

ANNUAL REPORT



For year ended 30 June

2015



Our vision

- *SUCCESSFUL PACIFIC PEOPLES*

Our mission

- *EFFECTING POSITIVE CHANGE FOR PACIFIC PEOPLES*

Our overall outcomes

- *IMPROVED ECONOMIC WELLBEING AND LIVING STANDARDS*
- *STRENGTHENED PACIFIC FAMILIES AND COMMUNITIES*

Our values

- *RESPECT – Treat others the way you want to be treated*
- *EXCELLENCE – Achieve your best and strive for better*
- *LEADERSHIP – Serve and lead by example*

Ministry of Pacific Island Affairs

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2015



New Zealand Government

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PART ONE: OVERVIEW

Chief Executive’s Overview for the Year

It is my pleasure to provide my third Annual Report from the Ministry of Pacific Island Affairs, which outlines our achievements in delivering on our vision of more successful Pacific peoples.

We want to make sure the journey of a Pacific child born in New Zealand today is a happy and successful one. With Pacific populations on the rise, we know that the success of our youth means success for New Zealand. Ours is a leadership role. We work directly alongside those in the community to ensure the right interventions reach the right people. We use the insights and intelligence gained from those experiences to influence even better policies and initiatives. We help grow our Pacific leaders. Ours is also a partnership role. We recognise that working alongside our partner agencies across local and central government increases the chances for our children to thrive.

Our focus on successful Pacific youth spans from early childhood education (ECE) through to secondary and tertiary education, and into the workforce and business. To get our youngest Pacific people off to the best start, we have focused on increasing Pacific participation in ECE, referring children to the Ministry of Education for enrolment. We also worked closely with early childhood services, families and communities, encouraging them to provide the best support possible.

When our children move on to schooling we are there, too, working with partner agencies to provide a Pacific perspective for their work. We have worked on projects such as National Certificate of Educational Achievement workshops to empower families. We encourage more students to study science, technology, engineering and maths (STEM) subjects, increasing their chances for future employment. We encourage more Pacific people to learn and use their heritage languages, improving identity and wellbeing. We also work hard to inspire our young people to be future leaders through the Prime

Minister’s Pacific Youth Awards and supporting regional events, such as Polyfests, that give our young people a chance to shine.

When our young people are ready to move on to tertiary education, it is crucial they have the opportunities and support to help them make the right decisions. This is a priority area for the Ministry, and work has included partnerships to support the Māori and Pasifika Trades Training initiative. We want our Pacific people in the workforce to be achieving at the highest level in their field. We know the wealth of Pacific talent that is out there and we are supporting initiatives, like the Young Enterprise Trust, to promote entrepreneurial thinking and better pathways. We are also making sure work is being done to increase Pacific business growth through our funding of the Pacific Business Trust and social enterprise workshops.

The journey from early childhood through to training and work is more critical now than ever, because of the rapidly growing and changing Pacific population in New Zealand. The story of our Pacific population is also changing, from one of migration to a new story of youth and Pacific culture emerging within New Zealand. Today, 60 percent of our people were born in New Zealand. This has changed the needs of Pacific people, and we are the Ministry that is able to guide other agencies on how to cater for this change.

Just as critical for our Ministry is the ability to grow our internal capability and strengthen our agency. We are in a very different place from my last report to you. I have spearheaded a change process at the Ministry, introducing a new operating model, so that we are better placed to more effectively deliver policies and interventions that improve the lives of Pacific peoples.



This has made it a challenging, yet rewarding year, for all who have been involved. I would therefore like to thank our stakeholders, partners and those within the Ministry, for all their hard work, and I look forward to continuing this exciting progress in the years to come.

The Ministry is the bridge that links the Pacific community with mainstream New Zealand and government. Our reach gives us the ability to connect in a way that no other agency has. Our work will ensure that the Pacific children born in New Zealand today have a bright future tomorrow.



Pauline A Winter

Pauline A Winter

Chief Executive



PART TWO: ROLE AND SCOPE

Our Role and Purpose

The Ministry of Pacific Island Affairs is the Crown’s principal advisor on policies and interventions that improve outcomes for Pacific peoples in New Zealand. The Ministry’s role has evolved. With Pacific populations on the rise and increasingly shaping New Zealand’s future, the Ministry has positioned itself to both help Pacific communities to grow and flourish *and* promote Pacific people’s contribution to improved social and economic wellbeing for all New Zealanders. The Ministry effects positive change by:

- providing expert policy advice to Ministers and partner government agencies to support the development of effective strategies and programmes targeted at Pacific communities;
- co-designing and delivering innovative programmes with communities to improve outcomes and identify valuable policy and implementation insights (this has included gathering intelligence on issues, opportunities and the effectiveness of policies and interventions); and
- partnering with a wide range of organisations across the state sector, businesses and in Pacific communities to develop and promote future Pacific leaders and Pacific success.

By focusing on these three main areas, the Ministry is able to contribute to Pacific success in a way that no other agency can. In the past 25 years, we have forged strong relationships in both the community *and* government. This has allowed us to *connect* the knowledge and expertise that lies in each area and to act as a catalyst for improving outcomes for both Pacific peoples and New Zealand as a whole.

We therefore bring Pacific communities into government policy development. We work in our communities and businesses

to gather intelligence and data related to the barriers to Pacific success, identify opportunities for development and provide analysis on the effectiveness of policies and interventions that have an impact on Pacific peoples. This intelligence and other research evidence inform our own operations and policy programme, our advice to Ministers, to other government agencies and to our stakeholders.

We take government to Pacific communities. With an understanding of the issues and opportunities, we work alongside Pacific communities and businesses to co-produce and design new initiatives and approaches that overcome barriers and improve outcomes for Pacific New Zealanders. We ensure that our government partners are appropriately connected with the Pacific communities they wish to engage with and support them to develop their own Pacific leaders and capability. Our strong connections enable us to formulate policy advice informed by community perspectives and insights. The advice is given to us in trust and confidence, providing a channel for Pacific voices to be heard and to have that advice respected by government agencies.

Finally, we help create a pipeline and pathway for Pacific success. With the knowledge and connections we are building, we can identify what is needed for career progression, support the development of emerging Pacific talent and celebrate the successes of those who are leading the way.

Underpinning this work is the Ministry vision “Successful Pacific Peoples”. This vision places the Pacific community and its people at the heart of what we do. It focuses attention on Pacific peoples achieving success and New Zealand realising the social and economic benefits of that success.

A SNAPSHOT OF PACIFIC NEW ZEALAND

Pacific People in New Zealand

344,000

Pacific people living in New Zealand

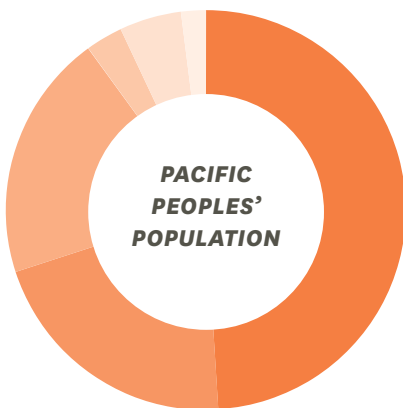
60%

born in New Zealand

Growing 3x faster

than overall population

Population



- **49%** SAMOAN
- **21%** COOK ISLAND
- **20%** TONGAN
- **8%** NIUEAN
- **5%** FIJIAN
- **2%** TOKELAUAN

22.1
YEARS OLD

Median age of NZ's Pacific population

37.3
YEARS OLD

Median age of NZ's population

1 in 13

New Zealanders is of Pacific origin



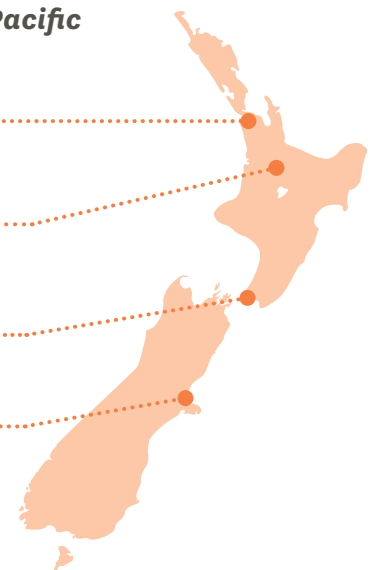
Where do Pacific People live?

65.9%
AUCKLAND

5.0%
WAIKATO

12.2%
WELLINGTON

4.3%
CANTERBURY



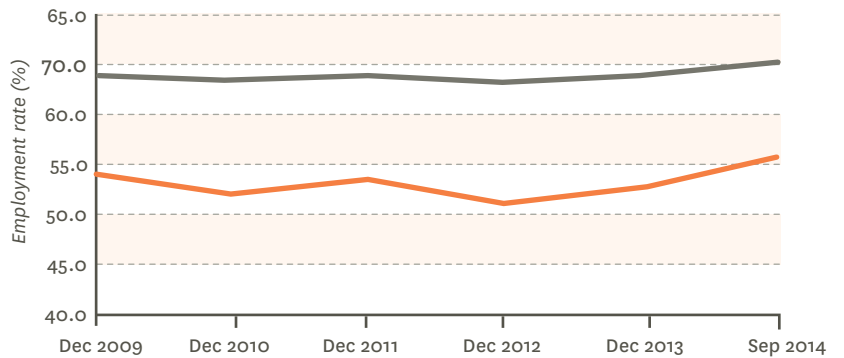
Employment rate

The proportion of the working-age population that is employed (Employment rate) By Population

— Total Population — Pacific Peoples

Source: Statistics New Zealand, Household Labour Survey, December Annual.

Pacific Peoples' Employment Rate

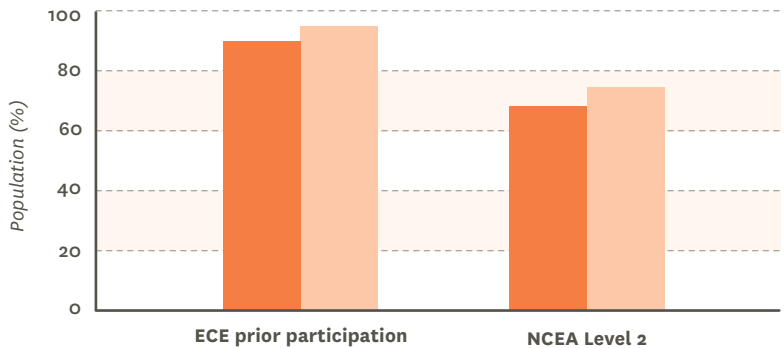


Education

— Total Population — Pacific Peoples

Source: Ministry of Education, Education Counts

Pacific Education



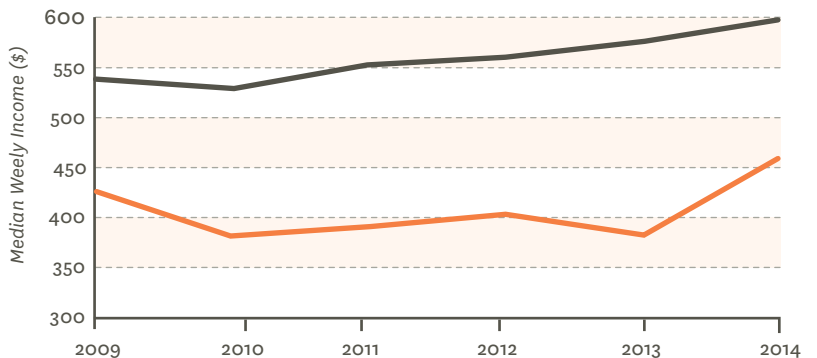
Income

Income of individuals who are employed and are receiving income from their employer By Population

— Total Population — Pacific Peoples

Source: Statistics New Zealand, New Zealand Income Survey, June 2013.

Pacific Peoples' Income



Result areas

As demonstrated by these statistics, the Pacific population is the youngest and fastest growing in the country. This makes the Ministry's work increasingly crucial because it needs to make sure the rapidly rising population is full of people with success stories.

To best help the changing and growing Pacific population to prosper, we are focusing on three main areas: Education, Qualifications and Skills; Employment and Entrepreneurship; and Language, Culture and Identity.

Our focus on *Education, Qualifications and Skills* is especially critical because of the youthful Pacific population. The median age of Pacific peoples is 22 years, compared with a median age of 37 years for the general population. Our work will help ensure Pacific young people are equipped with the resources, knowledge and expertise to gain useful qualifications and move into prosperous careers.

Pacific success is also about making sure our talented Pacific people are thriving in the workforce, and that is why we are focusing on *Employment and Entrepreneurship*. In just 15 years' time, Pacific peoples are likely to make up a third of the country's workforce. So, if we want the New Zealand economy to prosper, it is vital the employment rate for Pacific peoples continues to rise. The emergence of more Pacific business owners, innovators and entrepreneurs will also help boost Pacific incomes and wellbeing as well as contribute to the country's economic prosperity.

Our focus on *Language, Culture and Identity* is helping the hundreds of thousands of Pacific peoples living in New Zealand to hold on to their unique heritages. New Zealand's Pacific population is becoming increasingly diverse, and more than a third of Pacific people identify with two or more ethnic groups. This diverse Pacific culture adds to the vibrancy of this country, which benefits all New Zealanders.

Growing and maintaining languages is important because learning a second language is widely acknowledged to help educational outcomes and retain culture and identity. Strong identities and values foster happy families and upbeat communities where our Pacific people have the confidence and aspirations to succeed.

The Ministry's focus on the above three areas is making sure Pacific peoples in New Zealand have support along the pathway from childhood, to youth and adulthood.

The Ministry also plays a critical role in supporting government targets established for early childhood participation, National Certificate of Educational Achievement (NCEA) achievement rates and employment.

Our strategy

The Ministry's strategic direction aims to generate opportunities for Pacific peoples in New Zealand to prosper, by delivering robust policy and interventions that receive widespread support from stakeholders and the confidence of the Government.

Because of the increasing diversity of Pacific peoples in New Zealand and the flexibility with which the Ministry must operate, no one-size-fits-all approach or strategy will realise success. As such, our approach has been to harness our relationships, knowledge and expertise - to better connect Pacific peoples and government.

An important part of the strategy has been unlocking the ability to collect community and business intelligence, harnessing it to enable well-informed policy advice and using our strong connections to influence the policy agendas of central and local government. We use the knowledge and expertise, and our strong connections, to tailor interventions and policies to work for the community and promote further business success.

Adopting a value-for-money approach is also a critical part of the Ministry’s strategy. To ensure a cost-effective approach, we have underpinned the strategy by:

- focusing our work programmes, policies and interventions on the areas of greatest impact;
- increasing collaboration, including adopting partnership approaches to our work; and
- building an operating model that has helped us to better align Pacific knowledge and networks with those agency resources focused on improving Pacific outcomes.

As a small department, the Ministry has limited resources. By focusing resources and interventions in areas that make the greatest difference, by working through others using a partnership approach and facilitating the flow of knowledge and expertise between groups, the Ministry can provide more value from the Government’s investment.

Our main *audience* continues to be our Pacific communities and local and central government. Our partnership approach also means that we will work alongside parents and families, businesses and other agencies that can help influence better outcomes for Pacific peoples.

More staff than ever before are now located in Auckland to be close to the country’s biggest Pacific population.

Table 1 shows the Ministry’s approach to meeting its vision and goals.

VISION	SUCCESSFUL PACIFIC PEOPLES			
RESULT AREAS	EDUCATION, QUALIFICATIONS & SKILLS	EMPLOYMENT & ENTREPRENEURSHIP	LANGUAGE, CULTURE & IDENTITY	
POLICY DRIVERS	BETTER PUBLIC SERVICES, BUSINESS GROWTH AGENDA			
	PROPOSED PACIFIC ECONOMIC DEVELOPMENT STRATEGY			
	PASIFIKA EDUCATION PLAN 2013 2017			
STRATEGY	CONNECTING CENTRAL AND LOCAL GOVERNMENT WITH PACIFIC COMMUNITIES			
	PARTNERSHIPS & LEADERSHIP, PACIFIC KNOWLEDGE & EXPERTISE			
	POLICY ADVICE		INNOVATION	
	PACIFIC KNOWLEDGE & EXPERTISE			
OUR CAPABILITIES	RELATIONSHIP MANAGEMENT			
	COMMUNITY INTELLIGENCE	STRATEGIC ADVICE	COLLABORATIVE POLICY DEVELOPMENT	INNOVATIVE INVESTMENT

Table 1: High-level approach the Ministry applies in meeting its vision and goals

PART THREE: OUR WORK

Result 1: Education, Qualifications and Skills

We aim to improve outcomes for Pacific young people in education. A future-focused community, characterised by a strong grounding in culture, language and identity will help to improve the aspirations of Pacific youth. It is in this context that the Ministry works to ensure that education and skills for Pacific youth are well matched to current and future market demands for jobs. By doing this, Pacific people are better positioned to take advantage of employment and entrepreneurship opportunities.

Our contribution in 2014/15 was threefold. First, our strong connections with communities enabled us to work directly with parents, families, community leaders and education agencies to advance the interventions and initiatives contained in the Pasifika Education Plan (PEP) 2013–2017 and other key strategies of government. The Ministry co-authored the PEP with the Ministry of Education in 2013. Secondly, the knowledge and insights gained from working with those communities and groups provided a catalyst to influencing better policies and strategies in our work with government agencies. To make the most effective use of our resources, this work was targeted to support the Government's Better Public Services priorities for:

- early childhood education (ECE);
- educational achievement; and
- attainment of qualifications and workforce skills that meet workplace demand.

Thirdly, our close connections with both communities and government enabled us to broker and advance several strategic alliances and relationships. By maintaining our position at the centre of both government and the community, we were able to channel knowledge and expertise both ways, and advocate for the interests of Pacific peoples.

Advancing the Pasifika Education Plan 2013–2017

The Ministry continues to work with the Ministry of Education and other PEP partner agencies in several ways, including participating in the Early Learning Taskforce Management

Group and the interagency group for the PEP. Both groups provide strategic advice on increasing participation in ECE and the direction of the PEP respectively. The groups also allow us to identify and plan for potential areas of collaborative work. Specifically, our work in 2014/15 included:

- engaging with Pacific communities, particularly in Auckland, to understand barriers to ECE participation;
- identifying and supporting community-based approaches that encourage early childhood attendance and provision;
- working with central and local government agencies and Pacific communities to identify and support initiatives that raise Pacific student achievement in NCEA Level 2;
- developing policy advice on issues that affect Pacific peoples – as well as advice on the most appropriate delivery models to increase participation in ECE, achievement in education and participation in science, technology, engineering and maths (STEM) subjects; and
- monitoring the progress in achieving the PEP's targets.

Early childhood education

Current data shows that Pacific ECE participation rates are on the rise. In June 2015, the ECE prior participation rate for Pacific children was 91.2 percent¹. While this is a pleasing result, Pacific children are still missing out on the benefits that come from participating in quality ECE.

One of the main ways we have been contributing to increasing ECE participation is through our work with Pacific beneficiaries via the Ministry of Social Development. In July 2013, the 'Social Obligations' policy was introduced by the Ministry of Social Development. Under this policy, working-age beneficiaries have an obligation to enrol each dependent child aged three and over into an ECE service until they start school.

1. Source: The Ministry of Education, Pasifika Education Plan 2013–2017, Progress to Date against Quantitative Indicators.

Our project's aim was to provide Pacific parents with information on the benefits of ECE for their child, the support and entitlements available, the different types of ECE services available and what was being offered in their local community. Following that, interested parents were referred through us to an education provider for enrolment. In 2014/15, the Ministry set a target for the end of June 2015 of 80 referrals to enrol children in ECE centres or seek financial assistance to have the children remain with the ECE services. As at 30 June 2015, we had exceeded the target, with 103 referrals.

We continue to provide a brokering role, linking Pacific language-centred organisations and community groups to the Ministry of Education. For example, we worked with Pacific mothers to establish a certificated Pacific Playgroup in Hornby, Christchurch, as well as working with Tokelauan, Cook Islands and Tongan language groups to establish three new language playgroups in the Lower Hutt region.

Educational achievement and attainment of qualifications and skills to meet demand

We continued to work with the Ministry of Education on the Pasifika PowerUp programme. This actively supports Pasifika parents and families to champion their children's learning and provides academic support for secondary and primary school students. More Pacific students are doing better in the classroom and are leaving high school with higher qualifications and better options in life. However, work is still to be done to further improve these results.

Figures released by the Ministry of Education over the past eight years, looking at the number of pupils gaining an NCEA Level 2 qualification, show an encouraging trend amongst Pacific students. In 2011, the percentage of Pacific students leaving school with Level 2 NCEA or higher was 65.5¹ percent. By 2014, the number was higher, with 75.0¹ percent of Pacific students gaining that qualification.

This year, we began scoping work on an exciting new education area: science, technology, engineering and maths. STEM subjects have huge potential to drive economic growth, which means that STEM workers are in high demand both here in New Zealand and globally. However, the numbers of Pacific students taking STEM subjects at school are low. The reasons for this are varied. Our research shows there is limited understanding in Pacific communities about career opportunities available in STEM, and the pathways to get there. This year, we provided policy advice to the Minister on options for increasing Pacific participation in STEM. We also began planning our STEM work programme to be delivered in 2015/16.

We continued to work with the New Zealand Qualifications Authority (NZQA), Careers New Zealand and the Ministry of Education to deliver the NCEA ma le Pasifika workshop programme. This programme provides information to parents to help them gain an understanding of NCEA, how they can support their children in subject and/or career choices, understanding assessments, aiming for high achievement and engaging with their children's school and teachers. This year, our staff underwent training with NZQA on the new presentation format for parents and students. The Ministry delivered 21 'NCEA ma le Pasifika' workshops by the end of June 2015. Some of the workshops were delivered in Samoan, Tongan and Niuean, on the request of the community, demonstrating the language capabilities and competencies of our staff. Workshop participants continue to report a greater understanding of the NCEA system, careers information and an increased confidence about getting support for their child's learning.

We have also continued to work closely with other government agencies² to support the Māori and Pasifika Trades Training (MPPT) initiative, which is focused on enabling more Māori and Pasifika learners aged 18 to 34 to obtain meaningful trade apprenticeships and qualifications. Our work has focused on promoting opportunities for Pacific people to take up trades training as a career pathway.

Result Area 2: Employment and Entrepreneurship

The Ministry aims to promote higher Pacific employment and increasing participation in high-value jobs and business ownership. We want to see more Pacific people equipped with higher qualifications and skills to gain meaningful, high-paying employment. We also want Pacific people to increase their contribution to New Zealand's business growth and economic success. This means using our expertise to expand the aspirations of Pacific people into owning their own businesses and becoming the employers, directors and governors of tomorrow.

Pacific Employment Support Service

In 2014/15, we saw an increase in youth participation in Ministry-led training and employment programmes. For example, more Pacific youth were engaged in employment and training through the Pacific Employment Support Service (PESS), which seeks to help Pacific youth achieve real economic independence through developing skills and preparing themselves for sustainable employment.

Some of the tailored support that young Pacific people received through PESS included pastoral care and mentoring, literacy and numeracy training, career advice, training opportunities, curriculum vitae preparation and interview skills.

In Budget 2014, the Government approved an extension of the PESS programme. The Ministry funded two PESS providers to deliver the programme for a further year. These contracts ended on 30 June 2015 and are currently being evaluated.

We believe this work has made a significant contribution towards improving the employment prospects of Pacific youth who were at risk of benefit dependency.

Business and entrepreneurship

This year, we continued to work in partnership with the Young Enterprise Trust and Pacific Business Trust to advance our work with Pacific young people engaged in the Lion Foundation Young Enterprise Scheme (YES).

The Ministry supports the scheme through an award for Excellence in Pacific Business, seed funding to help students with business start-up costs and workshops to help students develop their business ideas. The number of Pacific students who participated in the YES increased from 212 in 2014 to 282 in 2015. NCEA Level 3 data collected for the 2014 period also shows that Pacific students are performing well and earning NCEA Level 3 credits through YES.

To further support Pacific entrepreneurship:

- we identified and have assigned Pacific business mentors to support Pacific students;
- we have tailored our business workshops to meet the unique needs of Pacific students; and
- we have worked closely, through our Education Advisor, with schools to ensure teachers and students are supported through YES.

We have also provided advice to the Minister on barriers that affect growing Pacific entrepreneurship. In 2015/16, we will follow this up by undertaking more detailed research into this issue.



2. Ministry of Business, Innovation and Employment, Tertiary Education Commission, Ministry of Education, Te Puni Kōkiri and the Ministry of Social Development.

Pacific Youth Awards

Each year, we promote successful young Pacific talent through the annual Prime Minister’s Pacific Youth Awards. Established four years ago, the initiative celebrates, motivates and inspires young Pacific people to reach their full potential. The awards also celebrate our success in bringing these students together with prominent businesses. Prizes are awarded across five categories:

- Leadership and Inspiration
- Business and Enterprise
- Arts and Creativity
- Learning and Teaching
- Sports and Fitness.

Over 150 people attended this year’s awards ceremony held at Parliament, and the event attracted positive coverage in both print and broadcast media.

Youth not in employment, education or training

We also improved our understanding of Pacific young people who are not in the employment, education or training (NEET) and the Government initiatives aimed at helping them. In the development of advice and recommendations, we:

- found there was a need to maintain intensive support, particularly in Auckland and for Pacific females, as these Pacific cohorts have a higher than average NEETs rate;
- supported innovative projects that target youth such as Youth Guarantee, ‘Count me in’ and PowerUp workshops;

- conducted an evaluation of the PESS programme over a year to find out best practice lessons when engaging with youth; and
- explored options for a potential Pacific Youth Strategy that may give the Ministry more opportunities to further address Pacific NEETs.

Building leadership and governance capability

We have continued to focus on leadership and governance, in part, through strengthening our nominations service and database of skilled Pacific people who are available for appointment to state sector boards and committees. Having identified the relatively small talent pool as a significant issue, we mounted a recruitment drive, using Pacific social media networks, to increase our database of skilled, potential leaders. We have also focused our efforts on building the experience and knowledge of Pacific candidates by nominating them to non-state sector boards, thereby providing a pathway and opportunity for consideration for appointment to higher-level state sector boards.

To further build Pacific governance and leadership capability, we have worked with the New Zealand Institute of Directors to develop a collaborative governance training programme. This has been done with a view to improving the quality of our nominations to state sector boards and building the skills of community members who are interested in standing for these boards. This work is currently under way.

Further initiatives to support Pacific employment and entrepreneurship

Further initiatives to support Pacific employment and entrepreneurship included:

- supporting the Government’s commitment to reducing rheumatic fever rates amongst Pacific young people.



This included working with the Ministry of Health to develop six short films targeting Pacific and Māori youth on the risks, symptoms and effects of rheumatic fever. The films were promoted to schools through the Youth Ambassador programme. They built on our learnings from the Achievers project, which showed that online media created ‘by young people for young people’ can be very effective;

- working with the Ministry of Social Development on the joint evaluation of the pilot New Zealand Seasonal Employer Scheme, which seeks to support unemployed young people to work in the horticulture and viticulture areas;
- providing policy advice to the Minister on options to support Pacific community organisations interested in becoming community housing providers. This will inform our social housing work programme with partner agencies in 2015/16;
- providing advice on Pacific issues and opportunities to the Prime Minister’s Youth Mental Health Project; and
- supporting the Ministry of Business, Innovation and Employment by facilitating and sponsoring interested Pacific organisations to attend its Le Tanoa Pasefika community housing seminar in Auckland and by helping with the development of its Pacific Economic Strategy 2015-2021.



Result Area 3: Language, Culture and Identity

The Ministry aims to promote a strong sense of identity amongst New Zealand's Pacific peoples. Language and culture sit at the heart of this and provide a strong grounding from which many other benefits can grow. It is widely accepted that fluency in more than one language is associated with improved cognitive development and academic achievement. This, in turn, impacts on employment prospects, income potential and civic participation. Being culturally confident and comfortable contributes to a sense of belonging in the community and society as a whole.

We have continued our work in supporting Pacific languages and culture by helping Pacific communities maintain and promote their heritage languages. We recognise, as a Ministry, that language preservation and maintenance lies within the collective will of parents, families and communities. To facilitate this, the Ministry works with community language representatives to develop capacity and capability to support and deliver on language-focused initiatives. The most visible component of this work is the Pacific language weeks, which have grown considerably since the first Samoan Language Week in 2007.

In 2014/15, seven Pacific language weeks were celebrated amongst Pacific communities nationally. These were for Samoa, Cook Islands, Tonga, Niue, Fiji, Tokelau and Tuvalu. Funding workshops have been organised by the Ministry, in collaboration with other agencies, to help community groups access funding to support their language revitalisation projects. As a result of our work with partners in the Pacific community, many of the language week initiatives have been supported by the Pacific Education Centre, local schools, tertiary providers, work places, libraries, museums, early childhood centres, local and national radio programmes and non-government bodies.

We also provided secretariat support and guidance to Minister for the Pacific Peoples Advisory Council. This has included the development of innovative approaches to strengthen the role and function of the Council to provide timely, appropriate and high-quality advice to the Minister on important issues affecting Pacific communities in New Zealand.

Other significant initiatives undertaken in 2014/15 included:

- helping Pacific communities to commemorate and acknowledge the sacrifices their ancestors made during World War I – this work will continue through the centennial commemorations of the Great War ; and
- running a forum in Auckland that provided an opportunity for our Minister and the Minister of Finance to present on Budget 2015 and the implications for Pacific communities in New Zealand.

Working Collaboratively to Meet Government Priorities

The Government is determined that the New Zealand of the future will have a robust and competitive economy, strong and independent families and communities, and public services that are increasingly aligned, accessible and useful. As the face of the nation changes, the Government has recognised that considerable attention must be paid to the emerging Pacific population. Creating a pathway for Pacific success is therefore reflected in the Government's Better Public Services targets established for ECE participation, NCEA achievement rates and employment.

To help reinforce these pathways and make inroads against the Better Public Services targets, the Government has recognised that agencies and communities must work together, combining their knowledge and expertise to better target the interventions that work. This approach has long been recognised by the Ministry and is reflected in its strategy and the work it undertakes. Through working alongside both communities and government agencies, and by harnessing the knowledge and expertise held by each, we are well placed to advise on developing and positioning interventions where they are needed, help evaluate the progress our people have made and to advocate for Pacific successes already achieved.

While there is much work still to do, the results we are seeing in 2015 are pleasing. ECE participation rates and education achievement rates for Pacific children are on the rise. We have also seen great improvement in our Pacific education results since 2010.

As educational achievements improve, Pacific people's ability to obtain employment and higher paying jobs also improves. This is reflected in employment and wage statistics, for example, the percentage of Pacific people in employment was 56.4 percent in June 2015, an increase of 0.7 percent from the same period in June 2014 (55.7 percent).³

Table 2 shows that Pasifika ECE participation has steadily improved. The Pasifika early childhood participation rate is at 91.2 percent, up from 85.9 percent in 2010.

Table 3 shows the rate of Pasifika students leaving with NCEA Level 2 is at 75 percent, up from 65.5 per cent in 2010. Data for 2015 was not available at time of publication.

Table 2: Prior participation in early childhood education services

	<i>Proportion of children starting school who participated in ECE</i>			<i>Number of children starting a school who participated in ECE</i>		
	<i>Pasifika</i>	<i>Non-pasifika</i>	<i>Total</i>	<i>Pasifika</i>	<i>Non-pasifika</i>	<i>Total</i>
2010	85.9	95.6	94.4	6,068	47,393	53,500
2011	86.2	95.9	94.6	6,336	48,740	55,114
2012	86.7	96.2	95	6,552	49,722	56,318
2013	88.5	96.7	95.6	6,961	51,878	58,916
2014	90.3	96.8	95.9	7,191	51,218	58,463
2015						
2016						
Target	98.0					

Note: ECE = early childhood education.

Table 3: Percentage of 18-year-olds with at least NCEA Level 2 or equivalent, by total response ethnic group (2011–2014)

	<i>No of 18 year olds with NCEA level 2 or equivalent</i>			<i>No of 18 year olds</i>			<i>% of 18 year olds with NCEA level 2 or equivalent</i>		
	<i>Pasifika</i>	<i>Non-pasifika</i>	<i>Total</i>	<i>Pasifika</i>	<i>Non-pasifika</i>	<i>Total</i>	<i>Pasifika</i>	<i>Non-pasifika</i>	<i>Total</i>
2011	4,457	43,722	48,179	6,803	58,057	64,860	65.5%	75.3%	74.3%
2012	4,591	44,326	48,917	6,741	56,587	63,328	68.1%	78.3%	77.2%
2013	4,905	44,858	49,763	6,866	56,435	63,301	71.4%	79.5%	78.6%
2014	5,147	45,290	50,437	6,866	55,283	62,149	75.0%	81.9%	81.2%
2015									
2016									
2017									
Target							85.0%	85.0%	85.0%

Note: NCEA = national certificate of educational achievement

3. Source Statistics New Zealand Household Labour Force Survey – June 2015 quarter.

PART FOUR: TRANSFORMING OUR ORGANISATIONAL CULTURE AND CAPABILITY

To promote Pacific success, we know we have to continue to transform our organisational culture and capability. Our goal is to be the agency that others look to for knowledge and expertise on important issues affecting Pacific peoples in New Zealand. To increase our engagement and help connect Pacific peoples and government policies and interventions, we have had to become more visible and effective in our engagements with Pacific communities and our key government partners at a local and national level.

A review of the operating model in 2014 identified several improvements the Ministry could make to attain this goal. As an organisation, we realised we had to be more agile, more proactive, more outward facing and better connected. We had to make several structural changes so we could position further resources in areas where they are needed by the community, as well as make changes to the way we work.

In 2015, we completed our structural changes and placed additional focus on developing organisational and workforce planning capabilities to support the improvements made to our policy, communications and regional information-gathering activities. In particular, we focused on scoping the necessary systems, processes and capabilities that will help us create enduring partnerships, build knowledge and expertise between groups and continue to focus resources in areas that need them.

Our people, and the knowledge and expertise that they hold, are our main assets. Our capability strategies have therefore identified the professional development needed to help ensure staff are outcome focused, critical thinkers, competent communicators, well-networked, technologically adept, flexible and comfortable working with local communities. Additionally, we have started developing a supporting infrastructure of systems, processes and technology, so staff can improve mobility and better harness their knowledge and expertise.

We recognise we have a significant amount of work still to do to transform our capability. By continuing this focus, however, we are confident both the Government and our Pacific communities will benefit from the increased knowledge and expertise that our policy and regional staff will be able to offer

Forging relationships

We recognise that our value is contingent upon our strong relationships with government agencies and Pacific communities across New Zealand. Furthermore, we recognise that the knowledge, capability and relationships required to sustain solutions exist already in Pacific communities, local agencies and businesses. We have therefore prioritised work that establishes partnerships with those in the wider state sector, non-profit organisations and private enterprise. This is designed to improve our visibility and effectiveness in our engagement with Pacific communities and, conversely, with key government partners at local and national level. We have also sought greater integration between the Ministry's staff internally and between Ministry staff and Pacific communities and businesses.

In 2014/15, we started to open up new channels for engagement with Pacific individuals, community groups and businesses, through their preferred channels and in their preferred locations.

Our increased focus on partnerships has extended to greater collaboration in the policy-making areas of government. Our closer engagement with local and central government agencies, and the use of our knowledge and expertise, means we are now providing greater influence over policies and interventions for our Pacific peoples. This increased focus on partnerships also extends to our non-profit based agencies and businesses, providing further opportunities to generate and support the success of our Pacific peoples.

We have also started to broaden our market reach to include national and international employers, philanthropic funders for innovative business and economic opportunities and providers of research and educational scholarships. Our strengthened Pacific networks and knowledge support our targeted two-way information sharing with church leaders, community leaders, businesses and other Pacific interest groups and organisations

Our People Strategy

The Ministry signed off its People Strategy 2015-18 in May 2015, setting the direction for developing the necessary knowledge, skills and behaviours of staff to support the new operating model. The mission of the strategy is to build “A high performing organisation that can effect positive change – by ensuring our people are engaged and achieve their potential”. To achieve this, the strategy is focused on four main areas.

- *Pacific Leadership Capability* – to develop leadership for Ministry staff, to influence the wider public sector at all levels from graduates through to senior leaders, and support wider community leadership;
- *Culture of Learning* – to provide an environment that engages individuals, teams and the wider organisation to grow skills and knowledge and enables the right behaviours;
- *People Systems* – to establish core people systems, tools, policies and practices that enable staff to be effective; and
- *Employer of Choice: The Place to Be* – to establish an organisation that recruits and retains highly talented people who are engaged in their work and know how they add value.

The Ministry is already progressing work under the strategy with a particular focus on establishing core policies and practices

to support its workforce in the future. A focus has been on building a culture of learning, with action learning groups, coaching and a suite of training interventions being rolled out in 2015. This strategy and its programme of work will continue to build over the next year, with the main focus areas being embedding a refreshed performance management approach, talent and succession planning processes and building Pacific cultural capability.

Our Kupenga project

The *Kupenga* project, established in 2014, seeks to establish an integrated set of software and human systems that, together, record, curate and make accessible Ministry knowledge. The project is an important part of our innovative approach to connecting our knowledge base with our partners – giving us clarity about what we know, who we know and our know-how. In particular, the project aims to establish a Pacific ‘body of knowledge’, ensuring that we are a ‘go to’ agency for Pacific-related information.

Work has also started on a new website and intranet that will help increase both the storage, access and communication of our knowledge and information.

Our measures of success for organisational culture and capability

The Ministry has made great strides over the past year, following a period of significant change. The Gallup staff engagement results delivered a 4.18 grand mean score out of 5 (see table 4); overall, people are highly engaged in their work and aligned with the Ministry’s vision and goals. This is a solid platform for the Ministry to move forward with confidence as it looks to fully embed its new operating model and organisational culture.

Table 4: Ministry Gallup staff engagement results

<i>Organisational health indicator</i>	<i>Baseline data and trends</i>
Stakeholder survey	Average of all results will be 6 or better 2014/15 – 8.0 2013/14 – 8.3 2012/13 – 4.2 ⁴
Staff engagement survey	2014/15 grand mean score – 4.18 2011/12 grand mean score – 4.01
Staffing ratios – frontline compared with back office	2014/15 frontline 61% : back office 39% 2013/14 frontline 63%: back office 37% 2012/13 frontline 72%: back office 28%
Independent review of policy advice (annual)	Mean score of 7 or better 2014/15 – 7.3 2013/14 – 7.8 2012/13 – 7.3
Maintain or improve Minister’s ratings of performance	Average of all results will be 7 or better 2014/15 – 6 2013/14 – 7 2012/13 – 3

We maintain a gender balance at all levels of the organisation and comply with the provisions of being a ‘good employer’, including having fair and responsible employment practices and policies for all employees. We have low levels of work-related accidents and injuries and continue to offer all staff access to a confidential employee assistance programme.

⁴ The average result of all stakeholder surveys during this year was based on a range of 1 to 5.

PART FIVE: STATEMENT OF RESPONSIBILITY AND AUDIT REPORT

Statement of Responsibility

I am responsible, as Chief Executive of the Ministry of Pacific Island Affairs (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2015 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2016 and its operations for the year ended on that date.



Pauline A Winter

Chief Executive

30 September 2015

Independent Auditor’s Report

To the readers of the Ministry of Pacific Island Affairs Annual Report.

For the year ended 30 June 2015.

The Auditor-General is the auditor of the Ministry of Pacific Island Affairs (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Ministry on pages 30 to 48, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity, 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 performance information prepared by the Ministry for the year ended 30 June 2015 on pages 11 to 17 and 25 to 29;
- the statement of departmental expenses and capital expenditure against appropriations and the statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority for the year ended 30 June 2015 on pages 53 to 54; and
 - the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 49 to 52 that comprise:
 - the schedules of: assets; liabilities; commitments; contingent liabilities and assets; capital receipts; expenses; and income for the year ended 30 June 2015; and
 - the notes to the schedules that include accounting policies and other explanatory information 30 June 2015.

Opinion

In our opinion:

- the financial statements of the Ministry:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity standards.
- the performance information of the Ministry:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure against appropriations of the Ministry on pages 53 to 54 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 49 to 52 present fairly, in all material respects, in accordance with the Treasury Instructions:

- the assets; liabilities; commitments; contingent liabilities and assets; capital receipts; expenses; and income for the year ended 30 June 2015.

Our audit was completed on 30 September 2015. 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 information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. 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 information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the information we audited 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 performance information within the Ministry's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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 that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand;

-
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
 - statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
 - schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

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

The Chief Executive is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Ajay Sharma
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

PART SIX: STATEMENT OF SERVICE PERFORMANCE

This section summarises the Ministry's performance against the measures set out in the Information Supporting the Estimates of Appropriations.

We have assessed whether we met each of the targets associated with each of these measures and have provided an explanation where there is a significant difference.

An overview of the Ministry's performance against the departmental output expense appropriation: Policy Advice and Ministerial Servicing (MCA).

The Ministry's appropriation is defined as a category output appropriation (MCA) in that it is split into two categories; however, an appropriation breach occurs only if the total amount is overspent.

The scope of the appropriation is outlined below.

Communications, projects and relationships

This output class is limited to ministerial servicing, nominations services, the development, implementation and monitoring of innovative projects and the establishment and maintenance of relationships with Pacific communities and key stakeholders, to improve outcomes for Pacific peoples in New Zealand.

Policy advice

This output class is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

Expenditure after re-measurements		Expenditure before re-measurements	Re-measurements ⁵	Expenditure after re-measurements	Approved appropriation ⁶
30 June 2014		30 June 2015	30 June 2015	30 June 2015	30 June 2015
\$000		\$000	\$000	\$000	\$000
	DEPARTMENTAL OUTPUT EXPENSES				
	Policy Advice and Ministerial Services MCA				
5,111	<i>Communications, Projects and Relationships</i>	5,132	2	5,130	5,248
1,516	<i>Policy Advice</i>	1,448	1	1,447	1,846
6,627	Total departmental output expenses	6,580	3	6,577	7,094

This output class is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

5. Re-measurement 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. Re-measurements do not require an appropriation. The re-measurements shown above are the result of changes to discount rates used in the valuation of Ministry employee entitlements.

6. These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

PERFORMANCE MEASURES 2014/15 INFORMATION SUPPORTING THE ESTIMATES

	2014/15 Budget standard (target)	2014/25 Actual standard results	Target met	2013/14 Actual results	Notes
POLICY ADVICE					
Cost of policy advice per output hour	At most \$130	\$125	Yes	\$125	The actual result is the utilisation of policy output hours against policy resource.
Technical quality of policy advice is delivered in accordance with agreed quality criteria assessed by an independent review (NZIER)	At least 70%	7.3 (70% on a 5-9 scale)	Yes	7.8	NZIER-based assessment on a scale of 5-9. The following interpretation is applied to NZIER's assessment: 5 - Poor; 6 - Borderline; 7 - Adequate; 8 - Good; 9+ Excellent.
Ministerial satisfaction with the policy advice service, as per the common satisfaction survey	Average score of 7 or better for all policy-related questions	5.5	No	5.6	The overall score reflects the average score Minister Lotu-liga gave for each policy-related question in the ministerial satisfaction surveys during the reporting period.
RELATIONSHIP AND INFORMATION SHARING WITH COMMUNITIES					
Ministerial satisfaction with the quality of MPIA's facilitation and engagement of community-led forums and events, as rated on a scale of 1 (extremely dissatisfied) - 10 (extremely satisfied)	Average of all results will be 6 or better	6.5	No	7.8	The overall score reflects the average score Minister Lotu-liga gave for each community-led forum and event question in the ministerial satisfaction surveys during the reporting period.
Increased use of MPIA to advance government projects	1-5%	88%	Yes	52%	Instances where MPIA was used to advance government projects rose from 50 in 2013/14 to 94 in 2014/15. This represents an increase of 88%.
Frequency of public events with Pacific communities MPIA coordinated or had a significant presence at	30-50	125	Yes	83	
Stakeholder satisfaction with quality of MPIA's stakeholder engagement as rated on a scale of 1 (extremely dissatisfied) to 10 (extremely satisfied)	Average of all results will be 6 or better	7.9	Yes	9.4	Weighted average from 39 responses across two community group surveys.
Stakeholder agency satisfaction with the effectiveness of MPIA's facilitation and engagement of community-led forums as rated on a scale of 1 (extremely dissatisfied) to 10 (extremely satisfied)	Average of all results will be 6 or better	7.8	Yes	7.8	Based on sample of retrospective surveying from the following government agencies: Creative New Zealand, Ministry of Education, Ministry of Health, Ministry of Social Development, New Zealand Qualifications Authority.

	2014/15 Budget Standard (target)	2014/25 Actual Standard Results	Target Met	2013/14 Actual Results	Notes
MINISTERIAL SERVICING					
Proportion of replies to Ministerial, Official Information Act (OIA) requests, parliamentary questions, briefings, speech notes delivered within the required timeframe	95%	97.3%	Yes	99%	
Ministerial satisfaction with quality of MPIA support as rated on a scale of 1 (extremely dissatisfied) to 10 (extremely satisfied)	Average of all results will be 7 or better	6.8	No	6.5	The overall score reflects the average score Minister Lotu-liga gave for each ministerial servicing question in the ministerial satisfaction surveys during the reporting period.
NOMINATION SERVICING					
Number of nominees put forward for governance positions across the state sector	20	55	Yes	68	
Number of Pacific people on the MPIA nominations database	350-400	402	Yes	433	
DEMONSTRATION OF INNOVATIVE IDEAS					
Other agencies trained to use the Pacific Analysis Framework in their Pacifica units	3	Not measured	Not measured	New measure	It was agreed with Minister Lotu-liga that the Ministry would focus on revising the Pacific Analysis Framework during 2014/15 rather than training other agencies. During 2015/16, the revised framework will be rolled out to a broader audience.

Note: MPIA = Ministry of Pacific Island Affairs; NZIER = New Zealand Institute of Economic Research.

The performance measures contained in this table are those reported in the 2014/15 Information Supporting the Estimates.

*An overview of the Ministry’s performance against the departmental capital expenditure appropriation:
Ministry of Pacific Island Affairs – Capital Expenditure PLA*

The scope of the appropriation is outlined below.

This appropriation is limited to the purchase or development of assets by, and for the use of, the Ministry of Pacific Island Affairs, as authorised by section 24(1) of the Public Finance Act 1989.

<i>EXPENDITURE</i>		<i>Expenditure</i>	<i>Approved appropriation⁷</i>
30 June 2014		30 June 2015	30 June 2015
\$000		\$000	\$000
66	Ministry of Pacific Island Affairs – Capital Expenditure PLA	93	115

<i>ASSESSMENT OF PERFORMANCE</i>	<i>2014/15 Budget standard (target)</i>	<i>2014/15 Actual standard results</i>	<i>Target met</i>	<i>2013/14 Actual results</i>	<i>Unaudited 2015/16 forecast</i>
Expenditure in accordance with the Ministry’s capital plan for the year	100%	100%	Yes	Not measured	100%

7. These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

An overview of the Ministry's performance against the non-departmental output expense appropriation: Skills, Training and Employment

The scope of the appropriation is outlined below.

This appropriation is limited to the purchase of services from third party providers to support improved education, skill development, and entrepreneurship of Pacific peoples in Auckland.

<i>EXPENDITURE</i>		<i>Expenditure</i>	<i>Approved appropriation⁸</i>
30 June 2014		30 June 2015	30 June 2015
\$000		\$000	\$000
1,057	Skills, Training and Employment	631	1,000

<i>ASSESSMENT OF PERFORMANCE</i>	<i>2014/15 Budget standard (target)</i>	<i>2014/15 Actual standard results</i>	<i>Target met</i>	<i>2013/14 Actual results</i>	<i>Unaudited 2015/16 forecast</i>
Adherence to the performance measures and standards agreed in the contract with Pacific employment support services providers	100%	72%	No	97%	Discontinued

Funding within this appropriation was targeted towards the PESS programme. This programme helps Pacific youth, who are at risk of poor educational or employment outcomes, in to training or employment opportunities. Participants for the programme are primarily young people who have left school with no qualifications.

Over the past five years, the successful achievement of Better Public Services targets aimed at retaining young people in school longer, combined with several other initiatives aimed at NEETS youth, has reduced the flow of participants in to the PESS programme. This made it difficult to achieve the 2014/15 performance targets and led to an underspend against the budget.

8. These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

PART SEVEN: FINANCIAL STATEMENTS

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2015

Actual 30 June 2014 \$000		Notes	Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000	Unaudited Forecast 30 June 2016 \$000
	Revenue				
6,298	Revenue Crown		6,998	7,023	6,329
112	Departmental revenue	2	83	48	-
-	Other revenue	2	72	48	-
6,410	Total revenue		7,153	7,119	6,329
	Expenditure				
4,474	Personnel costs	3	3,780	4,437	4,025
2,050	Operating costs	4	2,700	2,452	2,152
21	Depreciation and amortisation	7,8	36	148	70
82	Capital charge	5	64	82	80
6,627	Total expenditure		6,580	7,119	6,329
(217)	Net surplus/(deficit)		573	-	-
-	Other comprehensive revenue and expense		-	-	-
(217)	Total comprehensive revenue and expense		573	-	-

Explanations for significant variances against budget are detailed in Note 14.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2015

Actual 30 June 2014 \$000		Notes	Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000	Unaudited Forecast 30 June 2016 \$000
	ASSETS				
	Current assets				
2,095	Cash and cash equivalents		1,924	1,311	1,435
23	Debtors and other receivables	6	48	-	23
22	Prepayments		35	15	-
2,140	Total current assets		2,007	1,326	1,480
	Non-current assets				
78	Property, plant and equipment	7	141	406	223
6	Intangible assets	8	-	79	66
84	Total non-current assets		142	485	289
2,224	Total assets		2,149	1,811	1,769
	LIABILITIES & TAXPAYERS FUNDS				
	Current liabilities				
1,184	Creditors and other payables	9	576	370	746
-	Return of operating surplus	10	573	-	-
178	Employee entitlements	11	135	322	146
1,362	Total current liabilities		1,284	692	892
	Non-current liabilities				
56	Employee entitlements	11	59	96	71
56	Total non-current liabilities		59	96	71
1,418	Total liabilities		1,343	788	963
	Taxpayers funds				
806	Taxpayers' funds		806	1,023	806
806	Total taxpayers' funds		806	1,023	806
2,224	Total liabilities and taxpayers funds		2,149	1,811	1,769

Explanations for significant variances against budget are detailed in Note 14.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended June 30 2015

Actual 30 June 2014 \$000		Notes	Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000	Unaudited Forecast 30 June 2016 \$000
1,023	Equity as at 1 July		806	806	806
(217)	Total comprehensive revenue and expense		573	-	-
-	Return of operating surplus to the Crown	10	(573)	-	-
-	Capital contribution from the Crown		-	-	-
806	Equity as at 30 June		806	806	806

Explanations for significant variances against budget are detailed in Note 14.

The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the year ended 30 June 2015

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000	Unaudited Forecast 30 June 2016 \$000
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from:			
6,298	Receipts from the Crown	6,998	7,023	6,329
164	Receipts from other departments	58	-	-
-	Receipts from others	72	-	-
6,462	Total cash flows from operating activities	7,128	7,023	6,329
	Cash was applied to:			
(3,903)	Payments to employees	(3,821)	(4,429)	(4,025)
(2,465)	Payments to suppliers	(3,305)	(2,452)	(2,131)
(82)	Payment for capital charge	(64)	(82)	(82)
88	Goods and services tax (net)	(16)	-	-
(6,362)	Total cash applied for operating activities	(7,206)	(6,963)	(6,238)
100	Net cash flows from operating activities	(78)	60	91
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was applied to:			
-	Purchase of intangible assets	-	(50)	-
(11)	Purchase of property, plant and equipment	(93)	(465)	(15)
(11)	Net cash flows from investing activities	(93)	(515)	(15)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash was applied to:			
(259)	Return of operating surplus	-	-	-
(259)	Net cash flows from financing activities	-	-	-
(170)	Net increase/(decrease) in cash held	(171)	(455)	76
2,265	Cash as at 1 July	2,095	1,766	1,359
2,095	Closing cash as at 30 June	1,924	1,311	1,435

The goods and services tax (GST) (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue. 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 for significant variances against budget are detailed in Note 14.

The accompanying notes form part of these financial statements.

Statement of Commitments

As at 30 June 2015

Non-cancellable operating lease commitments

The Ministry of Pacific Island Affairs 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 one to eight years, with regular rent reviews.

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights.

There are no restrictions placed on the Ministry by any of its leasing arrangements.

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
	Non-cancellable operating lease commitments	
443	Not later than one year	228
73	Later than one year and not later than five years	22
–	Later than five years	–
516	Total non-cancellable operating lease commitments	250

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2015

The Ministry of Pacific Island Affairs has no contingent liabilities or contingent assets as at 30 June 2015 (2014: nil).

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1 | Statement of accounting policies for the year ended 30 June 2015

Reporting Entity

The Ministry of Pacific Island Affairs (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. The Ministry's ultimate parent is the Crown.

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 (PBE) for financial reporting purposes.

The financial statements of the Ministry are for the year ended 30 June 2015 and were authorised for issue by the Chief Executive of the Ministry on 30 September 2015.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

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.

The Ministry's total annual expenditure is less than \$30 million, so it qualifies for classification as a Tier 2 reporting entity. As a Tier 2 reporting entity, the Ministry is able to apply Reduced Disclosure Requirements Public Benefit Entity Accounting Standards (Tier 2 PBE Standards). The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014.

The financial statements have been prepared in accordance with Tier 2 PBE Standards.

These financial statements are the first presented in accordance with the new Tier 2 PBE Standards. The material adjustments arising on transition to the new Tier 2 PBE Standards are explained in Note 16.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000).

Measurement base

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

Changes in Accounting Policy

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

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

Significant Accounting Policies

Revenue Recognition

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

Revenue Crown

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes in to account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

No conditions are attached to the funding from the Crown. However, the Ministry can only incur expenses within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.



Revenue from non-exchange transactions

Revenue from non-exchange transactions are those transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

For the Ministry, these revenue non-exchange transactions are non-prevalent. In the event of any future non-exchange revenue transactions, the Ministry will recognise these transactions as non-exchange revenues when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

Revenue from exchange transactions

Revenue from exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

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

Capital Charge

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

Leases

Finance leases

A finance lease is a lease that transfers 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 periodic rate of interest on the remaining balance of the liability.

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 and its useful life.

The Ministry has exercised its judgement on the appropriate classification of equipment leases and has determined that no finance leases exist.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks.

The Ministry is only permitted to expend cash and cash equivalents within the scope and limits of its appropriations.

Debtors and other Receivables

Debtors and other receivables are recognised initially at fair value less any provision for impairment. 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.

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 Statement of Comprehensive Income.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, Plant and Equipment

Property, plant and equipment consist of the following asset classes: leasehold improvements, EDP equipment, furniture and office equipment, and motor vehicles.

All assets classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

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 charged to the surplus or deficit in the period that the asset is disposed of.

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.

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; and
- if purchased as a group and the combined value is greater than \$3,000.

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

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 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
Furniture and fittings	8 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years
EDP equipment	3 to 4 years

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 at each financial year end and adjusted, if applicable.

Intangible Assets

Intangible assets are initially recorded at acquisition costs plus any costs incurred to bring the asset in to use. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only.

All maintenance and training costs associated with intangible assets are expensed when incurred.

Intangible assets with finite lives are 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
Acquired software	3.5 years
Internally generated software	7 years

Impairment of Property, Plant and Equipment and Intangible Assets

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

The carrying amounts of property, plant and equipment and intangible assets are reviewed whenever events or changes in circumstances indicate 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.

Creditors and Other Payables

Creditors and other payables are recorded at their face value.

Employee Entitlements

Short-term employee entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured 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, sick leave, retiring and long service leave entitlements expected to be settled within 12 months.

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, using a model provided by the Treasury. The calculations are based on:

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

The following discount rates were used:

	30 June 2015	30 June 2014
Year 1	2.93%	3.70%
Year 2	2.81%	4.04%
Year 3	4.39%	5.50%

A salary inflation factor of 3.0 percent (3.5 percent 2014) was also used. The discount rates were advised by Treasury and are based on the weighted average of government bonds with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested 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.

Superannuation Schemes

Obligations for contributions to the State Sector Retirement Saving 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.

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.

Restructuring

A provision is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected or for which implementation has already commenced.

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.

Contingent liabilities and contingent assets

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

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is classified as taxpayers' funds.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date. Information on non-cancellable capital and lease commitments is reported in the statement of commitments.

Cancellable capital commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are reported in the statement of commitments at the lower of the remaining contractual commitment and the value of those penalty or exit costs (that is, the minimum future payment).

Goods and services tax

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. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST owed to or from the Inland Revenue Department at balance date is shown as a current asset or current liability as appropriate in the statement of financial position.

The net amount of GST paid to or received from Inland Revenue, including GST relating to investment activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Statement of Cost Allocation Policies

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

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

Direct costs are charged directly to output classes. Indirect costs are allocated to output classes based on cost drivers and related activity or usage information.

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.

Useful life of software

The useful life of software is determined at the time the software is acquired and brought in to use. This is then reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software but not exceed the licence term. For internally generated software developed by the Ministry, the life is based on historical experience with similar systems as well as anticipation of future events, which may impact their useful life, such as changes in technology.

Retiring and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retiring and long service leave liabilities is disclosed in Note 11.

Budget and forecast figures

Basis of the budget and forecast figures

The 2015 budget figures are for the year ended 30 June 2015 and were published in the 2013/14 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 2014/15.

The 2016 forecast figures are for the year ended 30 June 2016, which are consistent with the best estimate financial information submitted to Treasury for BEFU for the year ended 2015/16.

The forecast financial statements have been prepared as requested by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2016 forecast figures have been prepared in accordance with, and comply with, PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were approved for issue by the Chief Executive on 21 April 2015. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions made in their preparation and all other required disclosures.

While the Ministry regularly updates its forecasts, updated financial statements for the year ended 30 June 2016 will not be published.

Significant assumptions used in preparing the forecast financial statements

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the 2015/16 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 21 April 2015, were as follows:

- the activities of the Ministry will remain substantially the same as for the previous year;
- personnel costs are based on 43 staff positions;
- operating costs are based on historical experience – the general historical pattern is expected to continue; and
- estimated year end information for 2014/15 was used as the opening position for the 2015/16 forecast.

The actual financial results achieved for 30 June 2016 are likely to vary from the forecast information presented, and the variations may be material.

Note 2 | Other revenue (exchange transactions)

<i>Actual</i> 30 June 2014		<i>Actual</i> 30 June 2015
\$000		\$000
112	Departmental revenue	83
-	Other revenue	72

Revenue from other agencies relates to Ministry staff who have been seconded. Other revenue primarily relates to funding received by the Ministry to help with joint initiatives or events.

Note 3 | Personnel costs

<i>Actual</i> 30 June 2014 \$000		<i>Actual</i> 30 June 2015 \$000
3,905	Salaries and wages	3,713
94	Employer contributions to defined contribution plans	84
(80)	Increase/(decrease) in employee entitlements	(24)
542	Redundancy	(8)
13	Other	15
4,474	Total personnel costs	3,780

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

Note 4 | Operating costs

Actual 30 June 2014		Actual 30 June 2015	Unaudited Forecast 30 June 2015
\$000		\$000	\$000
58	Audit fees for financial statements audit	60	58
474	Operating lease payments	483	508
111	Maintenance and minor capital purchases	138	135
207	Travel	198	256
26	Conferences and training	59	387
631	Consultancy and professional fees	1,046	600
68	Legal fees	103	88
167	Office operating costs	109	248
308	Other operating costs	504	172
2,050	Total operating expenses	2,700	2,452

Note 5 | Capital charge

The Ministry pays a capital charge to the Crown on its equity as at 31 December and 30 June each year. The capital charge rate for the year ended 30 June 2015 was 8.0 percent (2013/14: 8.0 percent).



Note 6 | Debtors and other receivables

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
	Debtors and other receivables under exchange transactions	
23	Trade debtors	48
23	Total debtors and other receivables	48

The carrying value of trade debtors approximates their fair value. As at 30 June 2015, all overdue receivables have been assessed and are not deemed to be impaired (2013/14: a provision was made at 30 June 2014, however, the amount was too small to show when rounded to thousands).

Note 7 | Property, plant and equipment

	Leasehold improvements \$000	EDP equipment \$000	Furniture / office equipment \$000	Motor vehicles \$000	Total \$000
COST					
Balance at 1 July 2013	371	201	205	40	817
Balance at 30 June 2014	371	206	211	95	883
Balance at 1 July 2014	371	206	211	95	883
Additions	-	-	20	74	94
Disposals	-	-	-	-	-
Balance at 30 June 2015	371	206	231	169	977
ACCUMULATED DEPRECIATED					
Balance at 1 July 2013	371	195	201	23	790
Balance at 30 June 2014	371	199	204	31	805
Balance at 1 July 2014	371	199	204	31	805
Depreciation expense	-	4	5	21	30
Balance at 30 June 2015	371	203	209	52	835
CARRYING AMOUNT					
At 1 July 2013	-	6	4	17	27
At 30 June and 1 July 2014	-	7	7	64	78
At 30 June 2015	-	3	22	117	142

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	Total \$000
COST		
Balance at 1 July 2013	178	178
Balance at 30 June 2014	178	178
Balance at 1 July 2014	178	883
Additions	-	-
Disposals	-	-
Balance at 30 June 2015	178	178
ACCUMULATED DEPRECIATED		
Balance at 1 July 2013	166	166
Balance at 30 June 2014	172	172
Balance at 1 July 2014	172	172
Depreciation expense	6	6
Balance at 30 June 2015	178	178
CARRYING AMOUNT		
At 1 July 2013	12	12
At 30 June and 1 July 2014	6	6

Note 9 | Creditors and Other payables

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
	Current liabilities under exchange transactions	
184	Creditors	317
366	Accrued expenses	125
	Current liabilities under non-exchange transactions	
456	Provision for redundancy costs	-
157	Taxes payable	95
4	Superannuation schemes	-
17	ACC payable	14
-	Creditor Crown	25
1,184	Total creditors and other payables	576

Note 10 | Return of Operating Surplus

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.

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
-	Net surplus/(deficit)	573
-	Total return of operating surplus	573

Note 11 | Employee entitlements

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

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
	Current liabilities	
121	Annual leave	101
16	Performance payments	-
39	Sick leave	26
2	Long service leave	8
178	Total current liabilities	135
	Non-current liabilities	
56	Long service and retiring leave	59
56	Total non-current liabilities	59
234	Total provision for employee entitlements	194

Annual leave has been calculated on an actual entitlement basis at current rates of pay.

Provisions for long service leave and retiring leave are calculated on an actuarial basis based on the present value of expected future entitlements. The rates are advised to the Ministry from the Treasury. Refer to Note 1 for details of these rates.

Changes in the liability due to changes in rates are outlined below.

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
-2	Re-measurement	3

Note 12 | Categories of financial instruments

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

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
	Loans and receivables	
2,095	Cash and cash equivalents	1,924
23	Debtors and other receivables (Note 6)	48
2,118	Total loans and receivables	1,972
	Financial liabilities measured at amortised cost	
1,184	Creditors and other payables (Note 9)	557
1,184	Total financial liabilities measured at amortised cost	557

Note 13 | 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 \$6.998 million (2013/14: \$6,298 million) to provide services to the public for the year ended 30 June 2015.

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. These included the purchase of electricity from Meridian, air travel from Air New Zealand, legal services from Crown Law and postal services from New Zealand Post. The totals for these purchases are listed below.

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
112	Crown departments	83
-	Crown entities and other government agencies	-
112	Revenue – Other	83
197	Crown departments	276
41	Crown entities and other government agencies	21
95	State owned enterprises	199
330	Expenditure	496

Related party transactions involving key management personnel (or their close family members)

Key management personnel include the Minister for Pacific Peoples, the Chief Executive and the four managerial positions that form the senior leadership team.

The Ministry has not purchased goods and services in 2014/15 from key management personnel or their close family members (2013/14: nil).

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

Key management personnel compensation

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000
948	Salaries and other short-term employee benefits	789
195	Termination benefits	-
1,143	Total key management personnel compensation	789
5	Full-time equivalent staff	5

The above key management personnel compensation excludes the remuneration and other benefits the Minister for Pacific Peoples receives. The Minister's remuneration and other benefits are not received only for their role as a member of the key management personnel of the Ministry. The Minister's 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 by the Ministry of Pacific Island Affairs. There were no related party transactions with the Minister for Pacific Peoples.

Note 14 | 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 Revenue and Expense

Departmental revenue was \$35,000 higher than budget due to additional revenue received for seconded staff and reimbursements received from other agencies for work performed on joint projects.

Other revenue was \$24,000 higher than budget due to third party sponsorship received for the Prime Minister's Pacific Youth Awards.

- lower than budgeted personnel costs due to delayed recruitment following the implementation of the Ministry's new operating model; and
- lower than budgeted depreciation and amortisation costs due to timing changes in the Ministry's capital investment programme.

This was partially offset by higher than budgeted consultancy and professional fee costs due to the expertise required to implement the Ministry's new operating model and the need to backfill employees while the recruitment of new employees took place.

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents were \$613,000 higher than budgeted due mainly to lower than expected expenditure during the year.

Property, plant and equipment and intangible assets

Total property, plant and equipment and intangible assets were \$343,000 lower than budgeted due to timing changes in the Ministry's capital investment programme.

Return of operating surplus

At the time budget estimates were made, it was not anticipated that the Ministry would underspend during the year. This led to an unbudgeted \$592,000 liability for the return of the Ministry's operating surplus to the Crown.

Employee entitlements

Employee entitlements were \$187,000 lower than budgeted due to a number of staff with high leave entitlements leaving during the year.

Statement of Cash Flows

Net outward cashflows from the Ministry were \$285,000 lower than budget due mainly to timing changes in the Ministry's capital investment programme.

Note 15 | Events after the Balance Sheet Date

There have been no significant events after balance date.

Note 16 | Adjustments on Transition to the New PBE Accounting Standards

The Ministry has adjusted its comparative year financial statements for the year ended 30 June 2014, due to reclassification adjustments arising from transition to the new PBE accounting standard. The required adjustments only resulted in alterations to how the financial statements were classified, no adjustments were made to the numbers themselves.



NON-DEPARTMENTAL STATEMENTS AND SCHEDULES

For the year ended 30 June 2015

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

Schedule of Non-Departmental Income

For the year ended 30 June 2015

There is no revenue as at 30 June 2015 (2014: nil).

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2015

There are no capital receipts as at 30 June 2015 (2014: nil).

Schedule of Non-Departmental Expenses

For the year ended 30 June 2015

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000
	Non-Departmental Expenses		
2,435	Grants paid to third parties	1,853	2,509
108	Social assistance benefits	108	108
382	GST on Crown expenses	160	393
2,925	Total Non-Departmental Expenses	2,121	3,010

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operation for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Assets

As at 30 June 2015

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000
	Non-Departmental Assets		
1,073	Bank	997	425

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operation for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Liabilities

As at 30 June 2015

Actual 30 June 2014 \$000		Actual 30 June 2015 \$000	Unaudited Budget 30 June 2015 \$000
	Non-Departmental Liabilities		
327	Due to PESS providers/consultants	295	-

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operation for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Commitments

As at 30 June 2015

There are no Non-Departmental Commitments at 30 June 2015 (2014: \$1.0 million).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2015

There are no contingent liabilities or assets as at 30 June 2015 (2014: nil).

Notes to the Non-Departmental Financial Statements and Schedules

Note 1 | Statement of significant accounting policies for the year ended 30 June 2015

Reporting Entity

These non-departmental schedules and statements 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 2015. 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 Presentation

Statement of Compliance

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in Note 3.

Presentation Currency and Rounding

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.

Measurement base

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

Significant Accounting Policies

The non-departmental accounts have been prepared using the same significant accounting policies as outlined in Note 1 of the departmental accounts.

Explanations for major variances from the Ministry's non-departmental figures in the Main Estimates are as follows.

PART EIGHT: APPROPRIATION STATEMENTS

Statement of Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2015

<i>Expenditure after re-measurements 30 June 2014</i> \$000		<i>Expenditure before re-measurements 30 June 2015</i> \$000	<i>Re-measurements⁹ 30 June 2015</i> \$000	<i>Expenditure after re-measurements 30 June 2015</i> \$000	<i>Approved appropriation¹⁰ 30 June 2015</i> \$000	<i>Location of end-of-year performance information¹¹</i>
	DEPARTMENTAL OUTPUT EXPENSES					
	Policy Advice and Ministerial Services MCA					
5,111	<i>Communications, Projects and Relationships</i>	5,132	2	5,130	5,248	1
1,516	<i>Policy Advice</i>	1,448	1	1,447	1,846	1
6,627	Total departmental output expenses	6,580	3	6,577	7,094	
	DEPARTMENTAL CAPITAL EXPENDITURE					
66	Ministry of Pacific Island Affairs – Capital Expenditure PLA	93	–	93	115	1

NON-DEPARTMENTAL OUTPUT EXPENSES						
1,378	Promotions – Business Development	1,222	–	1,222	1,409	2
1,057	Skills, Training and Employment	631	–	631	1,100	1
2,435	Total non-departmental output expenses	1,853	–	1,853	2,509	
TOTAL BENEFITS AND OTHER UNREQUITED EXPENSES						
100	Study and Training Awards for Business Development	100	–	100	100	2
8	Welfare of Pacific Peoples in New Zealand	8	–	8	8	2
108	Total benefits and other unrequited expenses	108	–	108	108	

9. Re-measurement 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. Re-measurements do not require an appropriation. The re-measurements shown above are the result of changes to discount rates used in the valuation of Ministry employee entitlements.

10. These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

11. The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

1. the Ministry's annual report – Part Six: Statement of Service Performance
2. no reporting due to exemption obtained under section 15D of the Public Finance Act 1989.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2015

Transfers under section 26A of the Public Finance Act 1989

No section 26A transfers were authorised in the year ended 30 June 2015.

Transfers under section 26B of the Public Finance Act 1989

No section 26B transfers were authorised in the year ended 30 June 2015.

Expenses and capital expenditure in excess of appropriation

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

Expenses and capital expenditure incurred without appropriation or outside the scope or period of appropriation

There were no expenses or capital expenditure incurred without appropriation or outside the scope or period of appropriation.



