

ERMA
New Zealand



ENVIRONMENTAL RISK MANAGEMENT AUTHORITY
NGĀ KAIWHAKATŪPATO WHAKARARU TAIAO

**ANNUAL REPORT OF
ERMA NEW ZEALAND**

For the year-ended 30 June 1998

CONTENTS

Chairman's Foreword	2
Chief Executive's Summary	3
1. Introduction	4
2. Profiles	4
3. Purpose and Functions	7
4. Mission and Objectives	7
5. Organisation and Management	8
6. Additional Reporting Requirements under S.148 of the Hazardous Substances and New Organisms Act 1996	9
7. Statement of Service Performance	10
8. Statement of Responsibility	15
9. Financial Statements	16
10. Report of the Audit Office.	24

CHAIRMAN'S FOREWORD

The 1997/98 year was characterised by a high level of achievement in readying the Authority and ERMA New Zealand to begin operations – and considerable frustration in not being able to do so because of delays in finalising the HSNO regulations. At the start of the year, our plans were based on full start up on 1 April 1998. This was then postponed to give a split in start dates: 1 July for new organisms and 1 October 1998 for hazardous substances. By year-end, these dates were delayed again – to end July 1998 for new organisms and 1 April 1999 for hazardous substances. The result is that no applications were received, processed or decided upon in 1997/98, when we had fully expected to be well underway by year-end.

The additional time afforded by the delay has not been wasted. It has allowed potential applicants and ERMA New Zealand to explore ways of managing the complexities of the Act as regards hazardous substances, and the backlog of notifications for toxic substances. It has allowed the Authority more time to improve its knowledge in the clearly sensitive areas of new and genetically modified organisms.

A major activity during the year was the completion of the Methodology required under Section 9 of the Act. A series of three consultative documents were issued in mid to late 1997 and intensive consultation was carried out throughout New Zealand. The consultation involved seven regional meetings, seven hui with Māori, and a great deal of individual discussion - which resulted in some 143 submissions. This work was consolidated into a final proposal to Government in mid January 1998. However, the legal requirements for translating the proposed Methodology into the form of an Order-in-Council required substantial editing of the proposal. To preserve as much as possible of the initial detail, the Authority decided to publish the Methodology in annotated form, i.e. with detailed notes accompanying the formal Order-in-Council, and this publication was issued shortly after the end of the financial year. A series of Protocols were also developed to provide further supporting detail.

An important step taken during the year was to establish Ngā Kaihautu Tikanga Taiao, to provide input on Māori perspectives to the work of the Authority. While the membership of Ngā Kaihautu took some time to settle, its steady progress owed a great deal to the energy and commitment of the Chairperson, Ms Leatrice Welsh. The Authority expects Ngā Kaihautu to be an important and positive influence in HSNO operations, for both the Māori community and applicants.

The detail of establishment work is set out in the Chief Executive's Summary, which follows. As indicated above, this work was originally aimed for completion by 1 April 1998, but in the event was spread out over the entire year. The extra time was well used and enabled the Authority to be that much more robust in its preparations. However, the extension also led to a deliberate slowdown in the rate of staff recruitment and allowed capital expenditure on infrastructure to occur in a more measured way.

Perhaps the most pleasing aspect of the year has been the growing sense of common purpose within the membership of the Authority, and with the staff of ERMA New Zealand led by the Chief Executive. The level of competence and achievement demonstrated at all levels has also been very satisfying. We stand well placed for a successful first year of operations in 1998/99.



W J Falconer
Chairman
ERMA New Zealand

CHIEF EXECUTIVE'S SUMMARY

The 1997/98 year has been one of growth and development for ERMA New Zealand. While initially aimed at an operational start date of 1 April 1998, the delay of commencement meant that the pace of establishment was moderated and the infrastructure for full operation could be more comprehensively and robustly set in place.

The work of ERMA New Zealand fell into two broad areas in 1997/98, namely **Policy Advice** and **Establishment**. However, the distinction between the two often became blurred.

In the Policy Advice area, the major activity was the development of a proposed Methodology for Part V decision-making and a set of accompanying Protocols (Authority policy statements). A major consultation exercise was carried out as a part of the development of the Methodology. Although a proposed Methodology was completed by mid January 1998, the formal Order-in-Council was not approved until year-end because of the requirements of the legislative process. A total of seven Protocols were developed during the year to support the Methodology. Considerable work was also completed on draft regulations for application forms and prescribed information. Advice was also provided on pricing policy, and to the Ministry for the Environment on HSNO regulations.

A variety of activities made up the Establishment task. A major priority was to build up a top quality and committed staff. At the start of the year ERMA New Zealand had a staff of 3. By year-end, this had grown to 22 and included a full complement of 5 managers covering each key area of expertise. A move into purpose-designed accommodation was accomplished in April 1998, and installation of a specifically designed information technology (IT) system had reached the stage of acceptance testing by the end of the year. These infrastructural investments were achieved at a total capital cost significantly less than the estimate in the Business Case presented to the Government in October 1997.

The processes in the HSNO Act are novel in several respects. During the year, a full set of operational policies and procedures were established and tested, covering every facet of decision-making. This work culminated in a major "training" seminar for the Authority and ERMA New Zealand staff in May 1998. An information programme was also implemented, aimed at informing all stakeholders of our progress. Key publications in this programme included the newsletter "Perspective" and the quick guide series. An ERMA New Zealand website was also established to provide internet access to these publications, and to the public register required by the HSNO Act. A major conference for over 300 stakeholders was held in Auckland in June 1998.

One of the more difficult areas in the HSNO Act is that of enforcement. A large number of agencies (about 80) are potentially involved and ERMA New Zealand's role is primarily that of monitoring and reporting. It was nevertheless decided to take a very active interest in enforcement arrangements because of the importance of compliance in achieving the objectives of the Act. To this end, information on HSNO was widely distributed and a number of regional workshops were held to inform the relevant agencies and identify issues. This work will be taken a stage further in 1998/99.

The main features of the financial results for 1997/98 are the less than expected levels of both operational and capital expenditure. The operating surplus of \$211,000 largely reflects the delay in commencement and thus the effective transfer forward of some establishment expenditure into the 1998/99 year. There was no income from fees because there were no applications to receive.

Despite some frustration through the delays in commencement, 1997/98 was one of solid achievement for ERMA New Zealand. We are now well positioned for a successful start to operations in 1998/99. That result owes much to the high calibre, dedication and enthusiasm of the ERMA New Zealand staff, to whom I express my thanks and appreciation. Progress has also benefited from the strong support and wise guidance of the Authority.



Bas Walker
Chief Executive
ERMA New Zealand

1 INTRODUCTION

The following terminology is used in this document:

The Environmental Risk Management Authority (the Authority) comprises the Members appointed under the HSNO Act. The statutory functions set out in the Act apply to the Authority. ERMA New Zealand is the organisation established to carry out operations in support of the Authority and is led by the Chief Executive. The Members of the Authority also comprise the governing board of ERMA New Zealand.

This is the second annual report to be presented for the Environmental Risk Management Authority. It outlines further progress in establishing ERMA New Zealand and moving toward the commencement of the HSNO Act.

It was fully expected that the full statutory functions of the Authority - in assessing, monitoring and reviewing hazardous substances and new organisms - would commence during the year. However, this did not happen because the regulations enabling the commencement of the Act were not completed within the financial year. This change significantly altered actual performance relative to that set out in the Statement of Intent. Changes to the Purchase Agreement with the Minister for the Environment were negotiated during the year to reflect this, and the Statement of Service Performance set out in this report thus appropriately reflects both documents.

2 PROFILES

2.1 Authority Members

The following Authority members served during 1997/98:

W J (Bill) Falconer LLB, Chair

Bill Falconer has a background in law and policy development. He currently chairs Hellaby Holdings Limited and the St Lukes Group Ltd. He also served as the Chair of the Government's Working Group on CO₂ policy.

Oliver Sutherland BSc(Hons), PhD, Deputy Chair

Oliver Sutherland is General Manager, Weeds and Pests at Manaaki Whenua - Landcare Research. He has experience in the introduction of new organisms to New Zealand, research on pest control and has been involved in the development of genetically modified plants. His academic background is in zoology and entomology.

Helen R Hughes CBE, MSc(Hons), MS, Hon DSc

Helen Hughes was Parliamentary Commissioner for the Environment between 1987 and 1996. She has an academic background in plant ecology, and was formerly employed as a scientist by the Department of Scientific and Industrial Research. She is also a member of the Board of the Cawthron Institute and the Board of The World Wide Fund for Nature WWF NZ; and is a member of the NZ Academic Audit Unit of the NZ Vice Chancellors Committee.

Terry Lomax MSc(Hons), PhD, MNZIC

Terry Lomax is a senior scientist with the NZ Forest Research Institute in Rotorua. He was a member of the Interim Assessment Group for the introduction of genetically modified organisms. His academic background is in physical organic chemistry and colloidal polymers. His tribal affiliation is Te Iwi o Ngapuhi. He has experience in Treaty of Waitangi issues.

John Maasland, MA

John Maasland is Chairman of the Airways Corporation of NZ Ltd and was formerly Chief Executive of Wilson and Horton Ltd. He remains a Director of Wilson and Horton. He is a past President of the New Zealand Chemical Industries Council, having worked for ICI in various capacities from 1969-1983. He began his career as a legal officer for the Ministry of Foreign Affairs and Trade.

Lindie Nelson MSc, PhD

Lindie Nelson is a senior policy analyst with the Ministry of Fisheries. Her academic experience is in resource management and agricultural economics.

Professor Barry Scott BSc(Hons), PhD

Barry Scott is Director of the Massey University Centre for Gene Research and Technology, based in the Institute of Molecular BioSciences. Professor Scott is a molecular geneticist and has published widely on microbial gene research. He is a member of the BSE Science Expert Panel and also chaired the Interim Assessment Group responsible for recommendations to the Minister for the Environment on field testing of genetically modified organisms.

Professor Alastair Scott MSc, PhD Chic., FRSNZ

Alastair Scott is Professor of Statistics and was formerly Head of the Department of Statistics at the University of Auckland. His area of research is medical statistics and sample theory. Professor Scott resigned from the Authority in January 1998.

2.2 Ngā Kaihautu Tikanga Taiao

The Authority has established an advisory group of Māori experts, Ngā Kaihautu Tikanga Taiao. The Authority will seek advice from Ngā Kaihautu Tikanga on Part V applications with significance for Māori, and on general policy or other proposals.

While members of Ngā Kaihautu Tikanga provide specialised advice, particularly in the area of Tikanga Māori, they have not been appointed as mandated representatives of iwi or hapū. The Chairperson of Ngā Kaihautu Tikanga Taiao attends governance meetings of the Authority.

Ngā Kaihautu may recommend that one or more of its members be appointed onto a special committee to consider applications that raise issues of significance to Māori.

The establishment of Ngā Kaihautu Tikanga Taiao as a forum for providing Māori input to the work of ERMA New Zealand, is a requirement of the Methodology set down by Order-in-Council under Section 9 of the HSNO Act. Ngā Kaihautu is formally an advisory committee established under Clause 42 of the First Schedule to the Act.

The Members of the Committee who served during the 1997-98 year are:

Leatrice Welsh (Chairperson)**NgāPuhi/Ngāti Whātua**

Leatrice Welsh is from Northland and is the Chairperson of Te Kotahitanga o te Taitokerau, and a member of the Northland Conservation Board.

Claude Edwards**Whakatōhea/Ngāti Porou/Ngāitai.**

Claude Edwards is a kaumatua and Claim Manager for the Whakatōhea raupatu claim. An experienced negotiator with high standing in the community, he has experience in farming and the primary production sector. He has wide knowledge of environmental issues and particular knowledge of native fauna and flora. Mr. Edwards resigned on 31 March 1998

Gerrard Albert**Whanganui**

Gerrard Albert is the Manager of Māori Perspectives with the Manawatu/Wanganui Regional Council.

Maryanne Baker**NgāPuhi/NgātiWai/Whangaroa**

Maryanne Baker has a Masters degree in pharmacy and Bachelor of Commerce in business management and works as a pharmacist. She is also Chairperson of Te Tii (Waitangi) B3 Trust and is also a trustee of the Ngāti Hine Forestry Trust.

Anake Goodall**Ngāi Tahu**

Anake Goodall has an MBA from Canterbury University and is Claims Manager for Te Runanga o Ngai Tahu. His background is in resource management and the meat industry.

2.3 Chief Executive and Senior Staff of ERMA New Zealand

Chief Executive, Bas Walker BE(Chem), PhD, C.Eng., FIPENZ, MIChem.E

Bas Walker was previously the Principal of Aspen Consulting, specialising in public sector management and policy development. Prior to that, he held three chief executive positions in public service departments, comprising the Ministry of Research, Science and Technology, the Ministry of Defence and the Ministry of Energy. His earlier career was spent as a scientist in the Department of Scientific and Industrial Research (DSIR).

Kevin Currie, Manager Operations

Kevin has qualifications in biology and water and soil management. He has extensive experience in local government including periods with the Otago Catchment Board and the Wellington Regional Council where he managed consents and investigations. Kevin is responsible for processing applications to the Authority and monitoring compliance with its decisions.

Donald Hannah, Manager Science and Research

Donald holds a PhD in chemistry. He has a high reputation in New Zealand and internationally as a scientist in the field of toxic chemicals. He came to ERMA New Zealand from the Institute of Science and Research Ltd (ESR) where he was Principal Scientist. He joined ESR in 1992 and before this he worked for DSIR in food and environmental organic chemistry.

Stephen Thornton, Manager Policy and Analysis

Stephen has an MSc in Resource Management. Before joining ERMA New Zealand he was Policy and Strategic Planning Manager at the Energy Efficiency and Conservation Authority (EECA). As with ERMA New Zealand, Stephen Thornton joined EECA during its establishment phase. He has held a wide range of senior positions involving policy development and strategic planning.

Karen Cronin, Manager Communications

Karen has qualifications in geography and resource management. She has wide experience in environmental and social policy, marketing and corporate communications, and has worked in central and local government and the community sector. Karen is responsible for communications, public consultation and public awareness programmes.

Ian Johnson, Manager Corporate Services

Ian has a BCA in accountancy and is a Chartered Accountant. He joined ERMA New Zealand with 24 years of finance and administration experience in a variety of industries and different sized companies. For the past nine years he was with Telecom Mobile Communications, mainly as Financial Controller. Ian's experience includes establishing a company, setting up financial systems, and managing corporate services including financial and office administration, information systems and legal affairs.

3

PURPOSE AND FUNCTIONS

The purpose of the Authority derives from the purpose of the Hazardous Substances and New Organisms (HSNO) Act 1996 which is to protect the environment, and the health and safety of people and communities, by preventing or managing the adverse effects of hazardous substances and new organisms (Section 4 of the Act). The statutory functions of the Authority in relation to this purpose are:

1. Under Part V of the Act, to determine whether to approve applications for the import or manufacture of hazardous substances; and the import, development, field testing or release of new organisms (Section 25).
2. Under Part VI of the Act, to implement controls on hazardous substances including classification and test certifiers; and to report on transferable permits and environmental user charges.
3. Under Parts XI to XVI of the Act, to implement the transitional provisions for approvals and controls covering pesticides, toxic substances, dangerous goods, explosives and new organisms.
4. Under Section 11(a) of the Act, to give advice to the Minister for the Environment (the Minister) on any matter relating to the Act but especially compliance, inconsistencies in the treatment of hazardous substances and new organisms between the HSNO Act and other legislation, and environmental user charges.
5. Under Section 11(b) of the Act, to monitor and review the effectiveness of the Act in reducing adverse effects, and its enforcement.
6. Under Section 11(c) of the Act, to promote awareness of the adverse effects of hazardous substances and new organisms on people or the environment, and of the prevention or management of those effects.
7. Under Section 11(d) of the Act, to contribute to and cooperate with international forums and carry out international obligations.
8. Under Section 11(e) of the Act, to carry out enquiries into incidents or emergencies involving hazardous substances or new organisms.
9. Under Section 11(f) of the Act, to keep registers of information relating to applications to, and decisions by, the Authority on hazardous substances and new organisms and for other approvals, and as is considered necessary to effectively administer the Act.

4

MISSION AND OBJECTIVES

The overall mission of the Authority as stated in the 1997/98 Statement of Intent is to:

Ensure that the risks associated with the introduction of hazardous substances and new organisms to New Zealand are cost effectively managed so as to protect the environment and human health and safety while taking into account costs and benefits for the whole New Zealand community.

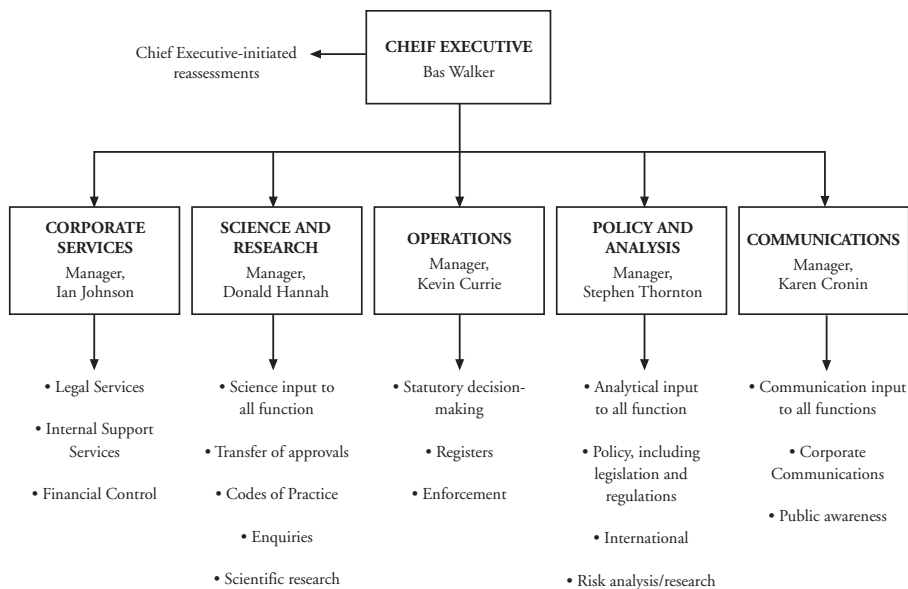
The Statement of Intent also sets out the specific objectives of the Authority for 1997/98, which are to:

1. Complete the establishment process for the Authority so that a sound and robust Methodology and administrative structures are created for considering applications under Part V of the HSNO Act, and carrying out the other functions of the Authority.
2. In conjunction with the existing agencies, establish a basis for implementing the transitional provisions of the Act.
3. Establish a presence for the Authority with key stakeholders including Ministers, departments, enforcement agencies, the Māori community, potential applicant groups, special interest groups and science providers.
4. Initiate consideration of a first group of applications under Part V of the HSNO Act.
5. Create a strategic basis for the further development of ERMA New Zealand and the achievement of its mission, for the 3 years beginning in 1998/99.

5 ORGANISATION AND MANAGEMENT

During the year, the staff of the Authority grew from 3 to 22. The focus was on recruitment for science, policy and risk analysis skills, and in creating a core of support skills in areas such as finance, legal, communications and administration. The calibre of the staff is very high and will provide an excellent platform for further growth.

The organisational structure of ERMA New Zealand is set out in the diagram below. The management group comprises the five Group Managers and the Chief Executive. Group functions are noted on the diagram. A feature of the structure is the concentration of specialist skills in particular groups, but with those skills then contributed to operational tasks on a project basis.



During the year, ERMA New Zealand relocated to purpose-built facilities at 20 Customhouse Quay, Wellington. The facilities include a dedicated suite of meeting rooms that will be used, amongst other things, for hearings. The staff facilities have a maximum capacity for approximately 35 people.

As a part of the initial development, a basic set of organisational policies and procedures was established. These will be extended and revised as time permits.

A major asset of the organisation is its information technology (IT) system, including the ERMA New Zealand website. At year-end, the system was at the stage of acceptance testing and the processing of changes to achieve the planned functionalities. The system is built from Microsoft software and features a single integrated database describing the processing of all applications, submissions and decisions, and recording all contacts with ERMA New Zealand. The database has a high level of security to protect confidential information, but those parts which comprise the public register are readily accessible from the website.

ADDITIONAL REPORTING REQUIREMENTS AS REQUIRED UNDER SECTION 148 OF THE HAZARDOUS SUBSTANCES AND NEW ORGANISMS ACT 1996

6.1 Interim reporting requirements (S. 148 (a))

The Purchase Agreement with the Minister for the Environment required quarterly reports to be made to the Minister within one month of the end of each quarter. Reports were provided as specified although reporting times were exceeded by a few days in some cases.

6.2 Contribution of the Act to the health and safety of people and the environment, and to the reduction of HSNO risks (S. 148 (b))

Because the Act did not commence within the reporting year, no direct contribution by decision-making under the Act was possible. However, the establishment activities of ERMA New Zealand had some important indirect impacts.

These were first in raising awareness of the Act and of the need to consider and assess HSNO risks. Awareness was initially raised through the consultation programme on the Methodology carried out in 1997. The discussions on the Methodology were especially important in highlighting the need to identify and assess risks. This impact was further strengthened through the process of developing and consulting on the first seven Protocols. The Methodology and the Protocols provided a comprehensive framework for thinking about HSNO risks which had not previously existed. A trend also evident through the year was of the growing number of businesses becoming aware of HSNO type risks in their businesses for the first time.

The other impact was in raising consciousness about the need for compliance, not just for the HSNO Act in the future but for existing legislation as well. This was dramatically illustrated by the rise in the number of notifications under the Toxic Substances Act, from about 6,000 at the time the HSNO Act was enacted to about 50,000 by 30 June 1998.

6.3 Number and type of incidents caused by inadequate management of hazardous substances and new organisms (S. 148 (c)).

Because the Act had not commenced no action was taken to monitor and evaluate incidents involving hazardous substances or new organisms.

6.4 Decisions under Section 62 of the Act on grounds for reassessment of a substance or new organism (S. 148 (d)).

Because the Act had not commenced no decisions on grounds for reassessment were made or were possible.

6.5 Other matters significant in the management and use of hazardous substances and new organisms (S. 148 (e)).

No work was planned or carried out during the year on the investigation or use of environmental user charges.

Two other matters of broad significance arose. The first was the need to consider amendments to the Act to clarify its meaning and to further improve the processes set out in the Act. Points of immediate concern raised by the Authority included the use of the "every person" phrase in Section 28 (and other Sections) of the Act; the need to clarify basic definitions and interpretations; the difficulties created by having to regulate for administrative matters such as application forms; and the inability of the Act to provide a relatively simple and low cost process for dealing with low risk hazardous substances.

The other matter of concern was creating an effective compliance and enforcement regime, given the complexity of the regime set down in the Act; and the need for enforcement agencies to respond effectively to enforcement matters going beyond those applying in the past. The Authority will monitor enforcement activity after commencement carefully to see whether these concerns become an issue in practice.

STATEMENT OF SERVICE PERFORMANCE

The Statement of Service Performance set out below is based on the 1997/98 Statement of Intent, but incorporates modifications made to the Purchase Agreement with the Minister during the year, to reflect progressive delays in the commencement of the Act. (Modifications from the Purchase Agreement are in italics.)

The output specifications effectively incorporate all of the objectives set out above. The Statement of Service Performance therefore also comprises a Statement of Achievement of Objectives.

■ Output 1: Establishment

This output comprises the set up of the Environmental Risk Management Authority (ERMA New Zealand).

Output specification

- 1.1 Provision to the Minister of a strategic business plan for the period beginning in 1997/98 and a Business Case to support the capital and output appropriations for ERMA New Zealand; with this to be achieved by 31 August 1997 and so that the Business Case meets all of the standard requirements including Cabinet Office guidelines.

Performance Report

The business plan and Business Case were provided to the Minister in early September 1997. The Business Case was constructed to meet the standard requirements including Cabinet Office guidelines.

Based on this material, a capital contribution for ERMA New Zealand was approved by Cabinet in late 1997.

Output specification

- 1.2 Publication of a policy on fees and charges, in accordance with Section 21 of the HSNO Act, to be achieved by 30 September 1997.

Performance Report

See also item (3.3)

A proposed policy on fees and charges was published for comment in November 1997.

Based in part on submissions, a revised policy and associated schedule of charges was prepared in January 1998, but not progressed further pending consideration by Cabinet of several interacting factors. These included pricing policy and the review by Treasury of existing funding in other departments for pre-HSNO activities of the same type.

The revised policy was also extended from the initial draft to include charges for transitional decision-making, enforcement and (potentially) transfer of notified toxic substances.

In order to protect the Authority's ability to legally implement fees and charges upon commencement of the Act, the proposed charges for new organisms only (not approved) were publicly notified in accordance with Section 21(2)(a) of the Act, in May 1998.

Output specification

- 1.3 Administrative and support structures, processes and resources in place to enable applications under Part V to be considered so that structures, systems and processes are sufficiently robust to enable initial applications to proceed smoothly, and consideration of applications able to proceed from 1 April 1998.

[Modified to apply only to new organism applications as from 1 July 1998.]

Performance Report

Internal policies and procedures for Part V decision-making were established, including pre-application processes, processing of applications, notifications, considerations, reassessments, internal delegations, appointment of committees, hearings, external delegations and Ministerial call-ins. These processes were as far as practicable, linked to the IT platform.

A full resource requirements assessment was completed including both numbers of applications and unit costs. This was based partly on previous experience by other agencies, but with considerable modification to reflect the novel character of the HSNO Act. In the case of GMO applications, a full market survey was carried out, but this has still to be done for other types of applications. The results provided input to the formulation of the 1998/99 business plan.

A significant commitment was made to the preparation and release of information for applicants and others. This included the publication of Protocols to underpin and extend the Methodology required by the Act; and of a series of “Quick Guides” covering a range of subjects. This information has been progressively placed on the ERMA New Zealand website.

The Regulation covering forms and prescribed information was completed in March 1998 ready for Cabinet processing. The proposed Regulation was then translated into draft forms for applicant use which were used during the practical sessions at the ERMA New Zealand conference in June 1998.

During the year, a special advisory committee (Ngā Kaihau Tikanga Taiao) was established, to provide input to the Authority on Māori perspectives. Agreement was reached between the Authority and Ngā Kaihau on arrangements for their operations. Guidelines for assessing Māori impacts were in advanced draft form by year-end.

A training programme on new organisms decision-making for Authority Members and staff was carried out in May 1998. This included a full “mock” hearing.

Output specification

- 1.4 The executive of the Authority is in place and able to undertake the full implementation of all of the functions of the Authority from 1 July 1998, *in respect of new organisms*.

Performance Report

Work on the establishment of ERMA New Zealand included the appointment of staff and supporting administrative arrangements, and the establishment of the infrastructure including accommodation and an information technology (IT) system.

Over the course of the year, staffing increased from an initial level of 3 to 22. The management team was completed in early 1998. Staff were appointed to cover the full range of skills required for initial operations. Administrative support services were set in place, including legal, administrative, financial, human resources and secretarial; but not yet including an operational library. The in-house financial system was in place and operating by year-end. A basic set of management policies was set in place. A “corporate image” including logo, name and publication design was completed.

The move to 20 Customhouse Quay as ERMA New Zealand’s “permanent” home was completed in April, although some aspects of the fitout were still being tidied up at year-end. The facilities include a public area (for hearings and meetings) on Level 1 and a staff area on level 2.

Installation of an initial IT platform was completed by year-end, although the system still had to complete full acceptance testing.

A basic website was in place by year-end.

Output specification

- 1.5 Initial relationships established with all key stakeholders by 31 October 1997. Stakeholders include all those with a significant interest in the activities of the Authority.

Performance Report

Initial relationships were established with all “accessible” stakeholders during the consultation process carried out in the latter half of 1997.

These were progressively firmed up and extended through a number of initiatives including individual meetings and visits, regular forums and corporate functions. ERMA New Zealand representatives attended the regular Ministry for the Environment meetings with industry, NGOs and professional groups. Relationships with industry groups and key departments were given particular emphasis. Links with the Māori community were focused through Ngā Kaihau but built on the results of the seven regional hui held in late 1997. Opportunities for linkages with NGOs were followed positively as they became apparent.

A major conference on HSNO and ERMA New Zealand was held in Auckland in mid June. There were approximately 300 participants representing a wide spectrum of interests. The conference provided a valuable opportunity to extend relationships.

Two issues of the ERMA New Zealand newsletter (Perspective) were published; the first focused on the Methodology and HSNO generally, and the second focused on new organisms.

A corporate profile was published and was released at an “opening function” held in April 1998.

A stakeholder database was established and contained 686 entries at year-end.

Output specification

1.6 Establishment of an operating framework meeting the registry requirements of Section 20 of the Act and for meeting the information requirements of the Authority itself, to be achieved by 30 June 1998, *in respect of new organisms.*

Performance Report

A database for applications was installed ready for operation. This database fulfils the obligation under Section 20 to maintain a register of applications and approvals, and also is the core facility for managing the processing of applications.

Output specification

1.7 Arrangements for the implementation of the transitional provisions of the Act to be in place by 1 April 1998.
Plan to be in place by 1 July 1998, in respect of new organisms.
To provide a basis for this, an implementation plan will be formulated by 31 October 1997.

Performance Report

The implementation plan was completed and promulgated internally in late 1997. Because of the delay in commencement, it was then used as a resource document for forward planning rather than as a firm plan itself. No action was necessary with respect to new organisms. All transitional activities are covered by the Regulations made under the Act.

For hazardous substances, the transitional requirements are quite complex. For transfer of substances, the major problem which emerged during the year was that of NOTS (notified toxic substances) for which there is no assessment information. There could be 90,000 in number. A strategy for dealing with NOTS was developed for discussion with industry. Arrangements for transitional decision-making were investigated through a series of working parties with the agencies having the current responsibility (MAF, OSH, Ministry of Health). Arrangements have yet to be confirmed with any agency.

Output specification

1.8 *Arrangements for the implementation of the enforcement provisions of the Act to be in progress toward achievement by 30 June 1998; for new organisms by the commencement date currently expected to be 17 July 1998, and for hazardous substances by the commencement date currently expected to be 1 April 1999.*

Performance Report

At year-end, a report to the Minister on arrangements for new organisms enforcement was in preparation. These arrangements were envisaged to involve complementary roles for MAF and OSH: MAF because of the Biosecurity Act and OSH because of Section 97 of the HSNO Act. The key role will be carried out by MAF and this makes the arrangements relatively simple.

Arrangements for hazardous substances enforcement will be more complex. This is largely because each territorial authority has inspection and enforcement responsibilities, giving a total of over 80 different enforcement agencies if central agencies are included.

In June 1998, a series of four seminars aimed at territorial authorities was held jointly with the Department of Labour. These were well attended and set the scene for future co-ordination between territorial authorities and other enforcement agencies.

Output 1: Financial Performance

Actual	Budget
30-Jun-98	30-Jun-98
\$	\$
1,587,269	1,572,000

■ Output 2:

Assessment, Monitoring and Review of Hazardous Substances and New Organisms

This output comprises carrying out of the statutory functions of the Authority, including decisions on the introduction, control and review of hazardous substances and new organisms; monitoring of enforcement; and the implementation of the transitional provisions.

Output specification

- 2.1 Consideration of all formal applications received under Part V of the HSNO Act; so that all applications are acknowledged within five working days of receipt and all of the timing requirements of the HSNO Act are met.

Performance Report

No applications were able to be received or considered because of the delay in the commencement of the Act.

Output specification

- 2.2 Implementation of the transitional provisions of the HSNO Act; so that a full implementation plan is formulated by 31 October 1997 and the implementation plan fully implemented as from 1 April 1998.

Performance Report

See (1.7) above.

Output 2: Financial Performance

Actual	Budget
30-Jun-98	30-Jun-98
\$	\$
-	599,000

■ Output 3: Policy Advice

This output comprises providing advice to the Minister in accordance with the requirements of the HSNO Act, and as otherwise agreed.

Output specification

- 3.1 Proposal to the Minister for a Methodology for dealing with applications under Part V of the HSNO Act; with draft proposals published for public consultation by 15 August 1997; a final proposal achieved by mid-December 1997; and so that the final proposal incorporates consideration of the results of public consultation and the views of officials and is able to be approved by Order-in-Council without further significant modification.

Performance Report

Preparation of a proposed Methodology was a major task for the Authority in 1997/98.

A draft Methodology was issued on 18 August 1997 and a full 3 months were allowed for submissions. Companion documents were subsequently released dealing with supporting policies and procedures. Some 143 submissions were received.

A full summary of submissions was prepared and circulated to stakeholders. Based on submissions and the Authority's own analysis, a revised Methodology proposal was released to the Minister and to stakeholders in mid January 1998. A commentary on this Methodology in relation to submissions was provided to the Minister to complete the requirements of Section 9 of the Act.

The final proposed Methodology had wide acceptance from both officials and those making submissions. The Methodology was then translated into the legal form of an Order-in-Council. This was not achieved until April 1998 because of the difficulty of matching policy with statutory constraints. The final draft Order was considerably edited down from the policy proposal. At the end of the year, the Order had still to be formally approved and promulgated.

The constraints on the Order-in-Council placed increased emphasis on the supporting Protocols being developed by the Authority. An initial block of seven Protocols was completed and circulated during the year. The subjects covered included: identification and assessment of risks, costs and benefits; combined consideration of risks, costs and benefits; taking account of international obligations; overseas approvals; decision paths; interpretations and definitions; and parallel approvals.

Output specification

- 3.2 Comment provided on technical papers prepared by the Ministry for the Environment and received after 1 September 1997 (none beforehand) concerning regulations under the HSNO Act; with comments provided within 15 working days of receipt.

Performance Report

Draft papers received covered the proposed threshold regulations, most of the classification regulations and some of the control regulations. Comments provided ranged from specific points such as testing methods for oxidising substances and standards for exposure limits to toxicity, to general comments on the scope of disposal options. Extensive technical input was also provided to the new organism regulations.

Comments were generally provided within the time limit.

Output specification

- 3.3 *Report provided to the Minister for incorporation in a paper to Cabinet, summarising the comments received by ERMA New Zealand on its proposed fees and charges, the level of fees and charges to apply after considering submissions, and the implications for risks to Crown funding arising from implementation; with this report to be provided by mid February 1998.*

Performance Report

An analysis of public submissions was completed, the pricing policy subsequently revised, a new schedule of charges prepared, and this material together with the analysis of submissions incorporated in a draft Cabinet paper. This material was ready by the end of February 1998.

However, the Cabinet paper as a whole was held back to enable a number of other issues to be resolved. These included the disposition of funding from the old administering departments, to reflect the transfer of their functions to ERMA New Zealand. These issues were still unresolved at the end of the year.

Output specification

- 3.4 *Provision of information to Treasury, as appropriate and as requested, to assist in Treasury's investigation of how much funding should transfer from other departments to ERMA New Zealand, to reflect the transfer of functions.*

Performance Report

A request for information was received from Treasury in October 1997 and a response provided. This response was discussed with the Ministry for the Environment prior to forwarding. There were no further requests from Treasury, or any feedback on the material provided, by the end of the year.

Output 3: Financial Performance

Actual	Budget
30-Jun-98	30-Jun-98
\$	\$
678,441	460,000

8

STATEMENT OF RESPONSIBILITY

In the financial year-ended 30 June 1998 the Board and management of the Environmental Risk Management Authority were responsible for:

- The preparation of the financial statements and the judgements used therein.
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and the management of the Environmental Risk Management Authority the financial statements for the financial year fairly reflect the financial position and operations of the Authority.



W J Falconer
Chairman

28 September 1998



Bas Walker
Chief Executive

28 September 1998

FINANCIAL STATEMENTS

9.1 Statement of Accounting Policies for the year-ended 30 June 1998

Reporting entity

The Environmental Risk Management Authority is a Crown entity as defined in Section 2 of the Public Finance Act 1989. The Environmental Risk Management Authority was established under the Hazardous Substances and New Organisms Act 1996 and commenced activities on 9 October 1996.

These financial statements have been prepared in accordance with Section 41 of the Public Finance Act 1989.

Measurement system

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

Accounting policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied:

(i) Budget Figures

The budget figures are those approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

(ii) Revenue

The Environmental Risk Management Authority derives revenue through the provision of outputs to the Crown, the application of fees and charges and interest on money in its bank account. Such revenue is recognised when earned and is reported in the financial period to which it relates.

(iii) Leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

(iv) Fixed assets

All fixed assets are recorded at historical cost. Fixed assets are recognised as individual items which have a useful life greater than one year.

Losses and gains on disposal of fixed assets are taken into account in determining the operating result for the year.

(v) Depreciation

Depreciation of fixed assets is calculated on a straight line basis so as to allocate the cost of the assets, after recognising residual values, over their useful lives. The estimated useful lives and associated depreciation rates used in the preparation of these statements are as follows:

	Depreciation Rate (%)	Residual Value	Useful Life (Years)
Furniture and fittings	16.7	Nil	6
Office equipment	16.7	Nil	6
Leasehold improvements	16.7	Nil	6
Computer software	20-33	Nil	3-5
Computer hardware	33	Nil	3

(vi) Employee entitlements

Provision is made in respect of the Environmental Risk Management Authority's liability for annual leave. The annual leave provision has been calculated on an actual entitlement basis at current rates of pay.

(vii) Investments

Investments are stated at the lower of cost and net realisable value.

(viii) Statement of cash flows

Cash means cash balances on hand and money held in bank accounts.

Operating activities include cash received from all income sources of the Environmental Risk Management Authority and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in the equity and debt capital structure of the Environmental Risk Management Authority.

(ix) Financial instruments

The Environmental Risk Management Authority is party to financial instrument arrangements as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses relating to financial instruments are recognised in the Statement of Financial Performance. The Authority has not entered into any off-balance sheet transactions.

All financial instruments including cash and bank, and accounts payable are recognised at their fair value.

(x) Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis, with the exception of accounts payable which are stated GST inclusive. GST payable at balance date is included in Accounts Payable.

(xi) Taxation

The Environmental Risk Management Authority is exempt from income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

(xii) Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations.

(xiii) Contingencies

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

(xiv) Cost of Service Statements

The Cost of Service Statements, as reported in the Statement of Objectives and Service Performance, report the net cost of services for the outputs of the Authority and are represented by the costs of providing the Authority these activities.

Cost allocation

The net cost of service for each significant activity has been derived using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for direct and indirect costs

“Direct Costs” are those costs directly attributable to a significant activity.

“Indirect Costs” are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect costs

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

For the year ended 30 June 1998, indirect costs accounted for 85% of the Environmental Risk Management Authority’s total costs.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

9.2 Statement of Financial Performance for the Year-ended 30 June 1998

	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$	Actual 30-Jun-97 \$
Revenue			
Fees	-	180,000	-
Crown revenue	2,435,556	2,435,000	519,111
Interest income	41,401	16,000	330
Total Revenue	2,476,957	2,631,000	519,441
Expenditure			
Personnel	1,039,029	1,022,000	151,997
Consultant & contract costs	258,248	345,000	67,311
Establishment costs*	-	100,000	-
Rental Expense	82,580	120,000	18,186
Depreciation	90,838	263,000	11,091
Loss on sale of assets	4,957	-	-
Equipment maintenance & support	79,679	100,000	6,255
Other operating costs	337,733	150,000	52,967
Audit expenses	10,000	20,000	7,600
Board expenses	137,391	180,000	110,311
Travel costs	127,830	60,000	2,151
Consultation process*	-	100,000	-
Capital charge	97,425	171,000	-
Total Expenditure	2,265,710	2,631,000	420,269
Net Surplus for the period	211,247	-	91,572

*Costs for these items have been charged over the other cost lines.

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

9.3 Statement of Movements in Equity for the Year-ended 30 June 1998

	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$	Actual 30-Jun-97 \$
<i>Public Equity as at 1 July 1997</i>	91,572	91,572	-
Capital contribution from the Crown	1,863,000	2,239,000	-
Net surplus for the period	211,247	-	91,572
<i>Total recognised revenues and expenses for the period</i>	211,247	-	91,572
<i>Public Equity as at 30 June 1998</i>	2,165,819	2,330,572	91,572

9.4 Statement of Financial Position as at 30 June 1998

Notes	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$	Actual 30-Jun-97 \$
PUBLIC EQUITY			
Retained earnings	302,819	91,572	91,572
Capital contribution	1,863,000	2,239,000	-
<i>Total Public Equity</i>	2,165,819	2,330,572	91,572
Represented by:			
ASSETS			
<i>Current assets</i>			
Cash and bank	174,380	300,000	83,565
Term deposit	5 850,000	378,000	-
Crown debtor	442,000	-	-
Debtors and prepayments	4 13,033	-	-
<i>Total current assets</i>	1,479,413	678,000	83,565
<i>Non-current assets</i>			
Fixed assets	1 1,388,381	2,067,238	91,238
<i>Total assets</i>	2,867,794	2,745,238	174,803
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable and accruals	2 658,123	414,666	79,038
Employee entitlements	3 43,852	-	4,193
<i>Total current liabilities</i>	701,975	414,666	83,231
NET ASSETS	2,165,819	2,330,572	91,572

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

9.5 Statement of Cash Flows for the Year-ended 30 June 1998

	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$	Actual 30-Jun-97 \$
CASHFLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Fees	-	180,000	-
Supply of outputs to the Crown	2,435,556	2,435,000	519,111
Interest received	34,430	16,000	330
	2,469,986	2,631,000	519,441
<i>Cash was applied to:</i>			
Payment to employees	(937,645)		
Payments to suppliers	(819,853)	(2,036,565)	(333,547)
	(1,757,498)	(2,036,565)	(333,547)
<i>Net cash flows from operating activities</i>	712,488	594,435	185,894
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was applied to:</i>			
Purchase of fixed assets	(1,192,673)	(2,239,000)	(102,329)
<i>Net cash flows from investing activities</i>	(1,192,673)	(2,239,000)	(102,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Capital contributions	1,421,000	2,239,000	-
<i>Net cash flows from financing activities</i>	1,421,000	2,239,000	-
<i>Net increase in cash held</i>	940,815	594,435	83,565
Plus opening cash	83,565	83,565	-
<i>Closing cash balance</i>	1,024,380	678,000	83,565

9.6 Reconciliation of the Net Operating Surplus to Net Cash Flows from Operating Activities for the Year-ended 30 June 1998

	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$	Actual 30-Jun-97 \$
<i>Net operating surplus</i>	211,247	-	91,572
<i>Add non-cash items:</i>			
Depreciation	90,838	263,000	11,091
<i>Total non-cash items</i>	90,838	263,000	11,091
<i>Add/(less) movements in working capital items</i>			
Increase in debtors & prepayments	(13,033)	-	-
Increase in accounts payable & accruals	383,777	331,435	79,038
Increase in employee entitlements	39,659	-	4,193
	410,403	331,435	83,231
<i>Net cash flow from operating activities</i>	712,488	594,535	185,894

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

9.7 Output Costs

	Actual 30-Jun-98 \$	Budget 30-Jun-98 \$
OUTPUT		
1. Establishment	1,587,269	1,572,000
2. Assessment, Monitoring and Review of Hazardous Substances and New Organisms	-	599,000
3. Policy Advice	678,441	460,000
	2,265,710	2,631,000

9.8 Statement of Commitments as at 30 June 1998

The Board of the Environmental Risk Management Authority has a lease on its premises in Wellington. The lease expires on 31 March 2002, with a right of renewal for two further periods of two years.

Operating leases include lease payments for premises, facsimile machines and photocopiers.

Capital commitments related to leasehold improvements

	Actual 30-Jun-98 \$	Actual 30-Jun-97 \$
Operating lease commitments (GST exclusive)		
Not later than one year	214,652	33,239
Later than one but not later than two years	211,583	6,696
Later than two but not later than five years	356,774	3,906
<i>Total Lease Commitments</i>	783,009	43,841

	Actual 30-Jun-98 \$	Actual 30-Jun-97 \$
Capital Commitments (GST exclusive)		
Not later than one year	10,782	-
<i>Total Lease Commitments</i>	10,782	-

9.9 Statement of Contingencies as at 30 June 1998

The Environmental Risk Management Authority has no known contingent liabilities or assets and no known guarantees given under Section 59 of the Public Finance Act 1989. (30 June 1997 - nil)

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

9.10 Notes To The Financial Statements For The Year-ended 30 June 1998.

	Cost 30 June 1998 \$	Accumulated Depreciation 30 June 1998 \$	Net Book Value 30 June 1998 \$	Net Book Value 30 June 1997 \$
1. FIXED ASSETS				
Furniture and Fittings	198,640	12,865	185,775	23,696
Office Equipment	105,809	4,777	101,032	9,378
Leasehold Improvements	461,387	20,026	441,361	-
Computer Software	485,967	19,411	466,556	12,471
Computer Hardware	236,938	43,281	193,657	45,693
<i>Total</i>	1,488,741	100,360	1,388,381	91,238

	30 June 1998 \$	30 June 1997 \$
2. ACCOUNTS PAYABLE		
Trade Creditors	680,368	69,872
GST	(43,542)	3,031
PAYE and Withholding Tax	21,297	6,135
<i>Total Accounts Payable</i>	658,123	79,038

	30 June 1998 \$	30 June 1997 \$
3. EMPLOYEE ENTITLEMENTS		
<i>Current Employee Entitlements</i>		
Annual Leave	43,852	4,193
<i>Total Employee Entitlements</i>	43,852	4,193

	30 June 1998 \$	30 June 1997 \$
4. DEBTORS AND PREPAYMENTS		
Accrued Revenue	6,971	-
Prepayments	6,062	-
<i>Total Prepayments</i>	13,033	-

5. SHORT TERM DEPOSITS

As at balance date the following amount was invested with the Authority's Bankers on Short Term Deposits, \$850,000 (30/06/97 - nil) at an interest rate of 8.3% p.a., maturing 7 July 1998

6. REMUNERATION

The remuneration of employees who received remuneration and other benefits of \$100,000 or more for the year, shown in \$10,000 bands is as follows.

1996 - 1997	Total remuneration and other benefits	1997 - 1998
—	\$160,000 - \$169,999	1

7. RELATED PARTY TRANSACTIONS

The Environmental Risk Management Authority is a wholly owned entity of the Crown. The Government influences the outputs of the Environmental Risk Management Authority as well as being its major source of revenue.

The Environmental Risk Management Authority enters into numerous transactions with Government Departments, Crown agencies and State-owned enterprises. These transactions are not considered to be related party transactions.

8. FINANCIAL INSTRUMENTS

The Environmental Risk Management Authority is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts and accounts payable.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Environmental Risk Management Authority, causing the Environmental Risk Management Authority to incur a loss.

In the normal course of business, the Authority incurs credit risk from transactions with financial institutions.

The Environmental Risk Management Authority does not require collateral or other security to support financial instruments with credit risk, as the Environmental Risk Management Authority deals with financial institutions which have high credit ratings. For its other financial instruments, the Authority does not have significant concentrations of credit risk.

Fair Value

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

Currency and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates. The Environmental Risk Management Authority has no significant exposure to currency risk on its financial instruments.

Interest rate risk is the risk that the Environmental Risk Management Authority's return on the funds it has invested will fluctuate due to changes in market interest rates. Under Section 46 of the Public Finance Act the Environmental Risk Management Authority cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

9. POST BALANCE DATE EVENTS

No significant events, which would materially affect the financial statements, occurred between 30 June 1998 and the date of signing the financial statements.

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF ENVIRONMENTAL RISK MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 1998

We have audited the financial statements on pages 10 to 23. The financial statements provide information about the past financial and service performance of the Environmental Risk Management Authority and its financial position as at 30 June 1998. This information is stated in accordance with the accounting policies set out on pages 16 to 17.

Responsibilities of the Authority

The Public Finance Act 1989 requires the Authority to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Environmental Risk Management Authority as at 30 June 1998, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 1998.

Auditor's responsibilities

Section 43(1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Authority. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed Roy Tiffin, of Audit New Zealand, to undertake the audit.

Basis of opinion

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

- the significant estimates and judgements made by the Authority in the preparation of the financial statements *and*
- whether the accounting policies are appropriate to the Environmental Risk Management Authority's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Environmental Risk Management Authority.

Unqualified opinion

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

In our opinion the financial statements of the Environmental Risk Management Authority on pages 10 to 23:

- comply with generally accepted accounting practice *and*
- fairly reflect:
 - the financial position as at 30 June 1998
 - the results of its operations and cash flows for the year ended on that date *and*
 - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 28 October 1998 and our unqualified opinion is expressed as at that date.



R R Tiffin

Audit New Zealand

On behalf of the Controller and Auditor-General

Wellington, New Zealand