

TE MANA WHAKAATU
**Classification
Office**

Watch carefully.
Think critically.



Annual Report

2020/2021

The Hon. Minister of Internal Affairs

Minister

Pursuant to Section 150 of the Crown Entities Act 2004, I present the Annual Report of the Classification Office for the year ended 30 June 2021.

Yours sincerely,



David E Shanks - Chief Censor



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Chief Censor's Foreword

CHIEF CENSOR DAVID SHANKS, CLASSIFICATION OFFICE TE MANA WHAKAATU

Ka mua, ka muri – looking back in order to move forward – is what our Classification Office Annual Report to 30 June 2021 gives us a chance to do.

Despite the challenging year, our team has put in an outstanding effort to ensure we've continued to put New Zealanders first to get the best outcomes for everyone. We've focused on what works and that's using our independence **to speak up, do research, and develop constructive relationships.**

The world has changed so much in the past year and we are really only just beginning to understand the impacts of this. Classification work during a global pandemic has meant for us not only a shift in types of content we're working with but also the need to adapt to the physical realities of working within dynamic home environments. Our staff have had to navigate viewing challenging classification material outside the safe confines of the office. This is important work and it is material that doesn't stop being created when we go into lockdown – quite the reverse, in fact.

We informed New Zealanders through our rangahau (research)

With Covid-19 we have seen the spread of misinformation reach critical proportions. The internet was already awash with conspiracy theories and supremacist ideologies but the pandemic saw this reach new heights. The rate of Covid-19 misinformation is an outbreak in its own right infecting both physical and digital environments and those inhabiting these spaces.

The Edge of the Infodemic: Challenging Misinformation in Aotearoa is our ground-breaking report into misinformation in Aotearoa showing we are not immune to the global rise of this issue.

Misinformation – at its worst – can cause real harms to individuals, whānau, communities and society. We've seen it in white supremacy groups, the riots in the US Capitol, and in our own backyard with the attacks on 5G towers. We are now seeing it with harmful rhetoric around Covid-19 and vaccinations. Our challenge is to take the findings of this report and meet this moment with meaningful action, because New Zealanders are telling us this matters.

We spoke up for Aotearoa's audiences

This year we've seen a landscape of rapid legislative change as our outdated laws struggle to keep pace with the realities of today's environment. More change is needed as this landscape continues to evolve and we're committed to help shape these changes into the future.

Until now commercial video on-demand and streaming platforms like Netflix have fallen into a gap in New Zealand's classification system, which means these platforms and content have not been automatically covered by the same law as cinemas and DVDs – even when the content is the same.

During the year we supported changes to bring streaming platforms into New Zealand's classification system.

As a result, the Government has passed the Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act. Under the Act providers will display approved New Zealand age ratings and content warnings for all content available to New Zealand viewers.

We also shared our views on the Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of Online Harm) Amendment Bill and on the Harmful Digital Communications (Unauthorised Posting of Intimate Visual Recording) Amendment Bill.

I was proud of the strong leadership shown by members of our Youth Advisory Panel who spoke to the Select Committee considering the Harmful Digital Communications Amendment Bill. The Bill proposes changes to the reasons people can be convicted for sharing intimate images. Our Youth Advisory Panel members helped the committee understand the impact that the sharing of nudes without consent has on the mental health of rangatahi.

We are taking a keen interest in the Department of Internal Affairs' Content Regulatory System Review announced during the year. The review aims to design and create a new modern, flexible and coherent regulatory framework to mitigate the harmful impacts of content, regardless of how it is delivered. We look forward to sharing our thoughts on this in the coming year.

We mahi together

We've stepped up our direct engagement with young people through our Youth Advisory Panel, social media and other activities. The insights we gain through involving young people help inform our thinking and have greatly enhanced our work and our understanding of how this group engage with and are influenced by the materials we evaluate.

We continue to strengthen and enhance our relationships with many organisations and individuals including engaging with international partners and working closely in New Zealand with Netsafe, the Ministry of Education and many others.

We've worked with experts to ramp up our focus on education and outreach, including developing practical resources for parents. These aim to help them guide their tamariki and rangatahi to think critically about media content. We are a small organisation, but we have found we can make a big impact when we join forces with others.

Te Tiriti o Waitangi and the Classification Office

We're continuing our Te Tiriti o Waitangi journey in the Classification waka by identifying tools, applications and cultural approaches for, and with, our staff. We have a renewed focus on Te Ao Māori through weekly in-office te Reo lessons and establishing advisor relationships. There is much mahi to be done but we know it is a long, rewarding journey for the whole office.

I am extremely proud of the dedicated team of individuals we have working away in the Classification Office for the benefit of all New Zealanders. It's a challenging job dealing with sensitive and even confronting and distressing material.

Despite the disruptions caused by Covid-19 and the challenging fast-paced global digital environment we find ourselves operating in, the team have remained focused and have delivered an outstanding body of work in an unusually demanding year.



David Shanks - Chief Censor



Our Purpose

We inform and empower New Zealanders to experience content in a positive way, while safeguarding our tamariki and rangatahi from harm.

Empowering and protecting New Zealanders in the digital age

The Classification Office is an independent media regulator focused on keeping New Zealanders safe in a fast-changing digital world.

We are best known for classifying physical media like films released in cinemas and on DVD. That's still our job, along with classifying materials for Crown agencies, but as New Zealanders' media habits have evolved our focus has too.

We produce research and practical resources to help New Zealanders think critically about the content they consume and share, and make good choices. Our tamariki and rangatahi need support to thrive in the digital age. We empower whānau and educators to talk with them about challenging content and nurture their critical thinking skills.

Our everyday work, partnerships and global connections give us a clear view of what's working in New Zealand's media content regulation, what isn't, and where gaps exist. We're thinking about how digital media is regulated, how it could be better and how we can better collaborate with government agencies, NGOs and experts.

Structure and role of the Office

The Chief Censor leads the Classification Office and has special functions under the Classification Act, including the power to 'call in' a publication for classification and to grant exemptions from a restriction. Our current Chief Censor David Shanks was appointed in April 2017.

Our primary activities:

1. Classification of publications;
2. Produce and distribute information about the Classification Act and the Office;
3. Provide an Inquiries and Complaints Service;
4. Carry out research which enables the Office to perform its functions effectively; and
5. Support and facilitate the development of self-rating systems used by streaming providers.

The organisation is structured into two main units to deliver on these activities: an Information Unit and a Classification Unit. These teams work together across key projects and are supported by the Corporate Services Unit.

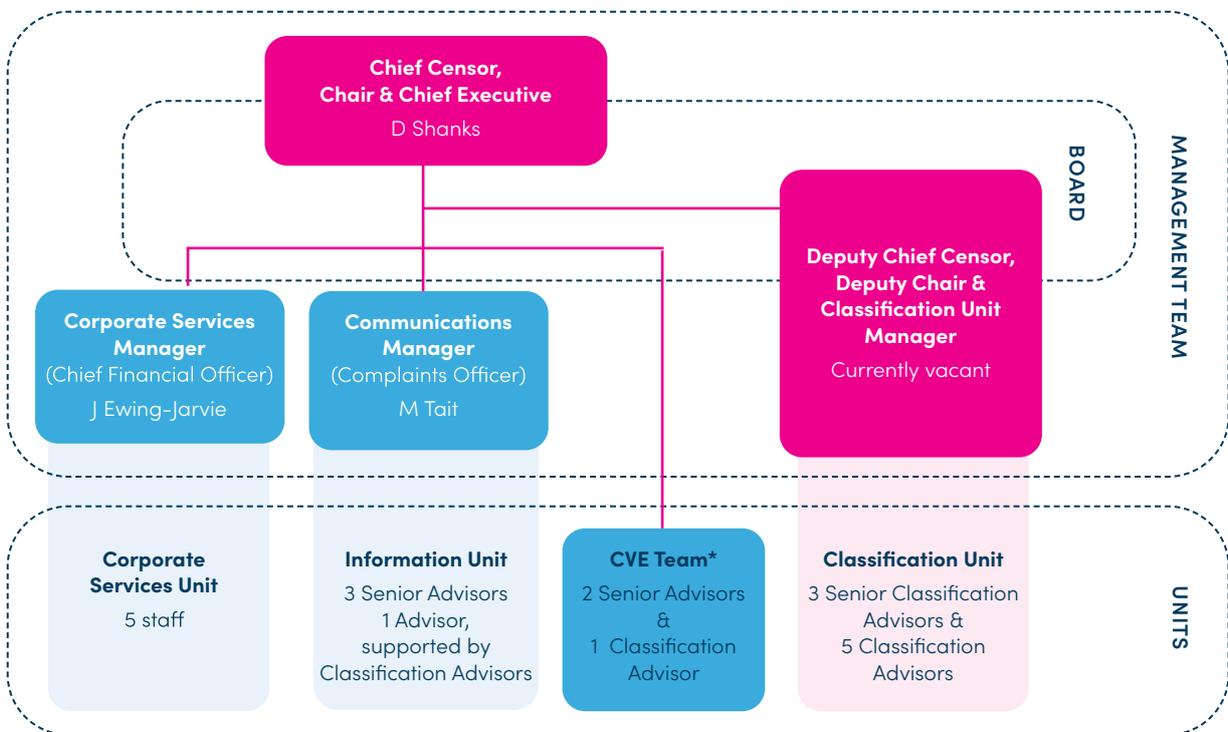
- The Information Unit is managed by the Communications Manager and its functions under the Classification Act are to engage in research, inform and educate the public, and to manage complaints and inquiries.
- The Classification Unit is managed by the Deputy Chief Censor (vacant during the year), and our team of classification advisors are responsible for assessing publications that are submitted for classification, or called in by the Chief Censor.

- In addition to these two units a Countering Violent Extremism team was set up in response to the March 15 terrorist attacks, which reports directly to the Chief Censor.

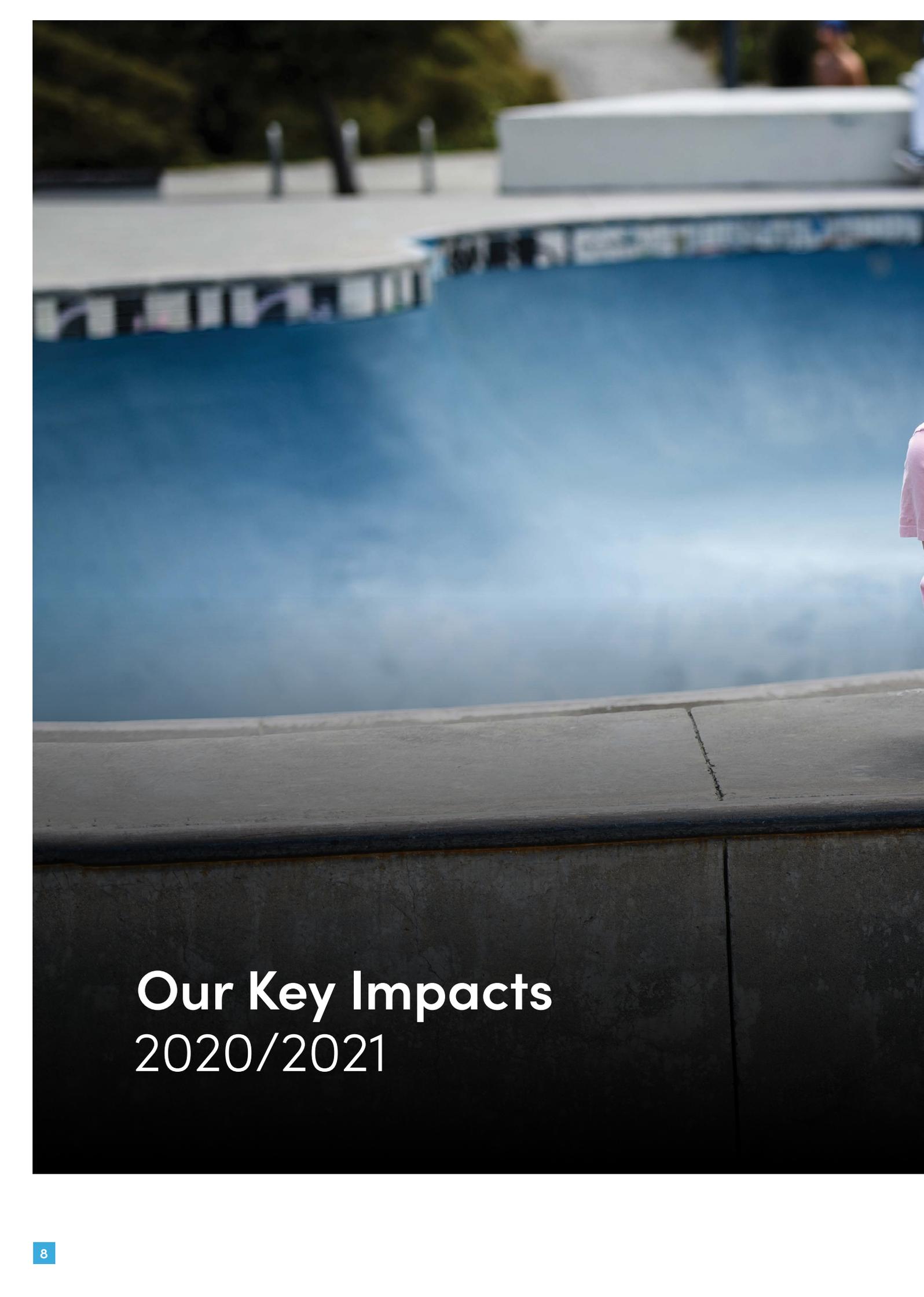
Publications submitted to the Classification Office usually include content that deals with sex, horror, crime, cruelty, or violence.

They can be submitted to us by the Film and Video Labelling Body of New Zealand, or directly by commercial applicants, by Crown agencies including the Secretary for Internal Affairs, the Comptroller of Customs, the Commissioner of Police, and the Courts, and by members of the public.

Figure 1: Classification Office Organisational Chart



*The CVE Team (Countering Violent Extremism) reports directly to the Chief Censor.



Our Key Impacts 2020/2021



Our Key Impacts in 2020/2021

Impact A: The public has greater confidence in the classification system

Our survey to understand public knowledge and use of the classification system shows a continued increase in confidence in the system. We are planning to conduct this survey again in 2021/2022 and will then be conducting it three-yearly.

Satisfaction with classification system

% of respondents that said the system was:	2016	2011	2006
'About right'	73%	69%	64%
'Too lenient'	18%	23%	25%
'Too strict'	9%	8%	11%

Importance of classification information in viewing decisions

% of respondents that said the system was:	2016	2011	2006
Classifications	92%	92%	85%
Descriptive notes	91%	90%	85%

Indicator:

60% or more of those surveyed indicate that they are satisfied with the classification system, because they are of the view that it is neither too lenient nor too strict.

Indicator:

An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children.

The Classification Office has investigated participants' use of the classification system. Almost two-thirds said they have used it when they have chosen, or helped to choose, a film, DVD or game for a child or young person.

We also asked participants to indicate how important classifications and descriptive notes when they were making these choices.

Impact B: The public is better educated and informed about the classification system

We have increased our focus on information, education and outreach. We aim to help New Zealanders think critically about content, and support parents, whānau, educators and frontline services with practical advice and tools to protect tamariki and rangatahi from harm while nurturing their critical thinking skills.

We're also focused on increasing public understanding of the classification system and key censorship issues that impact on society.

Young people can be particularly impacted by what they see, hear and read. We actively engage with young New Zealanders through our Youth Advisory Panel, Censor for a Day secondary schools programme, and social media channels.

The Classification Office also provides speakers on request to schools, other educational institutions and community groups.

We monitor the effectiveness of these activities by engagement on our website, including downloads of resources, e-newsletter subscriptions, engagement on social media, speaking requests, and informed queries from the public and industry. Some of these items are used as performance indicators.

Indicator:

Our three-yearly survey of the public gives us a read on people's engagement with our work and their understanding of the classification system. We track the level of recognition and understanding of classification labels.

A drop in this indicator was correlated with a proliferation of alternative labelling systems for movies and shows in the online space. Changes in the regulation of commercial video on-demand content is expected to improve public awareness and understanding of content warnings.



Classification Work

We exist to help New Zealanders enjoy the benefits of media content in a safe and positive way.

We received a total of 791 commercial publications for classification this year under s12(1) of the Films, Videos, and Publications Classification Act and classified a total of 789, compared to 748 (received) and 813 (classified) in 2019/2020.

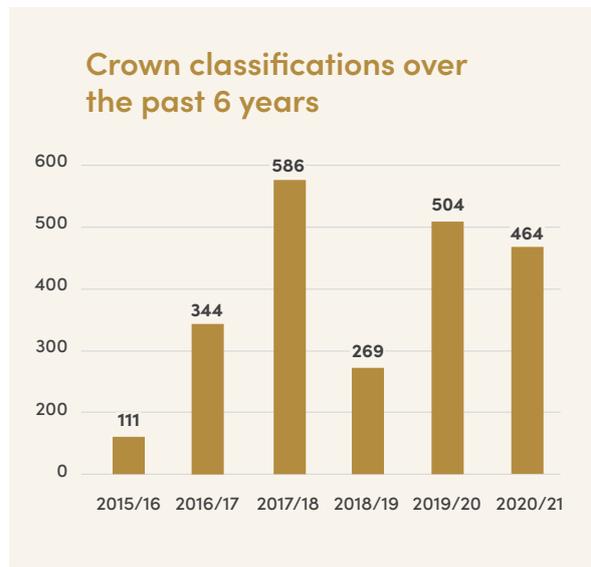
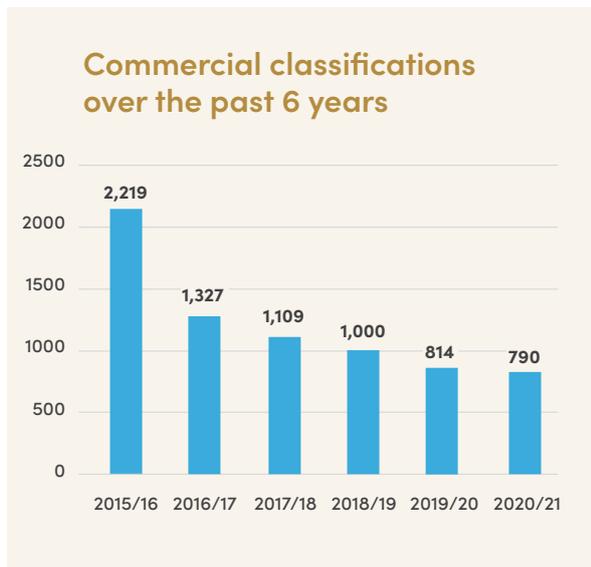
The decrease in commercial publications over the last two years is reflective of the Covid-19 pandemic and the impact this has had on the release of theatrical films, in particular. Theatrical releases across the globe have been affected resulting in the delay of many films, with a large proportion bypassing the cinema altogether and going straight to online streaming platforms.

The decline in DVDs has continued over the past two years but this trend has been evident over the past decade. New Zealanders, as with most consumers around the world, are choosing to view their entertainment media online rather than buy or rent physical DVDs and Blu-rays.

The amendments to the Classification Act that came into effect on 1 August 2021 place obligations on specified commercial video on-demand platforms to rate their content in line with standard New Zealand classifications. This activity has generated an extra work stream for the Classification Office that is replacing the decrease in DVD classifications.

The number of publications submitted by Crown agencies was lower in 2020/2021 than in 2019/2020. 435 publications were received, compared with 620 in the previous year. The number classified was 500, compared with 627 the previous year. These figures reflect the inherent variability of Crown submissions year-on-year.

Notwithstanding this variability, there has been a high number of complex publications submitted by Police over the last two years. This is likely due to a variety of factors. The majority of submissions by Police continues to be child sexual exploitation material but there has also been a noticeable increase in publications that deal with violence and violent extremism. The Classification Office also expects to see an increase in such material submitted by the Department of Internal Affairs as their Countering Violent Extremism team becomes fully operational.



Countering violent extremism

Following the March 15 terrorist attacks we continued to focus on violent extremist content and the impacts it has.

In April 2020 we established a specialist Countering Violent Extremism team with a focus on research, education, and outreach. Through this team we're proactively engaging with New Zealand and overseas government agencies, academics, and experts at the forefront of countering violent extremism, to share insights and identify solutions.

In the past year we have looked into our response to the March 15 terrorist attacks to identify ways to make our process to issue classification decisions in an emergency as responsive as possible.

We also made a submission on the Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of

Online Harm) Amendment Bill. This Bill proposed a government-controlled web filter to detect and block violent extremist content that is, or is likely to be, objectionable (banned); makes it an offence to livestream objectionable content; and enables the Department of Internal Affairs to issue "takedown notices" to an online content host.

Board of Review

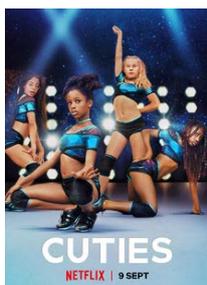
Anyone who is unhappy with a decision made by the Classification Office can apply to have this decision reviewed by the Film and Literature Board of Review (FLBOR). During 2020/2021 the FLBOR issued six decisions about 19 publications which had been classified by the Classification Office. These decisions related to the sexualised or exploitative nudity of young people, and in two cases were images of sexual abuse.



Recent Classification Decisions

Continued engagement with digital providers

Alongside our classification work, we continued to work proactively with commercial video on-demand and streaming platform providers to address instances where consumer information on films and shows hasn't adequately warned New Zealanders about the content. The changes coming in with the Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act will require these platforms to display appropriate New Zealand age ratings and content warnings on all new films and shows.



Cuties - #talktogether

In September 2020 Netflix released *Cuties*, a new film showing the challenges of early puberty, telling the story of a young girl trying to fit in at a new school. The promotional trailer sparked outrage for

sexualising young teens for commercial gain and 'Cancel Netflix' trended on Twitter. Netflix dropped the ad and apologised.

People remained concerned the film sexualises rangatahi and tamariki and were worried about how it might be watched by people attracted to children. A petition was launched to have the film removed from Netflix and for them to be charged with distribution and exploiting minors. However, both the director and Netflix defend the film as "a social commentary against the sexualisation of young children".

Our view was that *Cuties* offers insights into different cultures and difficult family dynamics, and highlights the challenges of growing up 'online'. Currently our tamariki and rangatahi are exposed to so much online, and a lot that can be harmful, which is why these messages are important.

However some parts of the film aren't appropriate for children, particularly if they watch it on their own without any support from whānau. With that in mind

Netflix adopted our recommendation to make *Cuties* 16+ with a warning note: Violence, sexual references, bullying and offensive language.



Moxie - #watchtogether

For whānau it can be hard finding a film to comfortably watch with growing teenagers. It is also hard to know what to say when topics like suicide, sexual violence and bullying are the focus.

We love it when we find a great example of good material that can provoke healthy conversations and debate between adults and rangatahi.

Released by Netflix in March 2021, *Moxie* follows 16-year-old Vivian as she takes on sexism and misogyny within her high school. The film highlights challenges that rangatahi face, especially wāhine, but doesn't show confronting and explicit depictions, and could help spark interesting conversations.

We profiled *Moxie* on our blog so we could recommend it to whānau and provide some conversation starters to tackle these difficult topics.

Films are never without faults and *Moxie* is a great film to weigh pros and cons, explore different perspectives and talk about the issues raised.

Netflix is currently showing *Moxie* as 13+ and does not have a New Zealand rating.



Army of the Dead - #changinggenres

Zack Snyder's *Army of the Dead* hit Netflix on 21 May 2021 and is a 'Flesh take on Zombies' showing an evolution and expansion of the genre.

It is a heist film at its core, with a zombie outbreak complementing and complicating the storyline. The film dips in and out of humour, action, and thrill, demonstrating the evolution of the zombie genre from the classics of the 80s and 90s. These elements are commonplace

in films these days as they help keep the genre alive, and draw in new audiences. It helps dampen the element of horror by coupling it with comedy or science fiction; the effect is a detachment from the gore and an easing of the tension, shock, and horror.

We wanted to take a closer look to see if the way zombie films have changed affects our classification. We rated *Army of the Dead* R16, pointing out that "while grotesque, these zombies show some intelligence, emotion, and a penchant for theatrics, which push their depiction from mere ravenous undead to performative (and violent) curiosities".

New rules for commercial video on-demand and streaming platforms

How and where we watch our content has evolved over the years moving away from traditional mediums like cinemas, television, DVD and video towards video-on demand and online streaming services.

Consumer information is inconsistent across these platforms and is often in a format that's unfamiliar to New Zealanders. For example, you might see the rating "PG" (familiar), "7+" (unfamiliar) – or no rating at all.

Content warnings for high impact content like suicide, self-harm and sexual violence are often inadequate – and these are issues that New Zealanders have told us they want to be warned about.

Until now commercial video on-demand and streaming platforms have fallen into a gap in New Zealand's classification system, which means these platforms and content have not been automatically covered by the same law as cinemas and DVDs.

This means New Zealanders have a tough time working out whether movies and shows on commercial video on-demand and streaming platforms are suitable for themselves and their tamariki to view.

New Zealanders will be seeing the benefits of this legislative change in the upcoming year.

How it was done in the past

In January 2021 we were contacted with concerns about a film (called *Palmer*) on *Apple TV+*. The concern was that the M rating was not sufficient warning for younger viewers given the graphic sex scenes included. We reviewed the film, found that the content was too strong for the M rating and requested *Apple TV+* change the recommendation to R16 adding consumer advice around the content. *Apple TV+* is now giving descriptions on every show and have updated the rating on this particular film.

Going forward, the new commercial video on-demand requirements will mean streaming services like *Apple TV+* will need to ensure approved New Zealand ratings and content warnings are displayed for their viewers in Aotearoa.

Some of the anomalies you might see

Did you know that in the 1970s the New Zealand Classification Office made a stand and insisted on a cut to a scene in *The Muppet Movie*, one where Fozzie Bear is threatened by a sailor with a broken bottle? This was deemed to be gratuitous violence. The scene was cut out for television in New Zealand in 1983. The full uncut version was approved for TVNZ screening in 1994.

This film is currently available internationally on a streaming service which has provided a content warning for negative depictions and/or mistreatment of people or cultures. This is a fascinating example of how social norms change over time and highlights some of the complexity in the current system, especially as older material regains popularity.

Table 1: Publications Classified by Channel and Medium 2020/2021

	Computer Material (Non-Moving)	Digital Games	DVDs	Films & Film Trailers	Videos	Advertising for Publications	Other Material	Magazines / Books	Computer Material (Moving)	Total
Section 12(1) – Labelling Body	0	49	230	350	0	161	0	0	0	790
Section 12(3) – Labelling Body	0	0	0	0	0	0	0	0	0	0
Section 13(1)(a) – Comptroller of Customs	0	0	0	0	0	0	0	0	0	0
Section 13(1)(ab) – Commissioner of Police	382	0	0	0	0	0	0	0	82	464
Section 13(1)(b) – Secretary of Internal Affairs	12	0	0	0	0	0	0	0	11	23
Section 13(1)(c) – Chief Censor Grants Leave	0	0	0	17	0	0	0	0	4	21
Section 13(3) – Chief Censor's Own Motion	0	1	0	2	0	0	0	0	0	3
Section 29(1) – Courts	4	0	0	0	0	0	0	0	6	10
Section 41(3) – Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Section 42(1), (2) and (3) – Reconsiderations	0	0	1	1	0	0	0	1	0	3
Regulation 27 – Film Poster Approvals	0	0	0	0	0	0	0	0	0	0
Total	398	50	231	370	0	161	0	1	103	1,314

Table 2: Comparison of Publications Received 2011 – 2021

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Section 12(1) – Labelling Body	791	748	1,065	1,114	1,195	2,315	1,852	1,741	1,998	1,886
Section 13(1)(a) – Comptroller of Customs	0	33	10	8	6	13	5	8	1	3
Section 13(1)(ab) – Commissioner of Police	346	502	458	536	401	131	127	155	44	49
Section 13(1)(b) – Secretary of Internal Affairs	30	2	3	17	474	78	146	209	47	104
Section 13(1)(c) – Chief Censor Grants Leave	22	46	49	51	101	4	7	9	8	9
Section 13(3) – Chief Censor's Own Motion	4	3	9	29	24	9	1	0	0	0
Section 29(1) – Courts	55	80	136	39	89	6	16	116	100	30
Section 42(1), (2) and (3) – Reconsiderations	3	3	1	3	3	1	2	20	1	0
Regulation 27 – Film Poster Approvals	0	0	1	0	0	0	0	1	3	6
Total	1,251	1,417	1,732	1,797	2,293	2,557	2,156	2,259	2,202	2,087

Table 3: Comparison of Publications Examined 2011 – 2021

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Section 12(1) – Labelling Body	786	809	1,011	1,100	1,323	2,220	1,955	1,587	1,957	1,816
Section 13(1)(a) – Comptroller of Customs	0	33	10	8	6	13	5	8	1	38
Section 13(1)(ab) – Commissioner of Police	416	512	370	537	396	131	173	115	47	33
Section 13(1)(b) – Secretary of Internal Affairs	28	2	3	18	486	65	183	194	24	100
Section 13(1)(c) – Chief Censor Grants Leave	22	47	50	49	100	4	7	9	8	11
Section 13(3) – Chief Censor's Own Motion	4	3	20	18	24	8	1	0	0	0
Section 29(1) – Courts	26	86	111	39	95	0	16	115	111	22
Section 42(1), (2) and (3) – Reconsiderations	3	3	1	3	3	4	15	3	1	0
Regulation 27 – Film Poster Approvals	0	0	1	0	0	0	0	1	3	6
Total	1,285	1,495	1,577	1,772	2,433	2,445	2,355	2,032	2,052	1,991

Table 4: Comparison of Publications Classified 2011 – 2021

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Section 12(1) – Labelling Body	790	814	1,000	1,109	1,327	2,219	1,958	1,594	1,942	1,830
Section 13(1)(a) – Comptroller of Customs	0	33	10	8	10	9	5	8	1	38
Section 13(1)(ab) – Commissioner of Police	464	504	269	586	344	111	173	115	47	33
Section 13(1)(b) – Secretary of Internal Affairs	23	1	4	17	509	39	183	194	34	90
Section 13(1)(c) – Chief Censor Grants Leave	21	49	48	49	99	5	7	8	8	11
Section 13(3) – Chief Censor's Own Motion	3	3	24	14	24	8	1	0	0	1
Section 29(1) – Courts	10	86	111	39	95	0	16	134	92	22
Section 42(1), (2) and (3) – Reconsiderations	3	3	1	3	3	4	18	0	1	0
Regulation 27 – Film Poster Approvals	0	0	1	0	0	0	0	1	3	6
Total	1,314	1,493	1,468	1,825	2,411	2,395	2,361	2,054	2,128	2,031

As well as classifying content we produce research and practical resources to help New Zealanders think critically about the media they consume and share, and make good choices.



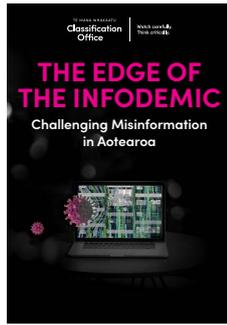
Research Work

The Edge of the Infodemic: Challenging Misinformation in Aotearoa

Our report into misinformation in Aotearoa shows we are not immune to this global problem.

We surveyed over 2,300 New Zealanders to get a better understanding of how this is impacting us.

Amid a wave of misinformation over the past few years, we needed to better understand how Kiwis felt about misinformation and what they think should be done. By doing so we hope to start a conversation about what better, more inclusive solutions might look like.



Key findings are:

- Exposure to misinformation is common, and concern is widespread.
- Misinformation is undermining trust – and the internet plays a key role.
- Everyone is affected by the spread of misinformation.
- New Zealanders think something should be done.

Addressing misinformation doesn't mean telling people what to think, or stifling debate with more censorship – but Kiwis want to know they can trust the news and information they're getting, and government can work together with communities to combat misinformation. We must look at better ways for government, community, and online platforms to come together to prevent harm.

Each of us can also take steps to stop the spread of misinformation – actions such as looking at the

source of an article before sharing it, questioning what perspectives are represented in it, and feeling comfortable to ask someone we trust what they think when encountering something we're not sure about.

The research aims to raise awareness about the issues and create opportunities for open conversations about how to address misinformation.

This work can support cross-government collaboration on potential policy and regulatory responses, including a broad media regulatory review, aid education initiatives, and develop information and resources for the public.

We worked with our Youth Advisory Panel on creating content to reach young people about misinformation. We teased out questions around what to do if debunking doesn't work, can you say 'I don't know' on the internet and how do you come back from being wrong? These powerful questions have sparked lots of ideas that have fed into a social media awareness-raising campaign run in the second half of 2021.

Award-winning research on youth and porn

Our team, along with Colmar Brunton and The Collaborative Trust, were awarded the Research Association of New Zealand's RAEAWARD Dynata Supreme Award and Platinum Award in the Social, Community and Not-for-Profit category for our research into youth and porn.

We work hard to reduce harm for New Zealanders, and we have found the more we listen the better we are at that job. Our youth and porn research is helping many organisations break the taboo and start to have those difficult conversations.

"They found a way through careful design and execution and thoughtful engagement across multiple stakeholders to tackle the taboo and help make a difference for generations to come. Generating global exposure this research is already a case study that will have far-reaching impact."

JUDGES' CITATION, RESEARCH ASSOCIATION NZ

Young People

Our rangatahi need support to thrive in the digital age; we empower whānau and educators to talk with them about challenging content and nurture their critical thinking skills.

Our work is informed and empowered by the voices of rangatahi. Young people today are growing up online and we take our responsibility to protect them very seriously.

Youth Advisory Panel

In 2018 we established the Youth Advisory Panel as part of our wider youth engagement strategy. It made sense to involve rangatahi in New Zealand's classification system as they are the most affected by what we do. We thought the Panel could help plan and execute youth-targeted projects and develop resources for public outreach. We also wanted to hear their views so we could improve our work on issues that directly affect them, such as our restricted classifications.

The Panel has improved and enriched our work. We now include rangatahi as part of our work and as a result we have more diverse voices underpinning our decisions. The Panel meetings are a space where young people can voice their opinions and know that they are being heard.

Some Panel members have taken their involvement to the next level by participating in public-facing initiatives – becoming a visible part of our organisation. They have participated in podcasts, presented to a Government Select Committee, edited and starred in clips for social media and presented at events.

Panel members helped us deliver a successful campaign on healthy conversations about porn and their input has been invaluable in helping us to create content to reach young people about misinformation.

They also support the Office with key events like Youth Week, Mental Health Awareness Week and Māori Language Week.

After seeing the value of the Panel, other organisations have reached out to us to learn about our approach.

Brain development – why it matters

As media regulators we're acutely aware of how brain development at different ages affects how we think and feel about what we watch. It's complex stuff!

We worked with youth health expert Dame Sue Bagshaw to make it easier to understand. Knowing how growing brains work helps us make good viewing decisions for our friends, and whānau.

We created a short, easy to follow video that makes it easy to understand how what we watch affects us differently at different ages.

Censor for a Day - #C4AD

A chance to be Censor for a Day is proving valuable for senior media studies students.

Censor for a Day provides a glimpse at the inner workings of the Classification Office and how censorship decisions are made.

We invite students to a local cinema and walk them through the criteria used to classify films, games, books and other publications. They watch a pre-release film, and participate in discussions and exercises to think critically about entertainment media.

Rangatahi are passionate about what they watch and create. They are also arguably the group most impacted by the New Zealand classification system. At Censor for a Day not only do we show, we listen and we learn; the students demonstrate through their experiences and the feedback how they are viewing and consuming content. Our team values this engagement as it has informed how we classify content, especially content aimed at rangatahi.

I now have a more insightful perspective on how films are judged from a NZ perspective.

Our Censor for a Day programme was disrupted during 2020/2021 due to Covid-19 restrictions, however we were able to run an abbreviated programme with seven high schools in the Wellington region screening *Judas and the Black Messiah*.

The movie prompted discussions about race and police brutality. Set during the 1960s and 1970s, the film depicts violence and racism perpetrated by police officers.

Many students identified that these themes parallel the police force's violent treatment of black people in the US today. However, they noted that the film uses these racist and discriminatory attitudes to illuminate and educate audiences about the existing threat of police brutality and extremist views.

Students found the presentation informative and engaging.

I enjoyed hearing other people's opinions on the film and how they differ from my own.

I will pay more attention to movies now I know how to rate them and what to look out for.

Bunnies

Who knew that a series of bunnies depicting sex, crime, cruelty and violence would be our gateway to engaging with young people?

Translating dry legislation into something accessible and engaging is always a challenge. We developed these bunnies to help us reach a younger audience and engage them about what we do.



The bunnies proved popular in our Censor for a Day presentations... 'no bunnies were harmed during the making of this presentation!'

As well as making it easier to talk about our work the bunnies also provide a bit of light relief in our presentations and really resonate with the young people we meet.

Instagram

Instagram continues to be a great tool for us to communicate with young people. In September 2020 we ran a social media campaign on porn.

We wanted to encourage rangatahi to have healthy conversations about porn. It consisted of a series of memes, jokes and information about porn posted on Instagram. We took key points from our *Growing up with Porn* research report and co-designed relatable content for rangatahi with the Youth Advisory Panel.

Together we created effective and engaging messages. A few Panel members helped the Office moderate our Instagram during the campaign. Without the Panel's input and support the campaign would not have been nearly as successful as it was.

Collaborations

Our everyday work, partnerships and global connections give us a clear view of what's working in New Zealand's media regulation, what isn't, and where new interventions are needed.

As a small organisation trying to influence a wider system we have found the most effective way of achieving this is to work collaboratively and partner with other agencies and organisations that work in our space.

Joining forces to combat child sexual abuse on the internet

We're working on a one-year pilot collaboration with the Canadian Centre for Child Protection's Project Arachnid, a global tool to decrease the availability of child sex abuse material on the internet.

Project Arachnid includes web-crawling platform first introduced in 2017 which searches the internet for known child sexual abuse material (CSAM). Once suspected material is found and verified by analysts a notice is sent to the provider requesting its removal. The platform detects content at a pace that far exceeds traditional methods, processing tens of thousands of images per second.

The online nature of this content means we must work globally and collectively to combat it. The Canadian Centre for Child Protection is one of the leading producers of statistics and guidance around the prevalence of child sexual exploitation online. We welcome this collaboration with a charity dedicated to the personal safety of all children.

New Zealand's role in the project will be to assess material provided by the project. Classification Advisors will be trained to assess objectionable material according to the Project Arachnid criteria, which differs from objectionable criteria under the Films, Videos, and Publications Classification Act 1993.

During the one-year pilot advisors will spend several hours each month working through and confirming suspected child sexual abuse material.

We will be joining a queue of analysts from around the world which the Project can draw on. We will receive monthly reports on data relating to New Zealand and our team will benefit from the professional development of this project.

This collaboration recognises that the horrific crimes involving CSAM do not respect national borders and the challenge to combat this is a global one.

The bare facts

Sharing nudes is part of everyday life for many young people in Aotearoa, but not all consider how their image may be made public or shared in ways they didn't intend.

We joined forces with Netsafe and rangatahi on The Bare Facts, a campaign designed to encourage open conversations about the reality of online intimate images.

An important tool of The Bare Facts is an animated video explaining what happens to intimate images and why consent is important.

As media regulators we see a lot of the harms that come from intimate images and we also know that sharing images like this is a reality for our rangatahi. Following on from work we did researching young people and pornography we have created this campaign to help rangatahi have a better understanding of the issues around sharing nudes.

Nudes can be seen as a standard expectation, as one young person told us: 'Relationships have a sort of progression as they go along, and some people might think that sending nudes is a part of that.'

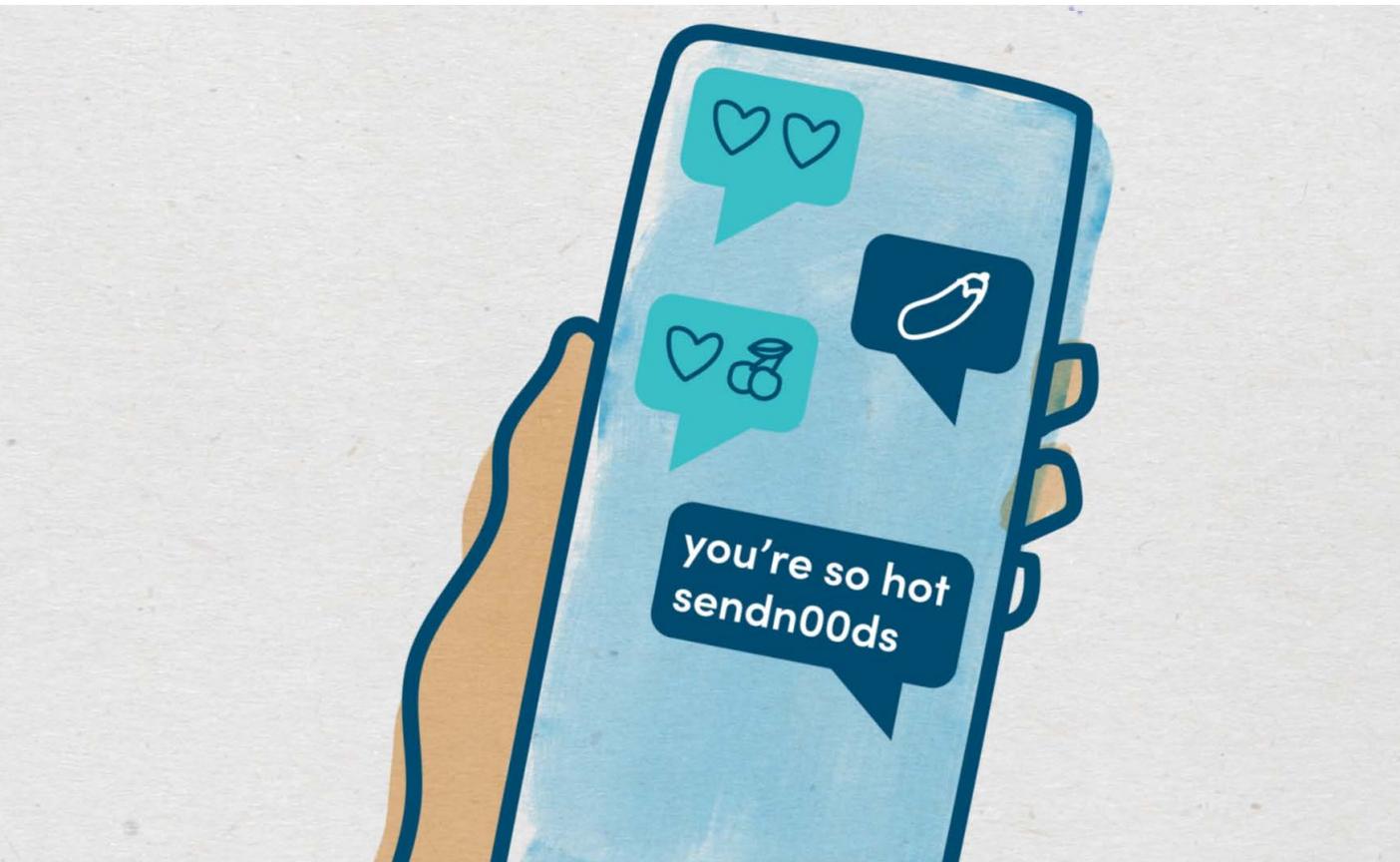
The development and creation of The Bare Facts was informed by the Classification Office's Youth Advisory Panel and Netsafe's Youth Action Squad. The campaign empowers young people to have positive kōrero – with peers, parents, teachers and whānau – about why nudes are sent, the need for consent and how to get help if things don't pan out.

The Youth Advisory Panel collaborated with us on the two supporting videos highlighting [why people share nudes](#) and the impacts of [unsolicited nudes](#). They shared how they personally feel about these topics, filmed and helped with the design of the final products.

Porn resources

Following on from our research into the impacts of online porn among young people, we've put together a range of practical resources for parents, to help support their tamariki and rangatahi to think critically about media content.

We've also continued to work closely with our partners in the Pornography Working Party to produce a suite of resources for parents, educators and frontline services, to help them talk with young people about porn.



Outreach

He waka eke noa
We are all in this together.

Our annual outreach programme provides an opportunity to showcase the work we do both nationally and internationally.

During the year we presented to small groups as well as large conferences on topics as wide-ranging as terror, online harm, misinformation, media harm, online radicalisation and porn.

Highlights of the year's outreach programme

As the Countering Violent Extremism team developed we built relationships – both nationally and internationally – with other experts working in the field to share research, experience and ideas.

On the international front, this includes engagement with international NGOs like the Center for Countering Digital Hate, Moonshot and ISD Global, government agencies, leading academics, technology companies and think tanks. We have presented at international forums, such as the Washington Institute Roundtable and the Southern Poverty Law Center/PERIL events, supported the Second Anniversary Summit of the Christchurch Call as part of the New Zealand delegation for the Algorithms and Positive Interventions Working Group. We also presented at online conferences such as those run by European NGOs and regulators.

We are in a global digital environment and we know from experience that what happens overseas online and offline can impact us here in Aotearoa (and vice versa). Staying up-to-date with emerging research and events is critical for us to be able to do our job well.

Here at home, we have been working hard to expand our countering violent extremism eco-system, connecting with government agencies, NGOs, and academics.

We have hosted a number of leading countering violent extremism academics and practitioners with presentations to our Office and an inter-agency government audience – to ensure that key learnings are shared across the system. Topics covered a range of areas such as disinformation, online algorithms, different forms of violent extremism, and the experience of victims of the March 15 terrorist attacks.

At the end of June 2021, we attended He Whenua Taurikura – the first annual hui on countering violent extremism in New Zealand, hosted by Department of the Prime Minister and Cabinet in Christchurch.

Technology of Terror – Countering Violent Extremism Online

The Chief Censor spoke via teleconference on the 'Technology of Terror' at [Infoshare](#), one of Europe's biggest tech conferences in September 2020. His presentation covered our learnings as media regulators countering online extremism in the aftermath of the Christchurch massacre, and also personal insights into the impact on David and our team as digital first responders.

Talking with, not to!

In August 2020 the Chief Censor and our youth facilitators put together a fantastic presentation for national youth health and development conference, Involve. We focused on our research listening to rangatahi talk with us about their online experiences, the importance of connecting with – and listening to – rangatahi, and the online challenges specific to tamariki and rangatahi. Na te whakarongo me te titiro ka puta mai te kōrero – through looking and listening we gain wisdom.

Submissions on Legislation

We are an independent voice and advocate for positive change.

We continued to take a lead role in shaping future legislation for the country.

Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act

During the year we played a key role in driving changes to bring commercial video on-demand and streaming platforms into New Zealand's classification system. As a result, the Government has passed the Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act.

The new Act came into force in August 2020 and the regulations were finalised in May 2021.

From mid-2021 the Act required providers of commercial video on-demand and streaming services (listed in Schedule 4 of the Act) to display approved New Zealand age ratings and content warnings for all content available to New Zealand viewers.

Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of Online Harm) Amendment Bill

In May our Chief Censor presented a submission on the Films, Videos, and Publications Classification (Urgent Interim Classification of Publications and Prevention of Online Harm) Amendment Bill.

The Office sees the need for legislative updates for online content when balanced with transparency of decision-making and access to rights of independent review.

Viral, harmful online material challenges our current classification regulatory methods. The March 15 massacre was a horrific wake-up call to how digital technology can be weaponised in new and devastating ways. Media regulation reform is needed as historically agreed approaches to regulating content do not work in this day of fast-developing digital technologies and the international reach of the internet.

Our submission stated that any reforms should support the principles and approach from the Christchurch Call and the recommendations from the Royal Commission of Inquiry into the Terrorist Attack on Christchurch Mosques on 15 March 2019, including collaboration with international partners, the technology sector, academics and NGOs with an effective strategy.

One of the key issues (among several) that we highlighted in our submission related to the proposal for a government mandated internet filter contained in the Bill. We could see the potential protective function of such a provision, but set out our thinking around the necessary checks and balances that should be in place around such a mechanism.

Following on from the presentation we hosted members of the Governance and Administration Committee at our office to help them better understand the work that we do.

Their visit was an opportunity for them to learn about the process and challenges of classifying films, games, and Crown material, and our research into reducing harm. The two-hour visit consisted of meeting staff, presentations and lots of questions.

Harmful Digital Communications (Unauthorised Posting of Intimate Visual Recording) Amendment Bill

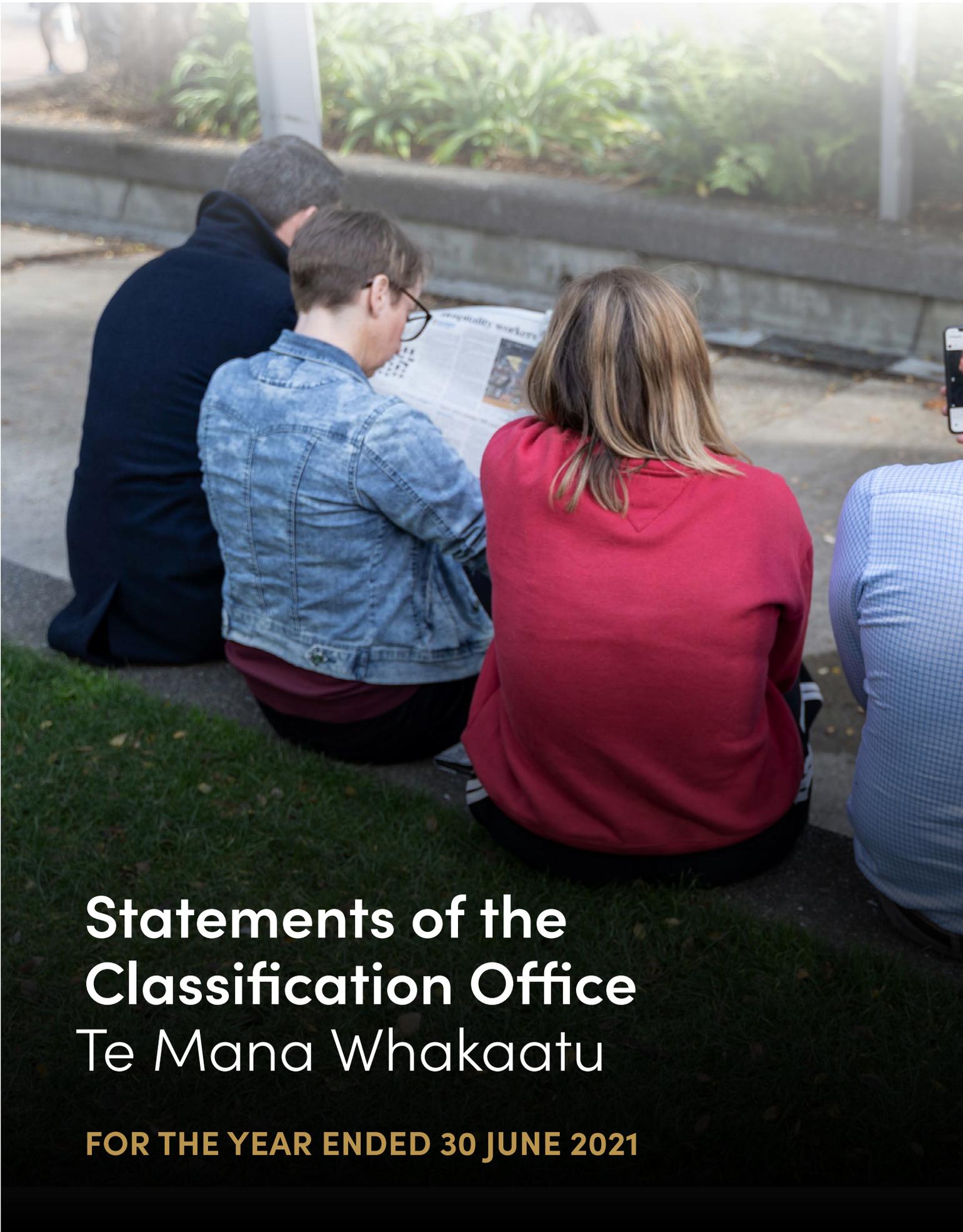
The Classification Office made a written submission on the Harmful Digital Communications (Unauthorised Posting of Intimate Visual Recording) Amendment Bill and members from our Youth Advisory Panel spoke to the Select Committee considering the amendment bill. The Bill proposes changes to the reasons people can be convicted for sharing intimate images.

Panel members provided the Committee with insight into what the impacts of sharing intimate images can be for rangatahi and pointed out a flaw in this specific part of the Bill, noting how it didn't include types of media like audio recordings and text conversations or sexting.

They also spoke from a Pasifika lens and helped the Committee understand that there are differences for youth with different cultural backgrounds.

The presentation highlighted the effects sharing nudes without consent can have on the mental health of rangatahi.





Statements of the Classification Office Te Mana Whakaatu

FOR THE YEAR ENDED 30 JUNE 2021



Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2021

The Board is responsible for the preparation of the Classification Office's financial statements and statement of service performance, and for the judgements made in them.

The Board of the Classification Office has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and Statement of Service Performance fairly reflect the financial position and operations of the Classification Office for the year ended 30 June 2021.

On behalf of the Board of the Classification Office,



David Shanks
Chairperson

22 December 2022



Rupert Ablett-Hampson
Deputy Chairperson

22 December 2022

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Office of Film and Literature Classification's financial statements and performance information for the year ended 30 June 2021.

Independent Auditor's Report

The Auditor-General is the auditor of the Office of Film and Literature Classification (the Office). The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of the Office on his behalf.

Opinion

We have audited:

- the financial statements of the Office on pages 44 to 61, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Office on pages 10, 11 and 36 to 43.

In our opinion:

- the financial statements of the Office on pages 44 to 61:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 10, 11 and 36 to 43:

- o presents fairly, in all material respects, the Office's performance for the year ended 30 June 2021, including:

- for each class of reportable outputs:

- its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- what has been achieved with the appropriation; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and

- o complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 22 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Office for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Office for assessing the Office's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Office, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Office's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the Office's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Office's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 4 to 9, 12 to 31 and 62 to 67

but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Office in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Office.



Stephen Usher

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Statement of Performance

FOR THE YEAR ENDED 30 JUNE 2021

The Classification Office is funded in the Estimates under Vote: Internal Affairs Non-Departmental Output Expense for a single output class: Classification of Films, Videos, and Publications (M41). The appropriation for 2020/2021 for this output class is \$3,315,000. The scope of the appropriation is:

This appropriation is limited to the examination and classification of films, videos and publications by the Office of Film and Literature Classification under the Films, Videos, and Publications Classification Act 1993.

The Classification Office also receives revenue from fees paid by third parties and other sundry revenue. The shortfall in forecast revenue will be met by cash reserves.

RESOURCES EMPLOYED \$'000	ACTUAL 2021	BUDGET 2021	ACTUAL 2020
Crown Appropriation	3,315	3,315	3,399
Third Party Revenue	341	442	357
Interest & Sundry Revenue	7	37	31
Total Revenue	3,663	3,794	3,787
Expenses	4,133	4,345	3,541
Expected Surplus/(Deficit)	(470)	(551)	246

Non-departmental capital expenditure – Capital Injection to the Classification Office

This appropriation is limited to a capital injection to the Classification Office to support the development and initial delivery of a self-classification online tool.

RESOURCES EMPLOYED \$'000	ACTUAL 2021	BUDGET 2021	ACTUAL 2020
Crown Injection	0	0	600
Expenditure	34	166	293

Classification Services

REPORT AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2020 – 2021

Activity 1 – Production of classification decisions

QUALITY & QUANTITY	NOTES	ESTIMATED RANGE	ACTUAL 2021		ACTUAL 2020
Publications Received		1,129 – 1,914	1,251		1,417
Publications Examined		1,129 – 1,914	1,285		1,495
1.1.1 Third Party – Number of publications classified		585 – 908	813	✓	865
1.1.2 Crown – Number of publications classified	1	544 – 1,006	500	✗	627
1.1.3 Number of classification decisions registered		1,129 – 1,914	1,313	✓	1,492
QUALITY		TARGET	ACTUAL 2021		ACTUAL 2020
1.2.1 Classification decisions are consistent with standards set down in the practice manual	2	95%	99.9%	✓	99.9%
1.2.2 Classification decisions	3				
a. Classification decisions are written in a style which is accessible to a range of readers, and		75%	91.7%	✓	New measure for 2020/21
b. the analysis supports the classification decision so the reader understands the reasoning of the decision		75%	91.7%	✓	

Note 1: Crown Classifications Below Estimate

This is a demand-driven activity.

Submissions from the Crown do not require the leave of the Chief Censor and fluctuate as a result of investigation and prosecution activity by enforcement agencies.

Note 2: Internal Measure – Quality of Classification Decisions

The quality measure target of 95% requires that classification decisions and directions are consistent

with the standards set down in the Classification Office Practice Manual. The size of the sample consists of at least 15% of the total number of publications classified, with this figure comprising at least 15% from each submission channel employed for the period in question.

This quality review is conducted on a monthly basis by classification staff. It is based on a randomly selected sample of publications and performance against this measure is reported to the Board of the Classification Office via a monthly reporting framework.

Note 3: External Measure – Independent Review

This year we conducted an independent review of 12 decisions, selected using a matrix of criteria incorporating submission channel, medium, classification and subject matter.

The review was conducted against a 4-point scale. In addition the reviewers provided example-based recommendations for improvement.

The assessment for a) considered tone, sentence structure (short and precise) and language used (precise and familiar) for the defined audience.

The assessment for b) considered whether the content of the decision has the required rigour, which supports the purpose and aligns with the statutory criteria.

Overall, 11 out of 12 decisions reviewed achieved an assessment of ‘Good’ or ‘Very Good’ against each criteria.

Timeliness ^{4,5}

	DAYS	TARGET %	NO. OF PUBLS	NO.	ACTUAL 2021 %		ACTUAL 2020 %
1.3.1 Standard s12 & s42 Percentage of Standard s12 and s42 submissions which are classified within 30 working days of receipt.	30	90%	797	793	99%	✓	98%
1.3.2 Complex s12 & s42 ⁶ Percentage of Complex s12 and s42 submissions which are classified within 35 working days of receipt.	35	70%	0	0	-	N/A	N/A
1.3.3 s13 Percentage of s13 submissions which are classified within 55 working days of receipt, where statutory obligations enable this.	55	70%	510	464	91%	✓	71%

Note 4: Timeliness Target Achieved

Timeliness targets are set by the Office, not in legislation. The Act requires publications be examined ‘as soon as practicable’. These measures incorporate both processing timeliness as well as the queue of publications awaiting examination.

- Timeliness Performance is calculated on publications which have been registered during the reporting period.
- Publications requiring assistance under s21 of the Act and s29 (Crown) submissions are excluded from timeliness measures.

Note 5: Timeliness Definitions

- The distinction between ‘standard’ and ‘complex’ publications is based on the need to consider excisions. Complex publications are those publications for which excisions have been recommended.

Note 6: Standard 1.3.2 Not Applicable

No publications which met the criteria for ‘complex’ were classified during 2019/2020 or 2020/2021.

Classification Analysis - Performance by Section of the Act Against Estimates

SECTION 12 – LABELLING BODY	MINIMUM ESTIMATE	MAXIMUM ESTIMATE	ACTUAL 2021	ACTUAL 2020
Publications Received	567	820	791	748
Publications Examined	567	820	786	809
Classifications Registered	567	820	789	813
REGULATION 27 (3), (4) FILM POSTER APPROVALS				
Publications Received	0	0	0	0
Publications Examined	0	0	0	0
Classifications Registered	0	0	0	0
SECTION 13 (1) (a) – COMPTROLLER OF CUSTOMS				
Publications Received	12	36	0	33
Publications Examined	12	36	0	33
Classifications Registered	12	36	0	33
SECTION 13 (1) (ab) – NEW ZEALAND POLICE				
Publications Received	240	468	346	502
Publications Examined	240	468	416	512
Classifications Registered	240	468	464	504
SECTION 13 (1) (b) – SECRETARY FOR INTERNAL AFFAIRS				
Publications Received	252	316	30	2
Publications Examined	252	316	28	2
Classifications Registered	252	316	23	1

SECTION 13 (1) (c) – CHIEF CENSOR GRANTS LEAVE (COMMERCIAL & PUBLIC)	MINIMUM ESTIMATE	MAXIMUM ESTIMATE	ACTUAL 2021	ACTUAL 2020
Publications Received	18	64	22	46
Publications Examined	18	64	22	47
Classifications Registered	18	64	21	49
SECTION 13 (3) – CHIEF CENSOR'S OWN MOTION				
Publications Received	4	42	4	3
Publications Examined	4	42	4	3
Classifications Registered	4	42	3	3
SECTION 29 (1) – COURTS				
Publications Received	36	144	55	80
Publications Examined	36	144	26	86
Classifications Registered	36	144	10	86
SECTION 42 (1), (2) & (3) – RECONSIDERATIONS				
Publications Received	0	24	3	3
Publications Examined	0	24	3	3
Classifications Registered	0	24	3	3
SUMMARY				
Publications Received for the Year	1,129	1,914	1,251	1,417
Publications Examined	1,129	1,914	1,285	1,495
Classifications and Film Poster Decisions	1,129	1,914	1,313	1,492

Note 1:

These figures in the estimated range have been rounded to the nearest whole number.

Note 2:

Publications Received may be Examined and/or Registered in the following year.

Publications Examined and/or Registered may have been Received in the previous year.

Information Services

REPORT AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2020 – 2021

Activity 2 – Dissemination of Information

ACTIVITY 2.1				ACTUAL	ACTUAL
Development of a Quality Web Presence		NOTES	TARGET	2021	2020
Quantity					
2.1.1	Number of visits to the Classification Office websites (average per day)	1	400	651 ✓	475
Quality					
2.1.2	Website regularly updated with Editor and Moderator approved content	New content added every month		Achieved ✓	Achieved
ACTIVITY 2.2					
Public Engagements					
Quantity					
2.2.1	Number of public engagement activities	2	30–40	18 ✗	39
Quality					
2.2.2	Responses to client satisfaction surveys 'Very Good', or better	3	80%	100% ✓	90.2%

Note 1: Increase in Website Visits

Website activity has continued to increase. Significant drivers of this activity in 2020/2021 are domestic and international interest in the classification of the livestreamed footage of the March 15 terrorist attacks and the associated documents and our programme of research into New Zealand youth and porn.

Note 2: Public Engagement Activities – Quantity measure not achieved

Covid-19 and the associated level of uncertainty meant that the number of public presentations delivered by the Office did not achieve the target. This impacted on both events planned by the Office and events at which we were invited to speak.

Note 3: Public Engagement Activities – Quality Measure

These surveys are used for our formal presentations. The survey asks the organiser to provide feedback on the speaker's performance, the suitability of the content and how educational and informative the presentation was. A five-point scale ranging from 'Not Satisfactory' to 'Excellent' is used. Any feedback which includes a response of 'Good', 'Satisfactory' or 'Not Satisfactory' is deemed as having not achieved this measure.

Twelve survey responses were received, all of which assessed the presentation as 'Very Good' or 'Excellent'.

Activity 3 - Inquiries and Complaints

	NOTES	TARGET	ACTUAL 2021		ACTUAL 2020
Quantity					
3.1 Number of inquiries and complaints answered	3	600-800	388	✘	499
Quality					
3.2 Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service'	4	80%	95.2%	✓	100%
Timeliness					
3.3 Inquiries and complaints responded to promptly		80% within 5 days	90.2%	✓	95.4%
		100% within 20 days	100%	✓	99.8%

Note 3: Inquiries and Complaints - Quantity measure not met

This is a demand-driven activity.

The number of inquiries and complaints responded to was less than forecast. However the volume of traffic on our website and engagement on social media channels, particularly in response to proactive release of information and advice was high.

This seems to indicate a shift in engagement channels and will be monitored as it suggests that this measure may need to be modified to better reflect organisational performance in this space.

Note 4: Inquiries and Complaints - Quality Measure

People who make a substantive written inquiry or complaint (including those considered to be an Official Information Act request) via email are surveyed on our response to them. The purpose of the survey is to provide evidence about the quality of the responses we provide about the operation of the classification system under s88 of the Classification Act. The survey questions are included at the bottom of our email signatures.

The response rate to this survey is 17% with 42 responses received in 2020/2021.

Correspondents are asked:

"I would be grateful if you could give me some feedback via return email about my response to your inquiry/complaint:

1. Did I adequately address your questions?
Yes/No
2. Were you satisfied with my overall response?
Yes/No
3. Was there something I could have done to make this response more helpful?
If so, please let me know."

Activity 4 - Research

	NOTES	TARGET	ACTUAL 2021		ACTUAL 2020
Quantity					
4.1 Research papers per year	5	1	1	✓	2
Quality					
4.2 Published research helps inform the wider public about censorship issues	6	Research reports make up at least 10% of resources downloaded	8%	✗	20.9%
Timeliness					
4.3 Research findings are published within 1 month of report being finalised	7		100%	✓	100%

Note 5:

This relates to the Office research titled *The Edge of the Infodemic: Challenging Misinformation in Aotearoa*. This research provides insights from a nationally representative survey of 2,301 people aged 16 years and over.

New Zealanders are worried about the growing spread of misinformation and the harm it is causing our communities. We found that just about everyone is affected in some way, no-one is immune to misinformation.

Research conducted by the Classification Office serves several purposes. It provides an evidence base to censorship policy-making. Published research is also intended to inform the wider public about censorship issues. Research conducted by the Office increases general understanding of people's attitudes and behaviours, fosters informed debate, and helps to illuminate the nature of injury to the individual, or society, of harmful publications.

Note 6: Quality measure not met

This quality measure is proportional. There has been a significant (and atypical) increase in the total number of downloads during this year and therefore the proportion which is made up of downloads of research reports has decreased, while the actual number has remained stable. The increase in the total number of downloads has been driven by the continued high interest in the material on our website related to the banning of the Livestream footage of the March 15 terror attacks and the so-called manifesto. This measure has been changed for 2021/22 to better capture performance in this area.

Note 7:

The website is the main point of access to the Office's research and contains research published by the Office since 2001. If the Office's research is considered of high value and quality it will continue to be accessed by researchers, students and others and will remain relevant over time.

Our research report *The Edge of the Infodemic: Challenging Misinformation in Aotearoa* was released in June 2021.

Financial Statements

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2021 (IN NEW ZEALAND DOLLARS)

		ACTUAL 2021 \$'000	BUDGET 2021 \$'000	ACTUAL 2020 \$'000
REVENUE	NOTES			
Revenue from the Crown	2	3,315	3,315	3,399
Labelling Body Revenue		340	441	354
Other Fee Revenue		1	1	3
Total		3,656	3,757	3,756
OTHER REVENUE				
Interest Revenue		7	37	31
Sundry Revenue		-	-	-
Total		3,663	3,794	3,787
EXPENSE				
Audit fee		31	32	32
Depreciation & Amortisation Expense	7, 8	194	270	237
Insurance Costs		9	9	13
Loss on Disposal of Fixed Assets		-	-	41
Lease & Rental Costs		236	221	213
Other Operating Costs		1,417	1,312	869
Personnel Costs	14	2,246	2,501	2,136
Total		4,133	4,345	3,541
Surplus/(Deficit)		(470)	(551)	246
Other Comprehensive Revenue		-	-	-
Total Comprehensive Revenue and Expense		(470)	(551)	246

Notes:

Explanations of major variances are provided in note 18.

The accompanying accounting policies and notes form an integral part of, and should be used with, these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021 (IN NEW ZEALAND DOLLARS)

	NOTES	ACTUAL 2021 \$'000	BUDGET 2021 \$'000	ACTUAL 2020 \$'000
Balance at 1 July 2020		1,498	1,915	651
Capital Injection		0	0	600
Surplus/(Deficit)		(470)	(551)	246
Comprehensive Revenue & Expense		(470)	(551)	846
Balance at 30 June 2021	16	1,028	1,364	1,497

Note:

The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Financial Position

AS AT 30 JUNE 2021 (IN NEW ZEALAND DOLLARS)

		ACTUAL 2021 \$'000	BUDGET 2021 \$'000	ACTUAL 2020 \$'000
CURRENT ASSETS				
	NOTES			
Cash & Cash Equivalents	3	652	28	1,322
Debtors & Other Receivables	4	63	79	102
Investments		500	1,274	0
Total Current Assets		1,215	1,381	1,424
CURRENT LIABILITIES				
Creditors & Other Payables	5	223	185	155
Employee Entitlements	6	262	191	230
Total Current Liabilities		485	376	385
Net Current Assets		708	1,005	1,039
NON-CURRENT ASSETS				
Property, Plant & Equipment	7	71	214	77
Intangible Assets	8	227	145	381
Total Non-Current Assets		298	359	458
Net Assets		1,028	1,364	1,497
Represented by				
EQUITY				
General Funds	16	1,028	1,364	1,497
Total Equity		1,028	1,364	1,497

Note:

The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

Statement of Cash Flows

AS AT 30 JUNE 2021 (IN NEW ZEALAND DOLLARS)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	ACTUAL 2021 \$'000	BUDGET 2021 \$'000	ACTUAL 2020 \$'000
<i>Cash was provided from:</i>				
Receipts from the Crown		3,315	3,315	3,500
Receipts from Customers		329	455	370
Interest Received		6	37	31
Net Goods & Services Tax Received		-	9	-
		3,650	3,816	3,901
<i>Cash was distributed to:</i>				
Net Goods & Services Tax Paid		18	-	24
Payments to Suppliers & Employees		3,769	4,042	3,317
		3,808	4,042	3,341
Net Cash Flow from Operating Activities		(137)	(226)	560
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment		-	-	-
Sale of Intangibles		-	-	-
Sale of Investments		-	-	-
		-	-	-
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment		33	108	36
Purchase of Intangibles		-	58	237
Proceeds from Sale of Property, Plant & Equipment		-	-	(1)
Acquisition of Investments		500	-	-
		533	166	272
Net Cash Flow from Investing Activities		(533)	(166)	(272)

CASH FLOWS FROM FINANCING ACTIVITIES	NOTES	ACTUAL 2021 \$'000	BUDGET 2021 \$'000	ACTUAL 2020 \$'000
<i>Cash was provided from:</i>				
Capital Contribution		-	-	600
Net Cash Flow from Financing Activities		-	-	600
Cash & Cash Equivalents at the beginning of the year		1,322	419	434
Net Increase/(Decrease) in Cash & Cash Equivalents		(670)	(392)	888
Cash & Cash Equivalents at the end of the year	3	652	27	1,322

Note:

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of other primary financial statements.

Note:

The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with these financial statements.



Notes to the Accounts

FOR THE YEAR ENDED 30 JUNE 2021

Note 1: Statement of Accounting Policies Reporting

Entity

The Office of Film and Literature Classification (the Classification Office) is a Crown entity formed under the Films, Videos, and Publications Classification Act 1993. These statements have been prepared in accordance with the Crown Entities Act 2004.

The Classification Office's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Classification Office has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Office are for the year ended 30 June 2021 and were approved on 22 December 2021.

Basis of Preparation

STATEMENT OF COMPLIANCE

The financial statements of the Classification Office have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP"). The Classification Office is a public sector Public Benefit Entity and has elected to prepare these financial statements in accordance with Tier 2 PBE Standards with Reduced Disclosure Requirements applicable to public sector entities, as it does not have public accountability and is not large. The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

MEASUREMENT BASE

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

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), except for Employee remuneration and benefits in Note 15 which is rounded to the nearest dollar.

BUDGET FIGURES

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Classification Office for the preparation of the financial statements.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

AMENDMENT TO PBE IPSAS 2 STATEMENT OF CASH FLOWS

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Classification Office does not intend to early adopt the amendment.

PBE IPSAS 41 FINANCIAL INSTRUMENTS

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Classification Office has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

The PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Classification Office has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Key Judgements and Assumptions

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods.

Critical accounting estimates and assumptions

In preparing these financial statements the Classification Office 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

PROPERTY, PLANT AND EQUIPMENT USEFUL LIVES AND RESIDUAL VALUE

At each balance date the Classification Office reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Classification Office to consider a number of factors such as the physical condition of the

asset, expected period of use of the asset by the Classification Office, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the statement of comprehensive revenue and expense and carrying amount of the asset in the statement of financial position. The Classification Office minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

No significant changes were made to the estimates of the useful life or residual value of property, plant and equipment during the year. The carrying amounts of property, plant and equipment are disclosed in note 7.

Critical judgements in applying the Classification Office's accounting policies

Management has exercised the following critical judgements in applying the Classification Office's accounting policies for the period ended 30 June 2021:

LEASE CLASSIFICATIONS

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Classification Office.

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

The Classification Office has exercised its judgement on the appropriate classification of equipment leases.

Changes in Accounting Policies

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

Significant Accounting Policies

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

REVENUE

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

Crown revenue

The Classification Office is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Classification Office meeting its objectives as specified in the Statement of Performance Expectations.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method.

Other revenue

Labelling Body income, other fee income and sundry income are recognised when earned and are reported in the financial period and are considered exchange revenue.

EXPENSES

Operating lease

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Classification Office are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive revenue and expense.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are recorded at the amount due, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Classification Office will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive revenue and expense. When the receivable is uncollectible, it is written off against the allowance account for receivables.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are shown at cost less any accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Additions

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

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Revenue and Expense.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at the 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 assets have been estimated as follows:

Computer hardware	3-4 years	33%
Fitout	6 years	17%
Furniture & fittings	10 years	10%
Office equipment	4-5 years	24%
Other equipment	4-5 years	24%
Technical equipment	4-5 years	24%

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

INTANGIBLE ASSETS

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the Classification Office, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Classification Office’s website are recognised as an expense when incurred.

Intangible assets are reviewed annually for impairment.

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 period is recognised in the statement of comprehensive revenue and expense.

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

Software	3-4 years	33%
Self-rating tool	10 years	10%
Classification database	12 years	6%

IMPAIRMENT

Property, plant and equipment 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement costs for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Classification Office would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset’s carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset.

Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive revenue and expense.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive revenue and expense.

CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

EMPLOYEE BENEFITS

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay.

Entitlements to sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement, and calculated using current pay rates at the time of creation.

SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive revenue and expense as incurred.

PROVISIONS

The Classification Office recognises a provision for future expenditure, of 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 expenditures 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 expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST 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 Classification Office is exempt from the payment of income tax in terms of the First Schedule to the Films, Videos, and Publications Classification Act 1993.

COST OF SERVICE STATEMENTS

The Classification Office has only one output class and all expenses are directly allocated to this one output class.

COMMITMENTS

Future payments are disclosed as commitments at the point when a contractual obligation arises, to the extent that they are equally unperformed obligations.

Commitments relating to employment contracts are not disclosed.

CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point when the contingency is evident.

Note 2: Reconciliation of Crown Revenue Received

	2021 \$'000	2020 \$'000
Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST)	3,315	3,399
Crown Revenue Per Accounts as at 30 June	3,315	3,399

The Classification Office has been provided with funding from the Crown for the specific purposes of the Classification Office as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding (2020: nil).

Note 3: Cash & Cash Equivalents

	2021 \$'000	2020 \$'000
Cash at bank and on hand	652	1,322
Total Cash & Cash Equivalents	652	1,322

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

Note 4: Debtors & Other Receivables

	2021 \$'000	2020 \$'000
Interest Receivable	0	0
Sundry Debtors	1	21
Prepayments	60	71
Trade Debtors	1	10
	62	102
Less Provision for Doubtful Debts	-	-
Total Debtors & Other Receivables	62	102

As at 30 June 2021 all receivables have been assessed for impairment. The carrying value of receivables approximates their fair value. All receivables are resultant from exchange transactions.

Note 5: Creditors & Other Payables

	2021 \$'000	2020 \$'000
Trade Creditors	150	79
Income in Advance	3	15
Sundry Creditors	51	24
GST	19	37
Total Creditors & Other Payables	223	155

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value. With the exception of GST payable all creditors are resultant from exchange transactions.

Note 6: Employee Entitlements

	2021 \$'000	2020 \$'000
Accrued Annual Leave	193	172
Provision for Staff Accrued Personnel Costs	69	57
Long Service Leave	0	1
	262	230

The value of long service leave is calculated on an employee's current hourly rate and the number of days employees have available.

Long service leave is available to employees based on their individual employment agreements.

Note 7: Property, Plant & Equipment

Movements for each class of property, plant and equipment are as follows:

	COMPUTER HARDWARE	FIT OUT	FURNITURE & FITTINGS	OFFICE EQUIPMENT	OTHER EQUIPMENT	TECHNICAL EQUIPMENT	TOTAL
COST OR VALUATION	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	258	367	255	37	15	31	963
Balance at 30 June 2020	272	369	262	37	16	32	988
Additions	21	-	10	-	3	-	34
Disposals	(2)	-	(1)	0	-	-	(3)
Balance at 30 June 2021	291	369	271	37	19	32	1,019
ACCUMULATED DEPRECIATION & IMPAIRMENT LOSSES							
Balance at 1 July 2019	212	296	231	34	12	29	814
Balance at 30 June 2020	242	362	229	35	12	31	911
Depreciation Expense	24	5	7	1	2	1	40
Eliminate on Disposal	(2)	-	(1)	-	-	-	(3)
Balance at 30 June 2021	264	367	235	36	14	32	948
CARRYING AMOUNTS							
At 30 June 2019	46	71	24	3	3	2	149
At 30 June 2020	30	7	33	2	4	1	77
At 30 June 2021	27	2	36	1	5	-	71

RESTRICTIONS

There are no restrictions over the Classification Office's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

Note 8: Intangible Assets

	COMPUTER SOFTWARE \$'000	CLASSIFICATION DATABASE \$'000	WORK IN PROGRESS \$'000	TOTAL \$'000
COST OR VALUATION				
Balance at 1 July 2019	130	1,828	20	1,978
Balance at 30 June 2020	311	1,848	0	2,159
Disposals	-	-	-	0
Additions	-	-	-	-
Balance at 30 June 2021	311	1,848	0	2,159
ACCUMULATED AMORTISATION & IMPAIRMENT LOSSES				
Balance at 1 July 2019	89	1,588	-	1,677
Balance at 30 June 2020	77	1,701	-	1,778
Amortisation Expense	24	130	-	154
Disposals	-	-	-	-
Balance at 30 June 2021	101	1,831	0	1,932
CARRYING AMOUNTS				
At 30 June 2019	41	255	20	301
At 30 June 2020	234	147	-	381
At 30 June 2021	210	17	-	227

The Classification Database Application (CDA) is internally generated software which largely comprises an interactive database. The CDA holds all classification records of the Office, produces the register of decisions of the Office (as required under the FVPC Act) and is our main workflow management tool. The core CDA asset was brought into production in 2008/09 and was fully depreciated in 2019/20.

RESTRICTIONS

There are no restrictions over the Classification Office's intangible assets, nor are any intangible assets pledged as security for liabilities.

Note 9: Financial Instruments

The carrying amounts of financial assets and liabilities in each of the financial instruments categories are as follows:

	2021 \$'000	2020 \$'000
FINANCIAL ASSETS		
Cash & Equivalents	652	1,343
Receivables	62	102
Investments – Term Deposits	500	0
Total Financial Assets	1,214	1,445
FINANCIAL LIABILITIES		
Creditors and other payables	201	103
Total Financial Liabilities	201	103
Total	1,013	1,342

Note 10: Related Party Information

The Classification Office is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions not more or less favourable than those that it is reasonable to expect the Classification Office would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other Government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

Note 11: Repayment of Profit to the Crown

Under Section 16 of the Crown Entities Act, the Minister of Finance may require repayment of any profit (or any portion of the profit). At the date of this report, the Classification Office has not been notified of any such request and therefore has not provided for any repayment relating to the years ended 30 June 1997 to 30 June 2021.

Note 12: Capital Commitments and Operating Leases

The Classification Office has a long-term lease on its premises in Wellington. The lease expires 31 January 2023 and is subject to three-yearly reviews.

Operating leases include lease payments for the Office committed to at balance date.

	2021 \$'000	2020 \$'000
OPERATING LEASE COMMITMENTS		
Not later than one year	219	219
Later than one year and not later than five years	125	345
Later than five years	0	0
Total Operating Lease Commitments	344	564
Capital Commitments	0	0
Total Commitments	344	564

Note 13: Contingencies

The Classification Office has no known contingent liabilities or assets as at 30 June 2021 (2020: nil).

Note 14: Personnel Expenditure

PERSONNEL EXPENDITURE	2021 \$'000	2020 \$'000
Salaries and Wages	2,156	2,049
Employer contributions to defined contribution plans	57	48
Increase/(decrease) in employee entitlements (Note 6)	33	39
	2,246	2,136

Note 15: Key Management & Employee Remuneration

KEY MANAGEMENT PERSONNEL COMPENSATION	2021 \$'000	2020 \$'000
Salaries & other	269	514
Post-employment Benefit	7	8
Total Key Management Personnel Compensation	276	522
Full-time equivalents	1	2

The only key management person is the Chief Censor. The Deputy Chief Censor position was vacant for the full year. (2020: Chief Censor and Deputy Chief Censor.)

EMPLOYEE REMUNERATION

TOTAL REMUNERATION AND BENEFITS	2021	2020
\$100,000 - \$109,999	3	-
\$110,000 - \$119,999	1	-
\$120,000 - \$129,999	-	2
\$130,000 - \$139,999	1	1

TOTAL REMUNERATION AND BENEFITS	2021	2020
\$150,000 - \$159,999	1	-
\$220,000 - \$229,999	-	1
\$270,000 - \$279,999	1*	-
\$290,000 - \$299,999	-	1*

*Refers to the Chief Executive's remuneration

SEVERANCE PAYMENTS

During the year ended 30 June 2021 no employees received compensation in relation to cessation (2020: nil).

No Board members received compensation or other benefits in relation to cessation (2020: 0).

Note 16: Equity

EQUITY	2021 \$'000	2020 \$'000
Balance at 1 July	1,498	651
Capital Injection	-	600
Surplus/(Deficit) for the year	(470)	246
Balance at 30 June	1,028	1,497
REVALUATION RESERVE		
Balance at 1 July	-	-
Transfer to Taxpayers' Funds	-	-
Balance at 30 June	-	-
Total Equity	1,028	1,497

Note 17: Subsequent Events

There are no significant events after balance date.

Note 18: Explanation of Key Variances

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Labelling Body Revenue

2020/2021 compared to Budget

Labelling Body revenue was fairly stable over 2019/20 and 2020/2021 however budgeted revenue was overestimated (23%).

Labelling Body revenue is intrinsically tied to the volume and nature of commercial submissions. There was a significant drop in commercial submissions (30%) in 2019/20 which was due to Covid-19 restrictions particularly related to cinema closures and continued decline of the DVD market. However the ongoing global and local impact extended into 2020/2021 with examination volumes 3% lower than 2019/20.

Interest Revenue

2020/2021 compared to Budget and Actual 2019/20

The Office earns interest on the investment of capital funds as well as any unspent portion of Crown funding throughout the year. Due to ongoing deficits in prior years, approximately \$1,400K in equity has been eroded, which in turn reduces funds available for investment. Therefore budgeted interest earnings have been reducing. This situation was aggravated in 2020/2021 with the delayed enactment of the funding regime which supports the commercial video on-demand self-rating framework and a delay in the payment of Crown funding until the second quarter.

Depreciation & Amortisation Expense / Loss on Sale of Assets *2020/2021 compared to Budget and 2019/20 Actual*

Depreciation and Amortisation expense was \$76K (28%) less than budget and \$43K (18%) less than 2020/2021. These variations are due to the disposal of a prototype of an online ratings tool which was developed in 2017/18 and 2018/19. This prototype was replaced with a production ready tool in 2019/20. Expenditure on this intangible asset was \$56K, with impairment losses of \$14K. In addition the full capital budget was not spent, as the Office moved to a fully virtualised environment.

Other Operating Costs

2020/2021 compared to 2019/20 Actual

Other operating expenditure in 2020/2021 was 39% (\$548K) more than 2019/20. Over the year the Office undertook the development and implementation of a self-rating framework for the supply of commercial video on-demand in New Zealand. This work was largely unfunded with the deferral of Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021 until 2020/2021. In addition contractors were used to meet ongoing vacancies as fill short-term needs for expertise in specific areas (discussed further under Personnel Costs).

Personnel Costs

2020/2021 compared to Budget and 2019/20 Actual

Personnel expenditure in 2020/2021 varied from budget and actual as contract staff were used to fill the vacancy in the position Deputy Chief Censor as well as meet specialist requirements in the areas of IT and Policy as we supported legislative change and worked to develop and implement the self-rating framework for the supply of commercial video on-demand in New Zealand.

Note 19: Impact of Covid-19

We have assessed the impact of the pandemic on the Classification Office over 2020/21. We have also reviewed our financial statements on a line by line basis and have not needed to make any adjustments in accordance with NZ GAAP.

Overall, we concluded that the impact of the Covid-19 pandemic was not material to our operations or current year financial statements. The main factors contributing to this conclusion are:

- The Classification Office continued operations without significant disruption during the pandemic;
- while there are ongoing reductions in the volume of submissions, the number of complaints and inquiries and the number of presentations provided, approximately 90% of the Classification Office's total revenue is derived from the Crown, which is not considered to be at significant risk; and
- expenses, cash flows and the Classification Office's balance sheet accounts were not impacted.



Management of the Classifications Office

Organisational Health & Capability

Health and Safety

The Senior Management Team and Board are fully engaged with health and safety in our organisation and we have robust measures in place to identify, monitor and manage risks. We offer a range of benefits and programmes to support the health and wellbeing of our staff, which go beyond our obligations under the Health and Safety at Work Act 2015. This includes workplace assessments by a physiotherapist, an employee assistance programme, flu vaccinations, annual eye examinations and hearing checks, and support for staff being physically active in the workplace, as well as management and staff participation on a health and safety committee.

The nature of our classification work is often demanding on staff. There is a risk of harm to staff who work in an environment where they are exposed to objectionable material, if this isn't managed carefully and well.

Additionally, the Covid-19 lockdown and ongoing impacts of the pandemic this year have affected staff members' work and personal lives in a range of ways. For some, it has compounded existing stressors such as those with young children, health concerns and/or family members living overseas. In order to support our team to maintain their mental and emotional wellbeing, we ensure staff receive suitable peer and professional support, and we regularly review our policy and practice in supporting staff who handle and view classification material that may be harmful or distressing.

This year we have embraced a more flexible approach to how our staff members divide their time between the office and home, enabling individuals to find a balance that works well for them while still meeting our organisational needs.

Staffing

As a relatively small organisation, maintaining capability can be a challenge and changes in a small number of positions can have wide-ranging impacts on the organisation. The Deputy Chief Censor position was vacant for the full year. This role is responsible for the management of the Classification Unit and temporary appointments were made to address this gap.

As at 30 June 2021 we had 26 staff (24 full-time equivalents). The small size of the Office creates challenges around maintaining corporate knowledge, representation, and segregation of duties. The classification function is now more closely aligned with the Office's information and public engagement activities. This has the benefit of maintaining capacity and flexibility within the classification team, building capability for the delivery of information services as well as providing a healthy work balance for staff. During the year we also used casual and contract staff to bridge gaps in resourcing.

A 3-year collective agreement is in place between the Office and the PSA and was due to be renegotiated in September 2019. Bargaining has been initiated and negotiations are underway.

The Classification Office as a Good Employer

The Office is required to be a good employer under the Crown Entities Act 2004. A good employer values equity and fairness and has policies, programmes and practices that promote these values. They make maximum use of the skills and strengths of all staff but have special regard for those groups often overlooked or marginalised – including women, Māori, other ethnic communities, the LGBTIQ community, people with disabilities and other minority groups. The Office is also committed to being a diverse and inclusive organisation.

Workplace Profile

The Office creates a ‘workplace profile’ annually, which assists us to monitor our performance as a good employer and to maintain a good understanding of our staff make up and some of the challenges our staff face.

Gender Profile

A workplace profile survey is conducted each year.

- 58% of our staff identify as women and 42% identify as men.
- Among the classification team (Classification Advisors, Senior Classification Advisors, Chief Censor and Deputy Chief Censor), 60% are women and 40% are men.
- 84% of managers are women, and 17% are men.
- 23% of our staff work less than full-time and of these 80% are women.

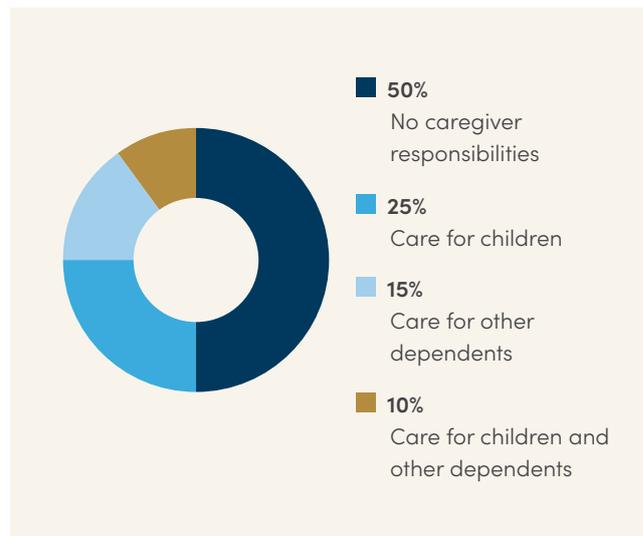
Analysis of our gender pay gap is regularly conducted, on the basis of median salaries across the organisation. During 2020 we had a very slight negative gender pay gap organisation-wide, and there was no gender pay gap within the classification team.

Ethnicity

Of those surveyed 79% of our staff identify as NZ European/Pākehā and 9% identify as Māori. 25% of staff identify as other ethnicities including Pasifika, Asian, Sri Lankan and Middle Eastern. When recruiting new staff, we focus on attracting a diverse range of candidates (ethnicity being one aspect of this), and will continue to do so in the future.

Caregiver Profile

Approximately 50% of our staff have caregiver responsibilities of some kind. This includes 35% of staff who have childcare responsibilities and 25% who care for other dependents. We provide flexible working options to accommodate and support this.



Age & Disability

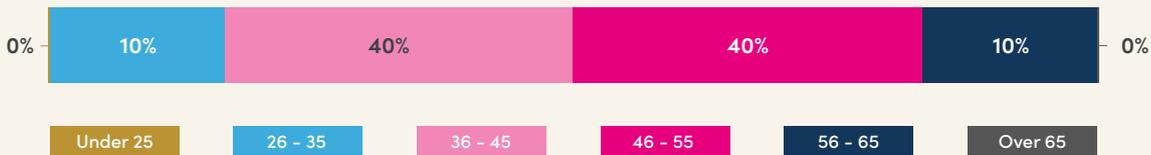
Current employee ages range from mid-20s to mid-60s, and the average age is 51. Although the Office has a policy of no discrimination, the nature of the material processed within the Office means it's not possible to employ staff under the age of 18. Fifty percent of staff are aged over 45 and only 10% are under 36.

Our Youth Advisory Panel has been in place since 2018 and helps to ensure we understand and take into account the views and concerns of young New Zealanders from diverse backgrounds.

Of those staff who completed the recent workplace profile survey, 5% reported that they had some form of disability. The Office aims to reduce obstacles for employees with disabilities, and any employee who identifies as having a disability (either permanent or temporary) has their individual needs accommodated.

The average length of service is 7.8 years.

Classification Office staff age range



Staff Consultation

The Office does not have a staff engagement committee at present. The Office's HR function, PSA delegates and various staff with special interests have taken on this role, including consulting with staff and working on initiatives such as workplace culture and reviewing policy and practice, with the aim of ongoing improvement on good employer issues.

Key Good Employer Elements

LEADERSHIP, ACCOUNTABILITY & CULTURE

The Chief Censor communicates his goals for the Classification Office and expectations of staff through meetings, managers and written communication. Minutes from the weekly management team meetings are circulated to all staff and weekly staff meetings are held to inform the team about the wider activities of the Office. The Chief Censor has an 'open door' policy and seeks staff feedback.

Two of the key attributes in the performance development system are 'commitment to open communication through sharing information, ideas and knowledge with others' and 'teamwork and co-operation', which encourage staff to acknowledge the contribution, help or assistance of other team members.

Staff participation in activities which set and enhance the culture of the Office is facilitated and encouraged, and this behaviour is modelled by managers. This includes union (PSA) activities, the Social Club committee, and safety wardens. All staff irrespective of position, seniority or nature of employment (full or part-time, and casual) are able to participate in these activities.

RECRUITMENT, SELECTION & INDUCTION

The Office has an impartial, transparent employment process, and strives to employ the best person for the job. We have a clear Recruitment and Selection policy to reduce the risk of inequality, including establishing expectations with recruitment agencies. Consideration of Diversity and Inclusion principles is incorporated into all aspects of the recruitment and selection process.

All new employees undergo a thorough induction process that is aimed at making them comfortable and confident in their new position, and ensuring they are familiar with their rights and responsibilities as an employee of the Classification Office.

EMPLOYEE DEVELOPMENT, PROMOTION & EXIT

The Office has a positive, equitable approach to developing employees' skills and knowledge. All staff have access to training and/or study that is appropriate to their skills, position and level of performance.

The reward structure that is integrated with the performance development system includes a significant personal development component. Once employees are proficient in the core skills required in their position, the emphasis of training is on professional and personal development. The training goals at these levels are to enhance morale and job satisfaction, and to develop staff for their continuing career within and beyond the Office.

While the small size of the Office and average length of service mean opportunities for promotion are somewhat limited, vacancies are made available to internal applicants and internal transfers are considered.

**FLEXIBILITY
& WORK DESIGN**

The Office provides a flexible work environment that assists employees to balance work with the other aspects of their lives. The flexible working conditions provided go beyond the statutory flexible working arrangements set out under the Employment Relations Act 2000.

Flexible work options available to our staff include:

- working from home part of the time
- flexible hours of work
- job share and casual positions
- a number of positions able to be worked on a part-time basis if preferred by employees
- requests for changes to hours of work (such as reducing hours to part-time) are considered for all employees.

**REMUNERATION,
RECOGNITION
& CONDITIONS**

The Office has an equitable, transparent and gender neutral remuneration system. Pay ranges for all positions covered by the Collective Agreement are set out in the Agreement and are negotiated with the PSA, in consultation with staff. Pay ranges for each position apply to incumbents whether they are covered by the Collective Agreement or Individual Agreements.

Through the performance development system, the Office formally recognises employee participation in Office initiatives, teams, and projects, as well as individuals' contribution to increases in productivity and quality of core work.

**HARASSMENT,
SEXUAL HARASSMENT
& BULLYING PREVENTION**

The Office recognises the right of every employee to enjoy a workplace free of harassment, bullying and unlawful discrimination, and works to promote such an environment. All staff and managers have been trained on their rights and responsibilities, and maintaining awareness of this issue is an ongoing priority. The Office has a Harassment and Bullying policy, which includes a complaints procedure.

**SAFE & HEALTHY
ENVIRONMENT**

The Office takes a pro-active approach to employee health, safety and well-being. Obstacles are removed for any staff who experience temporary or long-term disability, and disability is not a barrier for candidates when recruiting (with the exception of specific conditions that would prevent the job being performed).

The Office has a Health and Safety committee, informing staff of their rights and responsibilities. Safety wardens are trained and equipped to deal with emergencies and first aid training is made available to all staff.

The Office has a comprehensive well-being programme, which includes subsidised eye and hearing tests (and lenses and hearing aids when required), flu vaccinations, leave provisions in excess of statutory entitlements, an Employee Assistance Programme (EAP) that provides all employees with access to clinical psychologists and counsellors, and ergonomic workspace assessments.

TE MANA WHAKAATU
**Classification
Office**

**Watch carefully.
Think critically.**