances) were \$3.256 million higher than budget mainly due to remuneration increases approved by the Remuneration Authority.

Crown expenditure in Vote Courts was \$38.531 million lower than budget mainly due to lower than expected impairment of fines of \$32.187 million due to fewer fines being imposed requiring impairing.

Crown expenditure in Vote Justice was \$70.222 million lower than budget. This was mainly due to lower legal aid of \$43.117 million due to lower demand, lower impairment of legal aid debt of \$11.253 million due to less legal aid debt being created (which normally requires impairing), lower costs of producing and maintaining the electoral rolls of \$5.300 million due to the postponement of the Māori electoral option to 2012/13 because of the delayed Census and \$9.468 million of funding associated with foreshore and seabed arrangements being redirected to marine and coastal area appropriations in 2012/13 (this funding has been transferred to Vote Treaty Negotiations in 2012/13).

Crown expenditure in Vote Treaty Negotiations was \$9.594 million lower than budget. This mainly reflects lower than expected Treaty settlement expenses, which, by their nature, are hard to predict with accuracy of both timing and amount.

Note 11 | Memorandum accounts

This account summarises financial information related to the accumulated surpluses and deficits incurred by the Crown on a full cost recovery basis. These transactions are included as part of the schedules of non-departmental revenue and receipts and expenses.

The use of these accounts enables the Crown to take a long-run perspective to cost recovery.

The Real Estate Agents Authority is required to ensure that costs incurred by the Crown for the establishment of new functions and bodies under legislation are recovered from the real estate industry.

Actual 30 June 2011 \$ 000		Actual 30 June 2012 \$ 000
<i>Real Estate Agents Authority</i>		
(6,307)	Opening balance/(deficit) at 1 July	(6,208)
-	Revenue	1,261
-	Expenses	-
99	Transfers and adjustments	-
(6,208)	Closing balance/(deficit) at 30 June	(4,947)

Note 12 | Events after the balance sheet date

There have been no significant events after the balance sheet date.

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