



Human Rights  
Commission  
*Te Kāhui Tika Tangata*

# Statement of Performance Expectations

2015/16 – 2018/19

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## Contents

Introduction	3
Output activities for 2015/16 and Outyears	4
Summary of Output and Output Expenses for 2015/16	5
Forecast Service Performance 2015/16	6
Forecast Financial Statements 2015/16 – 2018/19	10
Forecast Statement of Comprehensive Revenue and Expense	10
Forecast Statement of Financial Position	11
Forecast Statement of Changes in Equity	12
Forecast Statement of Cash Flows	12
Notes to and forming part of the Forecast Financial Statements	13

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## Introduction

The Human Rights Commission (the Commission) is an Independent Crown Entity pursuant to the Crown Entities Act 2004. It is responsible for advocating and promoting respect for, and an understanding and appreciation of, human rights in New Zealand and encouraging harmonious relations pursuant to the Human Rights Act 1993. The Commission is governed by a Board of Directors, made up of the Commissioners. The Board sets the strategic direction and general activities of the Commission.

The Office of Human Rights Proceedings (OHRP) is part of the Commission and provides legal representation under the Human Rights Act 1993 and brings proceedings under the Privacy Act 1993. The Director of Human Rights Proceedings makes decisions about representation and bringing proceedings independently of the Commission.

This Statement of Performance Expectations has been prepared in accordance with the requirements of section 149C of the Crown Entities Act 2004. It outlines how we will contribute over the next year and beyond to preserving and protecting human rights and promoting harmonious relations for all people in New Zealand.

This *Statement of Performance Expectations* reflects, and is intended to be read with, the Commission's 2014/15–2017/18 *Statement of Intent*.



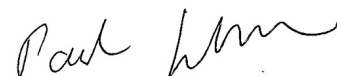
David Rutherford  
Chief Commissioner  
Te Amokapua



Dame Susan Devoy  
Race Relations Commissioner  
Kaihautū Whakawhanaunga a Iwi



Dr Jackie Blue  
Equal Employment Opportunities  
Commissioner  
Kaihautā Ōriteanga Mahi



Paul Gibson  
Disability Rights Commissioner  
Kaihautū Tika Hauātanga



Karen Johansen  
Commissioner  
Kaihautū



Richard Tankersley  
Commissioner  
Kaihautū

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## Output activities for 2015/16 and Outyears

The Commission is funded under the Output Expense: Justice Advocacy, Advice and Promotion Services. Our advocacy, advice and promotion is in relation to our legislated role to advocate and promote respect for, and an understanding and appreciation of, human rights in New Zealand and to encourage harmonious relations.

Our Statement of Intent 2014/15 – 2017/18 outlines the strategic impacts that we intend to have. These are:

- 1 Effective engagement of specific groups in decision-making affecting them and in the design of their communities
- 2 Development of a culture where violence and abuse is not tolerated or unreported
- 3 Increased adoption of effective policies and practices that provide for equality of opportunity and non-discrimination
- 4 Increased observance of procedural safeguards by decision-makers when exercising their legislative oversight and public sector management responsibilities
- 5 Better remedies for breaches of human dignity and rights
- 6 People and organisations that have legal obligations to respect and protect human dignity and rights do so
- 7 More people in New Zealand know and practice their rights and fulfil their responsibility to respect the human dignity and rights of others.

In late 2014 the Commission reviewed and refreshed its Outcomes framework to ensure it was meaningful and aligned with our strategic objectives. The resulting structure provides a clear reportable framework that forms the basis for the Commission's ongoing work programme in both the short- and long-term.

In 2014/15 the Commission initiated the development of the National Plan of Action (NPA) for the Protection and Promotion of Human Rights. The NPA will set out the ongoing actions Government will take to improve human rights realisation in New Zealand. Progress will be monitored and updated over the period of this Statement of Performance Expectations.

The monitoring of the Plan will inform the mid-cycle review and third Universal Periodic Review of New Zealand's human rights record at the United Nations. The mid-cycle review will take place in the 2016/17 year and the next full review will be in 2018/19.

In 2016, our accreditation as a National Human Rights Institution (NHRI), will be internationally reviewed by the Sub-Committee on Accreditation of the International Co-ordination Committee of Human Rights Institution. This process takes place every five years. It requires the Commission to be independently assessed against strict criteria set out in the Paris Principles. Accordingly, a measure of retaining "A" status is included below, as a proxy of the Commission's independence, credibility and effectiveness.

## Summary of Output and Output Expenses for 2015/16

The Forecast expenses for the Commission's Output and the total forecast revenue are provided below:

Forecast output expenditure	2015/16
<b>Output Class – Justice Advocacy, Advice and Promotion Services</b>	
<b>Output area – On-going activities<sup>1</sup></b>	<b>\$8.248m</b>
Output 1: Education, advocacy and promotion of human rights	
Output 2: Monitoring and reporting on compliance with New Zealand law and international human rights instruments	
<b>Output area – Complaints of unlawful discrimination</b>	<b>\$1.126m</b>
Output 3: Responding to, and resolving, human rights complaints	
<b>Output area – Legal representation and proceedings</b>	<b>\$0.659m</b>
Output 4: Providing legal representation and bringing proceedings	
<b>Total forecast output expenditure</b>	<b>\$10.033m</b>
<b>Forecast revenue</b>	
Crown revenue	\$9.396m
Interest revenue	\$0.164m
Other revenue	\$0.185m
<b>Total forecast revenue</b>	<b>\$9.745m</b>
<b>Surplus to / (shortfall from) current reserves</b>	<b>(\$0.288m)</b>

## Forecast Service Performance 2015/16

Measures by output activities under the Commission's Output for this financial year are detailed in the tables below:

### Education promotion and advocacy

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Effectiveness of working arrangements with government partners to realise human rights.		Feedback from social policy, justice sector and other government partners is received.  Key HRC recommendations are communicated to central and local government agencies for implementation.	Feedback from social policy, justice sector and other government partners is received.  Key HRC recommendations are communicated to central and local government agencies for implementation.	Feedback from social policy, justice sector and other government partners is received.  Key HRC recommendations are communicated to central and local government agencies for implementation.	Feedback from social policy, justice sector and other government partners is received.  Key HRC recommendations are communicated to central and local government agencies for implementation.
Increased reach and relevance.	2012/13 & 2014/15 Stakeholder survey results  Digital Channel data gathered	Meets or exceeds previous results.  Baseline to be established: Number of downloads of Commission reports from HRC website  Number of main-stream media (television and radio) references where Commissioners are able to state human rights positions and viewpoints  Social media reach and engagement statistics  Stakeholder survey is completed and ratings across specified measures are reported and compared to previous year with a focus on improvement each year.	Meets or exceeds previous result.  Stakeholder survey is completed and ratings across specified measures are reported and compared to previous year with a focus on improvement each year.	Meets or exceeds previous result.  Stakeholder survey is completed and ratings across specified measures are reported and compared to previous year with a focus on improvement each year.	Meets or exceeds previous result.  Stakeholder survey is completed and ratings across specified measures are reported and compared to previous year with a focus on improvement each year.

## Education promotion and advocacy (continued)

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Quality of legal interventions to promote human rights.	Positive feedback from external peer review	Positive feedback from external peer review	Positive feedback from external peer review	Positive feedback from external peer review	Positive feedback from external peer review
Effectiveness of engagement with, civil society including tangata whenua, business and affected sector groups.	Establish the baseline in 2015/16 to benchmark against in following years. e.g. the baseline for the UPR group is 280 civil society groups contributed to UPR.	Number of engagements that directly contribute to civil society progressing Human Rights priorities.	Meets or exceeds previous level of engagement.	Meets or exceeds previous level of engagement.	Meets or exceeds 2017/8 results

## Monitoring and reporting

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Effective provision of coordinating activities in relation to the Commission's role in the monitoring mechanisms associated with: Convention on the Rights of Persons with Disabilities (CRPD) Optional Protocol for the Convention against Torture (OPCAT) Timely recording of changes to NPA actions.	100% CRPD 90%OPCAT NPA web reporting tool launched in 2014/15.	90% satisfaction with the coordinating role played by the Commission  NPA tool is updated to reflect changes to actions.	90% satisfaction with the coordinating role played by the Commission  NPA tool is updated to reflect changes to actions.	90% satisfaction with the coordinating role played by the Commission  NPA tool is updated to reflect changes to actions.	90% satisfaction with the coordinating role played by the Commission  NPA tool is updated to reflect changes to actions.
Quality of annual review and report into the 'good employer' obligations implemented by Crown entities. Effectiveness of the advice and guidance provided to Crown entities to improve their performance.	Compliance rating of 88% across 91 Crown Entities for the 2014/15 year. Target of 95%	The number of Crown entities reaching 100% compliance rating increases from the previous year.  At least 3 different Crown entities who have received advice improve their 'good employer' practices as measured by the annual review	The number of Crown entities reaching 100% compliance rating increases from the previous year.  At least 3 different Crown entities who have received advice improve their 'good employer' practices as measured by the annual review	The number of Crown entities reaching 100% compliance rating increases from the previous year.  Progress will be reviewed before determining standard here on.	The number of Crown entities reaching 100% compliance rating increases from the previous year.

## Responding to and resolving anti-discrimination complaints

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Customer satisfaction with the mediation service.	Customer satisfaction with the mediation service.	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process	90% of customers satisfied with the mediation process
Responsive and timely resolution of enquiries and complaints.	5800 new enquiries and complaints.  100% of unlawful discrimination complaints are provided <sup>2</sup> a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5500 new enquiries and complaints.  100% of unlawful discrimination complaints are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5500 new enquiries and complaints.  100% of unlawful discrimination complaints are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5500 new enquiries and complaints.  100% of unlawful discrimination complaints are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year	5500 new enquiries and complaints.  100% of unlawful discrimination complaints are provided a disputes resolution service  80% of complaints of unlawful discrimination are closed within one year
Percentage of cases resolved or progressed through dispute resolution service and resolution leads to positive systemic changes which increase the realisation of human rights.	78%  77 Positive systemic changes as defined by policy, agreed by the parties.	80%  Number of positive systemic changes agreed by parties.	80%  Number of positive systemic changes agreed by parties.	80%  Number of positive systemic changes agreed by parties.	80%  Number of positive systemic changes agreed by parties.

## Providing legal representation and bringing proceedings (Office of Human Rights Proceedings)

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Responsive and timely decision making	60-80 human rights and privacy matters received and undertaken <sup>3</sup>  80 % of applications are assessed and allocated to a solicitor within 10 working days  80% of applications are decided within six months	60-80 human rights and privacy matters received and undertaken  95% of applications <sup>4</sup> are assessed and allocated to a solicitor within 10 working days <sup>5</sup>  80% of applications are decided within four months <sup>6</sup>	60-80 human rights and privacy matters received and undertaken  95% of applications are assessed and allocated to a solicitor within 10 working days  80% of applications are decided within four months	60-80 human rights and privacy matters received and undertaken  95% of applications are assessed and allocated to a solicitor within 10 working days  80% of applications are decided within four months	60-80 human rights and privacy matters received and undertaken  95 % of applications are assessed and allocated to a solicitor within 10 working days  80% of applications are decided within four months



## National Human Rights Institution independence, credibility and effectiveness

In 2016, the Commission will have its accreditation as a National Human Rights Institution reviewed by the will be internationally reviewed by the Sub-Committee on Accreditation of the International Co-ordination Committee of Human Rights Institution.<sup>7</sup> The results of the accreditation process are included in the *Statement of Performance Expectations*, because it serves as a useful proxy measure.

Measure	Baseline	2015/16	2016/17	2017/18	2018/19
Independence, credibility and effectiveness in discharging the functions of a National Human Rights Institution	A-status accreditation	n/a	Maintenance of A-status accreditation	n/a	n/a

## Forecast Financial Statements 2015/16 – 2018/19

### Forecast Statement of Comprehensive Revenue and Expense

	Estimated Actual 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000
<b>Revenue</b>					
Revenue from the Crown	9,396	9,396	9,396	9,396	9,396
Interest received	182	164	179	202	207
Other revenue	218	185	183	50	50
<b>Total revenue</b>	<b>9,796</b>	<b>9,745</b>	<b>9,758</b>	<b>9,648</b>	<b>9,653</b>
<b>Expenses</b>					
Personnel costs	6,942	6,799	6,714	6,769	6,979
Other expenses	1,626	2,013	1,536	1,805	1,475
Projects and programmes	528	769	800	800	800
Travel costs	351	374	381	389	396
Depreciation and amortisation	111	78	104	104	137
Expenses before organisational change costs	9,558	10,033	9,535	9,867	9,787
Organisational change costs	436	-	-	-	-
Total expenses	9,994	10,033	9,535	9,867	9,787
<b>Net surplus/(deficit)</b>	<b>(198)</b>	<b>(288)</b>	<b>223</b>	<b>(219)</b>	<b>(134)</b>
Other comprehensive revenue	-	-	-	-	-
<b>Total comprehensive revenue and expense</b>	<b>(198)</b>	<b>(288)</b>	<b>223</b>	<b>(219)</b>	<b>(134)</b>

## Forecast Statement of Financial Position

	Estimated Actual 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000
<b>Equity</b>					
Accumulated funds	1,965	1,677	1,900	1,681	1,547
<b>Total equity</b>	<b>1,965</b>	<b>1,677</b>	<b>1,900</b>	<b>1,681</b>	<b>1,547</b>
<b>Current assets</b>					
Cash and cash equivalents	606	563	854	710	425
Short-term deposits	2,000	1,500	1,500	1,500	1,500
Debtors and other receivables	23	23	23	23	23
Prepayments	80	57	57	57	57
<b>Total current assets</b>	<b>2,709</b>	<b>2,143</b>	<b>2,434</b>	<b>2,290</b>	<b>2,005</b>
<b>Current liabilities</b>					
Creditors and other payables	290	284	282	282	281
GST payable	150	150	150	150	150
Employee entitlements	376	435	447	450	462
Provisions	190	-	-	-	-
<b>Total current liabilities</b>	<b>1,006</b>	<b>869</b>	<b>879</b>	<b>882</b>	<b>893</b>
<b>Working capital</b>	<b>1,703</b>	<b>1,274</b>	<b>1,555</b>	<b>1,408</b>	<b>1,112</b>
<b>Non-current assets</b>					
Property, plant and equipment	312	335	299	248	431
Intangible assets	8	130	108	87	66
<b>Total non-current assets</b>	<b>320</b>	<b>465</b>	<b>407</b>	<b>335</b>	<b>497</b>
<b>Non-current liabilities</b>					
Employee entitlements	58	62	62	62	62
<b>Total non-current liabilities</b>	<b>58</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>Net assets</b>	<b>1,965</b>	<b>1,677</b>	<b>1,900</b>	<b>1,681</b>	<b>1,547</b>

## Forecast Statement of Changes in Equity

	Estimated Actual 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000
Balance at 1 July	2,163	1,965	1,677	1,900	1,681
Total comprehensive revenue and expense	(198)	(288)	223	(219)	(134)
<b>Balance at 30 June</b>	<b>1,965</b>	<b>1,677</b>	<b>1,900</b>	<b>1,681</b>	<b>1,547</b>

## Forecast Statement of Cash Flows

	Estimated Actual 2014/15 \$000	Forecast 2015/16 \$000	Forecast 2016/17 \$000	Forecast 2017/18 \$000	Forecast 2018/19 \$000
<b>Cash flows from operating activities</b>					
Receipts from the Crown	9,396	9,396	9,396	9,396	9,396
Receipts from other sources	222	185	183	50	50
Interest received	182	164	179	202	207
Payments to employees and suppliers	(9,854)	(10,065)	(9,420)	(9,759)	(9,639)
Goods and services tax (net)	(24)	-	-	-	-
<b>Net cash flow from operating activities</b>	<b>(78)</b>	<b>(320)</b>	<b>337</b>	<b>(111)</b>	<b>14</b>
<b>Cash flows from investing activities</b>					
Maturity of short-term deposits	2,200	2,000	1,500	1,500	1,500
Placement of short-term deposits	(3,000)	(1,500)	(1,500)	(1,500)	(1,500)
Purchases of property, plant and equipment	(54)	(98)	(44)	(31)	(297)
Purchases of intangible assets	-	(125)	(2)	(2)	(2)
<b>Net cash flow from investing activities</b>	<b>854</b>	<b>277</b>	<b>(46)</b>	<b>(33)</b>	<b>(299)</b>
<b>Cash flows from financing activities</b>					
Payments of finance lease	(13)	-	-	-	-
<b>Net cash flow from financing activities</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash	(945)	(43)	291	(144)	(285)
Cash and cash equivalents at the beginning of the year	1,551	606	563	854	710
<b>Cash and cash equivalents at the end of the year</b>	<b>606</b>	<b>563</b>	<b>854</b>	<b>710</b>	<b>425</b>

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## Notes to and forming part of the Forecast Financial Statements

The Board of the Commission is responsible for the forecast financial statements presented in this *Statement of Performance Expectations*, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

The forecast financial statements were approved by the Board of the Commission on 30 June 2015.

### Statement of Significant Underlying Assumptions

The forecast financial statements are based on the following assumptions:

- 1 Functions will remain broadly the same as in the previous year
- 2 No extra Government funding will be received for the foreseeable future and at least until 2020
- 3 A focus on a few human rights outcome changes for the whole organisation with interventions to deliver improved services within existing funding levels
- 4 Changes to the organisational structure will be implemented in line with the Board's decision of 28 May 2015
- 5 Increased efficiencies to manage cost drivers within tight financial constraints
- 6 Using the Commission's accumulated funds, or reserves, to fund operating deficits, and
- 7 Financial sustainability will be maintained until 2019–20

The forecast financial statements have been prepared on the basis of actual events, transactions and financial results up to 31 May 2015 and assumptions about future events that are reasonably expected to occur, associated with the actions that are reasonably expected to be taken, as at the date that this information was prepared.

The purpose of these financial statements is to indicate the likely financial impact of implementing the Commission's longer term strategic direction, and to assist Parliament's consideration of the appropriations for, and planned performance of, the Commission. The information disclosed is indicative only and may not be appropriate for any other purpose.

Readers are cautioned that actual results are likely to vary from the information presented here and that the variations may be material.

It is not intended that this published material will be updated.

### Statement of Accounting Policies

#### Reporting entity

The Human Rights Commission (the Commission) is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. The Commission's ultimate parent is the New Zealand Crown.

The Commission's functions and responsibilities are set out in the Human Rights Act 1993.

The Commission has designated itself as a public benefit entity for the purposes of Public Benefit Entity Accounting Standards (PBE Standards) as appropriate for public sector entities.

#### Basis of preparation

##### Statement of compliance

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

The forecast financial statements have been prepared in accordance with Tier 2 PBE accounting standards as appropriate for public sector entities and comply with Public Benefit Entity Financial Reporting Standard

*42 Prospective Financial Statements.* The Commission is eligible to apply Tier 2 PBE accounting standards because it does not have public accountability, as defined in the PBE Standards, and its total expenses are less than \$30 million.

They are the Commission's first set of forecast financial statements presented in accordance with PBE Standards as appropriate for public sector entities.

### **Measurement base**

The forecast financial statements have been prepared on an historical cost basis, except for assets and liabilities that have been valued at fair value as identified in their respective accounting policies.

### **Presentation currency and rounding**

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

### **Changes in accounting policies**

The forecast financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently to all periods presented in these forecast financial statements.

## **Summary of significant accounting policies**

### **Revenue**

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

The specific accounting policies for significant revenue items are explained below:

#### **Revenue from the Crown**

The Commission is primarily funded by revenue received from the Crown through the Ministry of Justice for the provision of outputs. This funding is restricted in its use for the purpose of the Commission meeting the objectives specified in the Human Rights Act 1993 and the scope of the relevant appropriations of the funder. The Commission considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

### **Interest received**

Interest revenue is recognised using the effective interest method.

### **Rental revenue**

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

### **Provision of services**

Services provided to third parties on commercial terms, such as the provision of advice and educational workshops, are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

### **Grants received**

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

### **Grant expenditure**

Discretionary grants are those grants where the Commission has no obligation to award on the receipt of a grant application and are recognised as expenditure when approved by the Commission and the approval has been communicated to the applicant.

### **Project and programme costs**

Costs that are directly attributable to a project or programme activity are reported in the statement of comprehensive revenue and expense as project and programme costs.

## **Leases**

### **Finance leases**

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards incidental to ownership of an asset whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where the Commission is the lessee 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 Commission 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.

### **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.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### **Foreign currency transactions**

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### **Financial instruments**

Financial assets and financial liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus and deficit in which case the transaction costs are recognised in the surplus or deficit.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and funds on deposit at banks with an original maturity of three months or less.

### **Short-term deposits**

Short-term deposits include funds on deposit at banks with an original maturity of more than three months, but not more than 12 months, and are initially measured at the amount invested.

### **Debtors and other receivables**

Debtors and other receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Commission will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

### **Property, plant and equipment**

Property, plant and equipment consists of equipment, furniture and fittings, leasehold improvements, library books and motor vehicles.

Property, plant and equipment is measured at cost less any accumulated depreciation and impairment losses.

### **Additions**

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

Work in progress is measured 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 at the date of acquisition.

### **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported as a net amount in the surplus or deficit.

### **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 Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, 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:

Equipment	3–10 years	10–33%
Furniture and fittings	5–10 years	10–20%
Leasehold improvements	5–9 years	11–20%
Library books	5 years	20%
Motor vehicles	5–10 years	10–20%

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

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

## Intangible assets

### Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software, the development and maintenance of the Commission's website, and staff training costs are recognised as an expense when incurred.

### Trademarks

Trademarks are capitalised on the basis of the costs incurred to register the trademark with the Intellectual Property Office of New Zealand.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	2–10 years	10–50%
Trademarks	10 years	10%

### Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is also recognised in the surplus or deficit.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at the balance sheet date is tested for impairment annually.

### Creditors and other payables

Short-term payables are recorded at their face value.



## Employee entitlements

### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Permanent employees are entitled to actual and reasonable sick leave to recover from genuine illness but entitlements do not accumulate and are recognised as an expense when the absence occurs.

### Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

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

### Presentation of employee entitlements

Accrued salaries and wages, annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement leave 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

### Defined contribution schemes

Obligations for contributions to 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.

### Defined benefit schemes

The Commission does not make contributions to defined benefit schemes.

### Provisions

A provision is recognised for future expenditure of an uncertain amount or 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 measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

### Restructuring

A provision for restructuring 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.

### Commitments

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

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are disclosed at the value of that penalty or exit cost.

### **Accumulated funds**

Accumulated funds are the net surpluses and deficits that have accumulated over time and represent the Crown's investment in the Commission. Accumulated funds are measured as the difference between total assets and total liabilities.

### **Goods and services tax (GST)**

All items in the forecast financial 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 it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Commission is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

### **Cost allocation**

The Commission has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs 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 outputs. Indirect costs are charged to the output called on-going activities.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

### **Critical accounting estimates and assumptions**

In preparing these forecast financial statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

#### **Estimating useful lives and residual values of property, plant and equipment and intangible assets**

At each balance date, the useful lives and residual values of property, plant, and equipment and intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and intangible assets requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will affect the depreciation or amortisation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position.

#### **Retirement and long service leave**

The liability for retirement and long service leave entitlements is carried at the present value of estimated future cash flows. Two key assumptions used in calculating the retirement and long service leave liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

A discount rate of 5.5% has been used which reflects the expected long-term interest rate on government bonds. A salary inflation factor of 3.5% has been used which is the long-term annual increase in salaries and wages expected by the New Zealand Treasury.

## Critical judgements in applying accounting policies

### Computer software

The Commission must exercise judgement to determine whether expenditure on computer software meets the criteria for recognition as an intangible asset. This includes an assessment of whether the expenditure creates an item that can be identified and separated from the Commission, is under the control of the Commission, and will provide future economic benefits or service potential. This judgement will be based on the facts and circumstances of the expenditure.

### Grants received

The Commission must exercise judgement when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

### Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

## Notes

- 1 General operating costs, such as office accommodation and depreciation, are included in on-going activities.
- 2 'Provided' means that HRC has commenced application of its dispute resolution process under the Human Rights Act to a complaint. The measure does not apply to complaints which are outside the jurisdiction of the Human Rights Act.
- 3 'Undertaken' means that the Office has commenced its decision-making process in respect to the matter. Some matters will not be undertaken, for instance, if they are clearly outside the Office's mandate.
- 4 These are applications for representation and are only received under the Human Rights Act 1993.
- 5 Of receipt of the s 82 material from the Commission, where applicable.
- 6 Of receipt of the s 82 material from the Commission, where applicable.
- 7 The basis for NHRI accreditation is compliance, both in law and practice, with the *Principles Relating to the Status of National Institutions for the Promotion and Protection of Human Rights* adopted by the United Nations General Assembly in 1993. ("the Paris Principles").



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If you have a hearing or speech impairment, you can contact the Commission using the New Zealand Relay Service. NZ Relay is a telecommunications service and all calls are confidential. [www.nzrelay.co.nz](http://www.nzrelay.co.nz)

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