

# **NEW ZEALAND POLICE FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 30 JUNE 2001**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **STATUTORY AUTHORITY**

New Zealand Police is a Government Department as defined by Section 2 of the Public Finance Act 1989.

These are the financial statements of the New Zealand Police prepared pursuant to Section 35 of the Public Finance Act 1989.

#### **MEASUREMENT SYSTEM**

These financial statements have been prepared on the basis of modified historical cost except for certain items with specific accounting policies outlined below.

#### **BUDGET FIGURES**

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) as amended by Supplementary Estimates and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

#### **REVENUE**

Crown appropriation revenue is recognised on a straight-line basis over the year.

#### **VALUATION OF CURRENT ASSETS**

Inventories are valued at the lower of cost (weighted average) and net realisable value.

Accounts receivable are stated at net realisable value.

Cash is defined as including petty cash holdings and bank accounts.

#### **NON CURRENT ASSETS**

##### **Valuation**

Land and Buildings were revalued at 1 January 2000 by Beca Valuation Ltd.

Land and improvements were valued on the basis of market value for existing use assuming market related leasing arrangements. The value of fitout assets was established on a depreciated replacement cost basis from 1 January 1997. Fitout additions from 1 January 1997 have been valued on a historical cost basis. This method of valuation conforms with the Valuation Standards of the New Zealand Institute of Valuers. The revaluation is conducted on a 3 yearly cyclical basis. Land and Buildings are considered to be one functional class of asset and an Asset Revaluation Reserve is maintained for Land and Buildings as a class.

Capital Work in Progress is valued at historical cost and on completion will be transferred to the appropriate asset category.

Other non current assets are valued at depreciated historical cost, and comprise both individual items and composite assets.

A composite asset is a group of assets with characteristics in common or a group, which combines to form a functional asset with future service potential of more than one year, and an aggregate cost in excess of \$5,000.

Non current assets costing less than \$5,000, other than composite assets, are expensed in the year of purchase.

Provision is made for any permanent impairment in the value of non current assets.

Artifacts and Relics held in the Police museum are not valued.

**DEPRECIATION**

Depreciation is charged on a straight line basis at the following rates:

Freehold Land	Not depreciated
Freehold Buildings	1 - 5%
Furniture/Fittings	10%
Office Equipment	20%
Computer Hardware and Systems	15-50%
Motor Vehicles	20%
Repeater Equipment	20%
Radio Equipment	25%
Control Equipment	20%
General Communications Equipment	25%
General Plant, Equipment and Instruments	20%
Weapons and Associated Equipment	20%
Launches	4.5%
Other Vessels	25%

Depreciation commences in the month of acquisition and is not charged in the month of sale.

**EMPLOYEE ENTITLEMENTS**

Provision is made in respect of New Zealand Police’s liability for annual leave, shift workers leave, long service leave, retirement leave and time off in lieu. Provisions for annual leave and shift workers leave have been measured on a nominal basis using current rates of pay.

Provisions for long service leave and retirement leave have been measured on a present value basis, using current rates of pay adjusted for inflation and probability of entitlement being uplifted, discounted to net present values.

### ***Sponsorship***

Funds provided by third parties for sponsorship of specific projects are held in a Sponsorship Reserve until expended at which point both the expenditure and matching revenue are recognised.

### ***Foreign Currency***

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities held or owing in foreign currency are translated at the exchange rate applicable on the last day of the accounting period. Exchange differences arising are included in the Statement of Financial Performance.

### ***Financial Instruments***

Financial instruments used by New Zealand Police consist of term deposits, Crown receivable, accounts receivable, accounts payable and foreign currency forward contracts. New Zealand Police enters into the foreign currency forward contracts to hedge currency transactions. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. Any exposure to gains or losses on these transactions is not offset as the value is not material. All financial instruments are recognised in the Statement of Financial Position.

### ***Cost Allocation***

#### ***Definition of Terms***

- **Activity Management System (AMS)** the system used to record units of hours spent on tasks and activities by sworn and non sworn personnel.
- **Productive Hours** - AMS hours recorded by task and activity which make up the output classes.

New Zealand Police have refined the methodology for assigning costs to outputs over the past 12 months. The nature of the change is to identify indirect costs as either service delivery costs or support costs and allocate them to outputs in the most appropriate manner. The change does not materially effect individual outputs but rather refines the costs which are assigned to them.

In the previous cost allocation methodology direct personnel expenditure was attributed to output classes based on the productive hours recorded in the AMS system. Traffic camera direct costs were attributed to Output Class 14:

Strategic Traffic Safety Delivery. Other direct costs had causal linkages to output classes, but in the absence of specific drivers for these, they were pro-rated across all outputs to profile the distribution of personnel costs.

In the previous methodology indirect costs were allocated to output classes on the basis of productive hours.

Under the new methodology, where direct costs relate to an output they are coded directly to that output.

The remaining expenditure is then classified into either “service delivery” cost centres or “support” cost centres. Service delivery cost centres relate to staff who deliver policing services (i.e Highway Patrol). Support cost centres relate to staff whose prime focus is to support a wide range of policing services (i.e HR, Finance and Planning).

Expenditure for service delivery cost centres is allocated to outputs on productive hours for that cost centre.

Expenditure for support cost centres is allocated to outputs based on total productive hours for the organisation, meaning they are treated as a general overhead.

### ***Taxation***

Government Departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

### ***Goods and Service Tax (GST)***

The Statement of Unappropriated Expenditure and the Statement of Appropriations are inclusive of GST. All other statements are GST exclusive. Accounts Receivable and Accounts Payable in the Statement of Financial Position are GST inclusive. The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Payable or Accounts Receivable as appropriate.

### ***Commitments***

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that there are unperformed obligations. Commitments relating to employment contracts are not disclosed.

### ***Operating Leases***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods in which they are incurred. New Zealand Police lease certain motor vehicles as part of their day to day activities.

### ***Contingent Liabilities***

Contingent Liabilities are disclosed at the point at which the contingency is evident.

### ***Changes in Accounting Policies***

Previously, no provision for any liability for Time off in Lieu (TOIL) was accrued in accordance with the then accounting policy for employee entitlements. A provision for TOIL for current employees has been recorded in the financial statements in the current year. The effect of this change is to increase personnel expenditure in the Statement of Financial Performance and the related liability in the Statement of Financial Position by \$4.151 million. New Zealand Police's policy of "time not cash" still stands and is based on the premise that employees have the opportunity to take accrued TOIL as time off while still in the employment of New Zealand Police.

There has been no other changes in accounting policies.

### ***Changes in Significant Accounting Estimates***

#### ***Residual Values of Motor Vehicles***

The residual values of New Zealand Police's fleet of motor vehicles were reassessed during the current financial year with the recommencement of the vehicle replacement programme. This has resulted in an additional depreciation charge of \$3.6 million in the Statement of Financial Performance.

#### ***Valuation of Information Technology (IT) Assets***

The useful lives of certain IT assets, mainly relating to computer infrastructure, have been reassessed during the current financial year. These assets are planned to be replaced in the next two years consistent with the New Zealand Police IT strategy. The shorter period of useful lives has resulted in an additional depreciation charge this year of \$6.1 million in the Statement of Financial Performance.

### ***Early Adoption of Financial Reporting Standards***

New Zealand Police has elected to apply FRS-15: Provisions, Contingent Liabilities and Contingent Assets, early for the purposes of these financial statements. FRS-15 applies to general purposes financial reports covering periods ending on or after 31 October 2001.

**STATEMENT OF APPROPRIATIONS****FOR THE YEAR ENDED 30 JUNE 2001**

	Actual 2001	Year to 30 June (\$'000) Final Voted 2001	Actual 2000
<b>Appropriations for Departmental Output Classes - Mode B Gross (GST Incl)</b>			
1 Policy Advice and Ministerial Servicing	1,139	1,147	1,185
2 Policing Support to the Community Through Partnerships, Education, Crime Prevention and Youth Programmes	59,410	57,049	54,741
3 Directed Patrol Activities	50,130	50,111	52,354
4 Police Primary Response Management	271,124	274,816	257,210
5 Case Management	244,179	244,173	224,674
6 Case Resolution	25,916	24,273	24,318
7 Enforcement of Courts Orders	4,759	4,662	4,681
8 Custodial and Escort Services	22,484	22,474	21,044
9 Public and Personal Security	15,312	13,477	35,698
10 Vetting and Firearms Licensing	8,571	7,742	8,384
11 Lost and Found Property	4,402	4,006	3,905
12 Community Traffic Safety Services	8,510	8,647	7,832
13 Traffic Management Services	29,724	29,404	29,245
14 Strategic Traffic Safety Delivery	135,561	136,340	130,837
15 Traffic Prosecution Services and the Enforcement of Court Orders	7,572	12,724	5,565
<b>Total Appropriation for Departmental Output Classes</b>	<b>888,793</b>	<b>891,045</b>	<b>861,673</b>
<b>Appropriations for Other Expenses (GST Inclusive)</b>			
Compensation for Confiscated Firearms	-	11	3
Loss on Sale of Property to Ngai Tahu	-	-	7,276
Devaluation of INCIS	-	-	65,580
<b>Total Appropriation for Other Expenses</b>	<b>-</b>	<b>11</b>	<b>72,859</b>
<b>Appropriation for Capital Contribution from the Crown</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Appropriations for Crown Revenue Flows</b>			
Non-Tax Revenue Infringement Fees	81,255	85,900	70,054
Sale of Unclaimed Property	525	369	383
Forfeit to Crown	318	-	256
<b>Total Appropriation for Crown Revenue Flows</b>	<b>82,098</b>	<b>86,269</b>	<b>70,693</b>

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying accounting policies and notes form part of these financial statements.

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2001**

	Note	Year to 30 June (\$'000)		
		Actual 2001	Budget Total (Note 1) 2001	Actual 2000
<b>Revenue</b>				
Crown		785,724	785,724	757,518
Interest		2	-	2
Other	2	5,844	6,317	7,151
<b>Total Revenue</b>		<b>791,570</b>	<b>792,041</b>	<b>764,671</b>
<b>Expenses</b>				
Personnel	3	552,246	570,275	536,751
Operating	4	165,060	155,000	158,290
Depreciation		45,875	40,000	35,466
Capital Charge	5	26,666	26,766	35,582
<b>Total Output Operating Expenses</b>		<b>789,847</b>	<b>792,041</b>	<b>766,089</b>
Surplus (Deficit) from Outputs		1,723	-	(1,418)
Other Expenses	6	-	10	72,859
Net Surplus (Deficit)		1,723	(10)	(74,277)
Transfer to provision for Repayment of Surplus to Crown		1,723	-	2
Net Surplus (Deficit) Transferred to Taxpayers' Funds		-	(10)	(74,279)

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying accounting policies and notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2001**

		As at 30 June (\$000)		
	Note	Actual 2001	Final Voted 2001	Actual 2000
<b>Current Assets</b>				
Cash		71,292	31,862	31,872
Accounts Receivable	7	850	1,691	1,691
Prepayments		3,834	2,035	2,035
Inventories	8	153	302	302
<b>Total Current Assets</b>		<b>76,129</b>	<b>35,890</b>	<b>35,900</b>
<b>Less Current Liabilities</b>				
Accounts Payable	9, 21	38,606	29,866	34,735
Other Accrued Expenses	10	1,565	6,340	1,470
Employee Entitlements	11	83,497	75,272	75,272
Provision to Repay Surplus		1,723	-	2
<b>Total Current Liabilities</b>		<b>125,391</b>	<b>111,478</b>	<b>111,479</b>
<b>Working Capital</b>		<b>(49,262)</b>	<b>(75,588)</b>	<b>(75,579)</b>
<b>Non Current Assets</b>	12	<b>379,432</b>	<b>397,286</b>	<b>397,287</b>
<b>Less Non Current Liabilities</b>				
Employee Entitlements	11	63,512	55,050	55,050
<b>Net Assets</b>		<b>266,658</b>	<b>266,648</b>	<b>266,658</b>
<b>Taxpayers' Funds</b>				
Notional Capital	13	266,658	266,648	266,658
<b>Total Taxpayers' Funds</b>		<b>266,658</b>	<b>266,648</b>	<b>266,658</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**STATEMENT OF MOVEMENT IN TAXPAYERS' FUNDS (EQUITY)**  
**FOR THE YEAR ENDED 30 JUNE 2001**

	Note	Year to 30 June (\$'000)		
		Actual 2001	Final Voted 2001	Actual 2000
<b>Taxpayers' funds at start of the year</b>		266,658	266,658	368,587
Net Surplus (Deficit) for the year		1,723	(10)	(74,277)
<b>Total recognised revenues and expenses for the year</b>		1,723	(10)	(74,277)
Provision for Repayment of Surplus to Crown		(1,723)	-	(2)
Capital Withdrawals to Crown		-	-	(27,650)
Revaluation Reserves	13	-	-	-
<b>Taxpayers' funds at end of the year</b>		266,658	266,648	266,658

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying accounting policies and notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2001**

		Year to 30 June (\$000)		
	Note	Actual 2001	Final Voted 2001	Actual 2000
Cash flows from Operating Activities				
Cash provided from:				
Supply of Outputs				
- To Crown		785,725	785,724	757,518
- To Others		6,571	6,317	7,827
Interest		2	-	2
		792,298	792,041	765,347
Cash was applied to:				
Produce Outputs				
- Personnel		(535,830)	(570,275)	(536,602)
- Operating		(158,049)	(155,000)	(147,050)
- Capital Charge		(26,666)	(26,766)	(35,582)
Other Expenses		-	(10)	(3)
		(720,545)	(752,051)	(719,237)
Net Cash flows from Operating Activities	14	71,753	39,990	46,110
<b>Cash flows from Investing Activities</b>				
Cash provided from:				
Sale of Non Current Assets		(1,857)	3,000	30,846
Cash was applied to:				
Purchase of Non Current Assets		(30,474)	(43,000)	(44,523)
Net Cash flows from Investing Activities		(32,331)	(40,000)	(13,677)
<b>Cash flows from Financing Activities</b>				
Cash was applied to:				
Payment of Surplus to Crown		(2)	-	(1)
Capital Withdrawal		-	-	(27,650)
Net Cash flows from Financing Activities		(2)	-	(27,651)
Net Increase / (Decrease) in Cash Held		39,420	(10)	4,782
Add Opening Cash		31,872	31,872	27,090
<b>Closing Cash</b>		71,292	31,862	31,872
<b>Cash Balance Consists of</b>				
Cash at Bank		70,725	31,364	31,374
Petty Cash		484	435	435
Overseas Posts		83	63	63
Total Cash		71,292	31,862	31,872

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying accounting policies and notes form part of these financial statements.

## STATEMENT OF UNAPPROPRIATED EXPENDITURE (GST INCLUSIVE)

**FOR THE YEAR ENDED 30 JUNE 2001**

	Year to 30 June (\$000)		
	Actual 2001	Final Voted 2001	Variance 2001
<b>Output Class</b>			
2 Policing Support to the Community Through Partnerships, Education, Crime Prevention and Youth Programmes	59,410	57,049	2,361
3 Directed Patrol Activities	50,130	50,111	19
5 Case Management	244,179	244,173	6
6 Case Resolution	25,916	24,273	1,643
7 Enforcement of Court Orders	4,759	4,662	97
8 Custodial and Escort Services	22,484	22,474	10
9 Public and Personal Security	15,312	13,477	1,835
10 Vetting and Firearms Licensing	8,571	7,742	829
11 Lost and Found Property	4,402	4,006	396
13 Traffic Management Services	29,724	29,404	320

### Explanations for Unappropriated Expenditure

This unappropriated expenditure has been approved by the Minister of Finance under section 12 of the Public Finance Act 1989.

#### **Output Class 2**

##### *Policing Support to the Community Through Partnerships, Education, Crime Prevention and Youth Programmes*

Output Class 2 exceeded appropriation by \$2,361,000 (4.1%).

This resulted largely from additional activity in education programmes aimed at youth.

There was also an increase in crime prevention advice and general public education and awareness activity.

#### **Output Class 3**

##### *Directed Patrol Activities*

Output class 3 exceeded appropriation by \$19,000 (less than 0.1%).

This output class relating to patrol activities was marginally higher than anticipated. The higher level of patrol was also reflected by an increase in patrol apprehensions over anticipated levels.

#### **Output Class 5**

##### *Case Management*

Output Class 5 exceeded appropriation by \$6,000 (less than 0.1%).

This output class relating to investigative activity was marginally higher than anticipated, this was also reflected in the increase in cases resolved.

#### NOTES TO THE FINANCIAL STATEMENTS

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### **Output Class 6**

#### ***Case Resolution***

Output Class 6 exceeded appropriation by \$1,643,000 (6.8%).

This resulted from increased numbers of prosecutions over the prior year.

### **Output Class 7**

#### ***Enforcement of Court Orders***

Output Class 7 exceeded appropriation by \$97,000 (2.1%).

This output class is demand driven. Court documents slightly exceeded anticipated demand.

### **Output Class 8**

#### ***Custodial and Escort Services***

Output Class 8 exceeded appropriation by \$10,000 (less than 0.1%).

This output class marginally exceeded anticipated levels of service delivery. Prisoner detentions and escort and care of mentally disordered/psychiatric persons is demand driven.

### **Output Class 9**

#### ***Public and Personal Security***

Output Class 9 exceeded appropriation by \$1,835,000 (13.6%).

This resulted from additional policing required for waterfront disputes, the visit of the President of Indonesia and additional deployment to East Timor.

### **Output Class 10**

#### ***Vetting and Firearms Licensing***

Output Class 10 exceeded appropriation by \$829,000 (10.7%).

This output class is demand driven. Vetting applications exceeded anticipated levels.

### **Output Class 11**

#### ***Lost and Found Property***

Output Class 11 exceeded appropriation by \$396,000 (9.9%).

This output class is demand driven. The number of lost property reports taken exceeded anticipated levels.

### **Output Class 13**

#### ***Traffic Management Services***

Output Class 13 exceeded appropriation by \$320,000 (1.1%).

This resulted largely from additional police hours in attending and investigating traffic crashes.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The accompanying accounting policies and notes form part of these financial statements.

## Statement of Trust Monies for the Year Ended 30 June 2001

	Opening Balance	Capital Increase	Capital Distribution	Cash Receipts	Closing Balance
Bequests, Donations, Appeals	69	24	(30)	2	65
Reparation	15	53	(45)	1	24
Money in Custody	18	49	(28)	1	40
Found Money	63	18	(5)	3	79
<b>Total</b>	<b>165</b>	<b>144</b>	<b>(108)</b>	<b>7</b>	<b>208</b>

This Trust was established to hold funds retained by New Zealand Police on behalf of other parties.

Bequests, donations and appeals are monies contributed by third parties for projects managed by New Zealand Police.

Reparation is money received from offenders to be paid to victims.

Money in Custody is monies seized during operations for evidential purposes and money held for suspects in custody.

Found money is money that has been handed in by members of the public, that New Zealand Police hold pending the rightful owner coming forward to claim it.

## STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2001

New Zealand Police had contingent liabilities of \$55.669 million at 30 June 2001 (\$48.321 million at 30 June 2000) being legal claims against New Zealand Police lodged with the Crown Law Office but which had not yet been settled. Previous experience with such claims is that the majority are unsuccessful in total and those which are resolved in favour of the claimant are for amounts substantially less than the amount claimed.

A recent High Court judgement awarded two former employees compensation in respect of their time off in lieu (TOIL) as it was found that New Zealand Police had been obligated to give these former employees the opportunity to take time off in lieu of payment during their employment. As such, the former employees were entitled to be compensated for that due to them, having regard to their particular circumstances. There may be other such potential claims under this High Court judgement. Any future potential claim would need to be assessed on a case by case basis.

### NOTES TO THE FINANCIAL STATEMENTS

The accompanying accounting policies and notes form part of these financial statements.

**STATEMENT OF COMMITMENTS****AS AT 30 JUNE 2001**

	2001	As at 30 June (\$000) 2000
<b>CAPITAL</b>		
WORKS		
Less Than One Year	2,060	723
One to Two Years	-	132
<b>TOTAL WORKS</b>	<b>2,060</b>	<b>855</b>
<b>Motor Vehicles</b>		
Less Than One Year	1,319	3,618
<b>TOTAL MOTOR VEHICLES</b>	<b>1,319</b>	<b>3,618</b>
<b>Others</b>		
Less Than One Year	366	361
<b>TOTAL OTHER</b>	<b>366</b>	<b>361</b>
<b>TOTAL CAPITAL</b>	<b>3,745</b>	<b>4,834</b>
<b>OPERATING</b>		
<b>Accommodation Leases</b>		
Less Than One Year	7,867	9,336
One to Two Years	6,931	7,237
Two to Five Years	16,950	18,960
Greater than Five years	31,048	38,542
<b>Other non-Cancellable Leases</b>		
Less Than One Year	3,060	1,045
One to Two Years	2,745	379
Two to Five Years	4,630	249
Greater than Five years	92	178
<b>TOTAL LEASES</b>	<b>73,323</b>	<b>75,926</b>
<b>Other Operating</b>		
Less Than One Year	26,432	18,517
One to Two Years	5,973	12,263
Two to Five Years	3,085	4,352
<b>TOTAL OTHER OPERATING</b>	<b>35,490</b>	<b>35,132</b>
<b>TOTAL COMMITMENTS</b>	<b>112,558</b>	<b>115,892</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2001**

**1: Budget Composition**

	Year to 30 June 2001 (\$000)		
	Budget Forecasts	Supplementary Estimate Changes	Budget Total
<b>REVENUE</b>			
Crown	773,858	11,866	785,724
Other	6,316	1	6,317
<i>TOTAL REVENUE</i>	780,174	11,867	792,041
<b>Expenses</b>			
Personnel	555,899	14,376	570,275
Operating	157,499	(2,499)	155,000
Depreciation	40,000	-	40,000
Capital Charge	26,766	-	26,766
<i>TOTAL OUTPUT OPERATING EXPENSES</i>	780,164	11,877	792,041
Surplus (Deficit) from Outputs	10	(10)	-
Other Expenses	10	-	10
Net Surplus (Deficit)	-	(10)	(10)

**Major Budget Variations**

Explanations for major variations from the initial Budget Night Estimates were outlined in the Supplementary Estimates. They were:

**Crown Revenue**

Additional appropriations were supplied to provide partial funding for the December 2000 wage round.

**Personnel Expenditure**

Additional appropriations were supplied to provide partial funding for the December 2000 wage round. The balance of the funding for the wage round was provided by strong fiscal management.

**Operating Expenditure**

A reduction in appropriations was made in respect of Highway Patrol funding. This reduction provided partial funding for the December 2000 wage round.

## 2: Other Revenue

	Year to 30 June (\$000)	
	2001	2000
Arms Licenses	700	1,356
Rentals	1,309	1,940
Drivers Licensing	-	1
Accident Information	273	248
Miscellaneous	1,616	1,464
Chargeable Police Services	875	1,022
Fines	28	24
Official Information Act	1	1
Sponsorship	55	102
College (Catering)	264	360
College (Facility Hire)	391	485
College (Non-Police Training)	332	148
Total Other Revenue	5,844	7,151

## 3: Personnel

Salaries/Wages	483,005	462,935
Superannuation	59,992	57,857
Accident Compensation Levy	(451)	7,955
Fringe Benefit Tax	1,727	996
Staff Insurance	1,494	1,479
Staff Recruitment	316	177
Training	1,380	1,193
Transfer/Removal Expenses	2,372	1,796
Staff Transport Assistance	2,126	2,051
Other	285	312
Total Personnel	552,246	536,751



	Year to 30 June (\$000)	
	2001	2000
<b>4: Operating</b>		
Audit Fee	207	207
Other Fees paid to Auditor		
- Assurance related fees	141	-
- Consultancy fees	116	184
Property Rental	11,624	9,861
Equipment Rental	7,673	7,847
Vehicle/Aircraft/Launch Rentals	3,593	3,785
Other Property/Equipment Expenses	41,989	39,036
Computer Charges	24,805	28,944
Non-Capitalised Equipment Purchases	12,423	9,604
Printing	6,135	6,654
Travel	6,721	9,445
Communications	9,387	7,601
Professional Services	25,262	20,737
Other Services	1,329	1,231
Third Party Expenses	2,908	2,824
Bad Debts Expense	140	507
Changes in Doubtful Debts Provision	260	330
Physical Asset Write offs	1,409	125
Exchange Rate Loss	(1)	(1)
Other Operating	8,654	9,043
Net loss on Sale of Non Current Assets	285	326
Total Operating	165,060	158,290

For the financial year ended 30 June 2001, ongoing costs arising from the review of New Zealand Police were \$0.938 million (\$4.838 million 1999/2000) on severance costs and \$nil (\$0.594 million 1999/2000) on implementation costs. These costs are included in Personnel and Operating above.

## 5: Capital Charge

New Zealand Police pay a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the 2000/2001 year was 10%. (1999/2000 10%).

	Year to 30 June (\$000)	
	Actual 2001	Actual 2000
<b>6: Other Expenses</b>		
Compensation for Confiscated Firearms	-	3
Loss on Sale of Property to Ngai Tahu	-	7,276
Devaluation of INCIS	-	65,580
	-	72,859

In the year ended 30 June 2000, an external independent valuer, Innovus Limited, reassessed the carrying value of INCIS. This assessment resulted in the INCIS hardware, software and network assets being written down by \$65.580 million.

	As at 30 June (\$000)	
	2001	2000
<b>7: Accounts Receivable</b>		
Trade Debtors	1,083	1,305
Less: Provision for Doubtful Debts	(723)	(463)
Net Trade Debtors	360	842
Employee Advances and Debts	494	610
Sundry Debtors	(4)	239
Total Accounts Receivable	850	1,691
<b>8: Inventories</b>		
Clothing/Accoutrements/Other	153	302
Total Inventories	153	302
<b>9: Accounts Payable</b>		
Trade Creditors	23,461	22,146
Accrued Expenses and Provisions	14,672	6,303
GST Payable	473	6,286
Total Accounts Payable	38,606	34,735
<b>10: Other Accrued Expenses</b>		
Sponsorship Reserve	132	133
Other	1,433	1,337
Total Other Accrued Expenses	1,565	1,470
<b>11: Employee Entitlements</b>		
Current Liabilities		
Accrued Salaries and Wages	15,181	12,633
Annual Leave	52,038	45,571
Shift Leave	6,978	6,604
Retirement Leave	8,300	9,682
Long Service Leave	1,000	782
Total Current Portion	83,497	75,272
Non Current Liabilities		
Long Service Leave	7,237	6,781
Retirement Leave	56,275	48,269
Total Non Current Portion	63,512	55,050
Total Employee Entitlements	147,009	130,322

An independent actuarial valuation was undertaken as at 30 June 2001 to estimate the present value of long service and retirement leave.

The key assumptions used in discounting to present values are:

- Discount rate 5.75% pa (1999/2000 5.75% pa)
- Salary growth rate 2.75% pa (1999/2000 2.75% pa)

12: Non Current Assets

	2001	As at 30 June (\$000) 2000
Land		
At Valuation - 1 January 2000	66,017	66,183
At Cost	71	71
<b>LAND BOOK VALUE</b>	<b>66,088</b>	<b>66,254</b>
Buildings		
At Valuation - 1 January 2000	315,411	303,071
At Cost	7,230	16,009
Accumulated Depreciation - at valuation	(108,197)	(99,460)
Accumulated Depreciation - at cost	(204)	(889)
<b>BUILDINGS BOOK VALUE</b>	<b>214,240</b>	<b>218,731</b>
Furniture/Fittings		
At Cost	16,180	16,394
Accumulated Depreciation	(12,879)	(12,196)
<b>FURNITURE/FITTINGS BOOK VALUE</b>	<b>3,301</b>	<b>4,198</b>
Office Equipment		
At Cost	6,018	6,125
Accumulated Depreciation	(5,621)	(5,690)
<b>OFFICE EQUIPMENT BOOK VALUE</b>	<b>397</b>	<b>435</b>
Computer Hardware and Systems		
At Cost	107,040	99,142
Accumulated Depreciation	(64,405)	(55,515)
<b>COMPUTER HARDWARE AND SYSTEMS BOOK VALUE</b>	<b>42,635</b>	<b>43,627</b>
Motor Vehicles		
At Cost	68,410	70,062
Accumulated Depreciation	(40,971)	(37,991)
<b>MOTOR VEHICLES BOOK VALUE</b>	<b>27,439</b>	<b>32,071</b>
Repeater Equipment		
At Cost	23,384	23,385
Accumulated Depreciation	(21,966)	(20,785)
<b>REPEATER EQUIPMENT BOOK VALUE</b>	<b>1,418</b>	<b>2,600</b>
Radio Equipment		
At Cost	21,684	20,704
Accumulated Depreciation	(19,247)	(18,480)
<b>RADIO EQUIPMENT BOOK VALUE</b>	<b>2,437</b>	<b>2,224</b>

	As at 30 June (\$000)	
	2001	2000
<b>12: Non Current Assets (contd.)</b>		
Control Equipment		
At Cost	12,577	12,518
Accumulated Depreciation	(12,171)	(11,948)
<b>CONTROL EQUIPMENT</b>		
<b>BOOK VALUE</b>	406	570
General Communications Equipment		
At Cost	17,630	17,222
Accumulated Depreciation	(13,523)	(11,358)
<b>GENERAL COMMUNICATIONS</b>		
<b>EQUIPMENT BOOK VALUE</b>	4,107	5,864
General Plant, Equipment & Instruments		
At Cost	40,437	39,211
Accumulated Depreciation	(32,095)	(30,646)
<b>GENERAL PLANT, EQUIPMENT &amp;</b>		
<b>INSTRUMENTS BOOK VALUE</b>	8,342	8,565
Weapons & Associated Equipment		
At Cost	3,539	2,394
Accumulated Depreciation	(2,344)	(2,248)
<b>WEAPONS &amp; ASSOCIATED</b>		
<b>EQUIPMENT BOOK VALUE</b>	1,195	146
Launches		
At Cost	3,205	3,201
Accumulated Depreciation	(1,459)	(1,315)
<b>LAUNCHES BOOK VALUE</b>	1,746	1,886
Other Vessels		
At Cost	1,832	1,821
Accumulated Depreciation	(1,169)	(713)
<b>OTHER VESSELS BOOK VALUE</b>	663	1,108
<b>CAPITAL WORK IN PROGRESS</b>	5,018	9,008
<b>TOTAL NON CURRENT ASSETS</b>		
At Cost and Valuation	715,683	706,521
Accumulated Depreciation	(336,251)	(309,234)
<b>TOTAL NON CURRENT ASSETS</b>		
<b>BOOK VALUE</b>	379,432	397,287

***Restrictions to Titles of Non Current Assets***

Land and Buildings of which New Zealand Police have possession and use but for which legal title is not completely established amount to \$10.2 million (\$34.9 million 1999/2000) are included in these asset categories. In most cases titles

will be established by gazette notice which will formally vest the titles in New Zealand Police.

All New Zealand Police Land and Buildings for disposal are subject to a consultative clearance process set up for the settlement of Māori land claims.

The Land and Buildings were valued at 1 January 2000 in accordance with the accounting policy. As the valuation was not significantly different from the carrying value of the Land and Buildings at that date, no revaluation was made.

**Capital Work in Progress is comprised of the following:**

	As at 30 June (\$000)	
	2001	2000
Computer Aided Resource		
Deployment System	-	56
Digital Trunk Radio	-	4,338
Land Mobile Radio	-	156
Motor Vehicles	341	49
OS/2 To NT Migration	-	893
OSH Upgrades	408	333
Police Enterprise		
Communications Network	-	59
Search Equipment	50	77
Staff Equipment	589	489
Systems Management Centre	-	360
Other	3,630	2,198
Total	5,018	9,008

### 13: Taxpayers' Funds

*Notional Capital*

Balance as at 1 July	266,658	368,587
Net Surplus/(Deficit)	1,723	(74,277)
Capital Withdrawals	-	(27,650)
	268,381	266,660
Provision for Repayment of Surplus to the Crown	(1,723)	(2)
Notional Capital as at 30 June	266,658	266,658

*Revaluation Reserve*

Balance as at 1 July	-	-
Revaluation as at 1 January 2000	-	-
Gains on revaluation realised (transferred to gain on sale)	-	-
Revaluation Reserve as at 30 June	-	-

Land and Buildings were revalued at 1 January 2000 in accordance with the accounting policy. As the valuation was not significantly different from the carrying value of the Land and Buildings at that date, no revaluation adjustment was made.

	Year to 30 June (\$000)	
	2001	2000
<b>14: Cash Flow Statement Reconciliation with Operating Surplus/(Deficit)</b>		
Surplus/(Deficit) from Statement of Financial Performance	1,723	(74,277)
Add (less) non-cash items		
Depreciation	45,875	35,466
Increase in Non Current Employee Entitlements	9,693	4,700
Other Expenses	-	72,856
Total non-cash items	55,568	113,022
<b>Add (less) movements in working capital items</b>		
Accounts Receivable	841	791
Prepayments	(1,800)	3,476
Inventories	149	2,054
Accounts Payable	(4,013)	(17,067)
Other Accrued Expenses	7,909	(328)
Employee Entitlements	7,065	3,966
Working capital movements - net	10,151	(7,108)
<b>Less items classified as investing activity</b>		
Non Current Asset Receivables	(115)	(115)
Non Current Asset Payables	4,140	14,262
Net loss on sale of Non Current Assets	286	326
Total investing activities items	4,311	14,473
<b>Net Cash Flow from Operating Activities</b>	<b>71,753</b>	<b>46,110</b>

## 15: Police Superannuation Scheme

The Police Superannuation Scheme is a defined contribution scheme. It was established under a Deed of Trust dated 12 November 1992 and is available for all members of New Zealand Police. As at 30 June 2001, 5,618 members (30 June 2000, 5,494 members) contributed to the Scheme.

The Scheme is administered by the appointed administration manager of the Global Retirement Trust, William M Mercer (NZ) Ltd. Assets of the Scheme are invested in the Global Retirement Trust and with Tactical Global Management.

New Zealand Police contributes to the Scheme at a fixed rate (being a percentage of the members' salaries) as determined by the Deed of Trust. Benefits paid out are limited to the value of contributions made and accumulated earnings (negative and positive). At no time will New Zealand Police be required to contribute additional funds to meet benefit payments.

## 16: Financial Instruments

New Zealand Police is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, trade debtors, trade creditors and foreign currency forward contracts.

### ***Credit risk***

Credit risk is the risk that a third party will default on its obligations to Police, causing Police to incur a loss. In the normal course of its business, New Zealand Police incurs credit risk from trade debtors, and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

New Zealand Police does not require any collateral or security to support financial instruments with financial institutions that New Zealand Police deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, New Zealand Police does not have significant concentrations of credit risk.

### ***Fair value***

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

### ***Currency risk and interest rate risk***

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

New Zealand Police uses foreign exchange forward contracts to manage foreign exchange exposures. As at 30 June 2001, no contracts were outstanding (30 June 2000, 2 contracts for NZD Value of \$252,748).

Interest rate risk is the risk that New Zealand Police's return on the funds it has invested will fluctuate due to changes in market interest rates. Under section 47 of the Public Finance Act 1989, New Zealand Police cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

New Zealand Police has no significant exposure to interest rate risk on its financial instruments.

## 17: Related Party Transactions

New Zealand Police is a wholly owned entity of the Crown. The Government significantly influences the role of Police as well as being its major source of revenue.

New Zealand Police enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. These transactions are not considered to be related party transactions.

Apart from those transactions described above, New Zealand Police has not entered into any related party transactions.

## 18: Segmental Information

New Zealand Police operates primarily in one industry sector; the provision of police services. All activities are currently carried out from New Zealand.

## 19: Other Matters

All known liabilities have been included in the financial statements at 30 June 2001.

## 20: Post balance date events

There were no significant events subsequent to balance date.

## 21: Provisions

### ***Work related accidents***

New Zealand Police self insure for ACC purposes. An assessment was made by CRM (case managers) of ongoing costs relating to outstanding claims at 30 June 2001. The provision for Work related accidents is \$1.932 million (30 June 2000 provision was \$1.86 million).

### ***Provision for Severance Payments***

In the year ended 30 June 2000, a number of staff were affected by restructuring of New Zealand Police. During the year ended 30 June 2001 many of those staff were redeployed or chose to exit New Zealand Police. New Zealand Police's policy has not resulted in any forced redundancies. At 30 June 2001 there are still some staff affected by restructuring. Provision of \$0.55 million (30 June 2000 provision was \$1.0 million) has been made to cover any costs of these staff electing to take severance.

### ***Outstanding tax matters***

In late 2000 a high level review of New Zealand Police's taxes was conducted, with emphasis on FBT and GST. New Zealand Police intend to liaise with the IRD in the forthcoming year to clear the issues raised. A provision of \$0.5 million has been raised for this (30 June 2000 provision was nil).



Type of Provision	Balance at start of year	Less amount used/not required	Plus additional amount	Balance at end of year
	\$000's	\$000's	\$000's	\$000's
Work related accidents	1,860	-	72	1,932
Provision for severance payments	1,000	(450)	-	550
Outstanding tax matters	-	-	500	500
<b>Total</b>	<b>2,860</b>	<b>(450)</b>	<b>572</b>	<b>2,982</b>

**REPORT OF THE AUDIT OFFICE****To the Readers of the Financial Statements of the New Zealand Police for the Year Ended 30 June 2001**

We have audited the financial statements on pages 13 to 103. The financial statements provide information about the past financial and service performance of the New Zealand Police and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 79 to 83.

***Responsibilities of the Chief Executive***

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the New Zealand Police as at 30 June 2001, the results of its operations and cash flows and service performance achievements for the year ended 30 June 2001.

***Auditor's Responsibilities***

Section 38(1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Chief Executive. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Mr P W Schumacher, of Deloitte Touche Tohmatsu, to undertake the audit.

***Basis of Opinion***

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the New Zealand Police's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have carried out other assurance oriented and consulting assignments for the New Zealand Police in the areas of internal audit support, quality assurance reviews, assurance on tax compliance, HR information analysis and benchmarking and computer support.

Other than these assignments, we have no other relationship with or interests in the New Zealand Police.

***Unqualified Opinion***

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the New Zealand Police on pages 13 to 103:

- comply with generally accepted accounting practice; and
- fairly reflect:
  - the financial position as at 30 June 2001;
  - the results of its operations and cash flows for the year ended on that date; and
  - the service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 28 September 2001 and our unqualified opinion is expressed as at that date.



P W SCHUMACHER

DELOITTE TOUCHE TOHMATSU

ON BEHALF OF THE CONTROLLER AND AUDITOR-GENERAL  
WELLINGTON, NEW ZEALAND

