

**Te Mana
Whakaatu**
CLASSIFICATION OFFICE

Kōrerotahi.
Mātakitahi.

Annual Report

2021/22

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 2022.

Yours sincerely,



Caroline Flora – Chief Censor



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Chief Censor's Foreword

CHIEF CENSOR CAROLINE FLORA, CLASSIFICATION OFFICE TE MANA WHAKAATU

Change has been the only constant over the past 12 months, and I know the coming year will be no different. Te Mana Whakaatu – Classification Office has done an outstanding job meeting the challenges, and we're well placed to seize the opportunities that lie ahead.

This annual report gives us a chance to take stock of where we've come from, where we're headed, and how we're going to get there. We're focused on continuing to deliver our core business well, while stepping up our systems, processes and readiness for the future.

To tātou iwi | Our people

I joined the Office in July 2022, taking over the reins from David Shanks. I want to acknowledge the vision and resolve David brought to the role in his five years as Chief Censor. His commitment to reducing harm in New Zealand was absolute, and the Office is in good stead thanks to his leadership.

Rupert Ablett-Hampson joined the Office as Deputy Chief Censor in early October 2021. Previously the Chief Legal Advisor at the Ministry of Social Development, Rupert's sharp analysis and critical thinking is constantly improving the quality and consistency of our work.

As the country moved to the next phase in our COVID-19 pandemic response, our practitioners continued to deliver. I've admired the team's resilience and resolve as we navigate these uncertain times.

He tau whatiwhati kō | A year of hard work

Our core classification work continues to evolve. The number of commercial publications we classify has declined, reflecting the years-long downward trend in the availability of content released on legacy formats such as DVD and Blu-ray.

At the same time, the proliferation of commercial video on-demand continues at pace. Amendments to the Classification Act that came into effect in August 2021 placed obligations on major streaming providers to rate their content in line with guidelines set by the Office. We've worked closely with industry on the creation, review and approval of their self-rating systems.

Child sexual abuse material (CSAM) continues to make up the majority of content submitted to us for classification by enforcement agencies. It's a distressing part of our job, but we're heartened by the knowledge our work helps protect victims from further exploitation and is used to hold offenders to account.

The number of publications that deal with violent extremism is increasing steadily. The Christchurch Mosque attacks were a horrifying demonstration of the increasing weaponisation of digital technology by terrorists and violent extremists. As the ecosystem is adapting its methods, so are we. This year, new powers to issue an interim ban were exercised for the first time, suppressing the spread of hateful publications designed to inspire other attackers. Our Countering Violent Extremism (CVE) team continues to research, educate, and engage with New Zealand and overseas government agencies, experts, civil society and the digital sector.

Whāia te mātauranga hei orange mō koutou | Seeking wisdom for the sake of our wellbeing

Empowering New Zealanders to make the best viewing decisions for themselves and their whānau is one of our best tools to prevent the harm that content can cause. We build media literacy by conducting research into the issues that people are facing, and providing information, education and resources that are relevant and accessible.

Our research continues to go from strength to strength. Our *What We're Watching* report confirmed that while there's widespread concern about children and young people seeing harmful content in both traditional media and online, most of us are finding it hard to protect our tamariki and rangatahi.

Most Kiwis use classification information when making viewing choices for children. We've made this information easier to find and understand by developing our website to include a comprehensive online database. We continue to be a trusted and highly visible source for viewers wanting to make informed decisions about which films and shows are the right fit.

An exciting development in our pornography workstream was the release of *Ka huri i te kōrero* – *Changing the conversations about pornography*, a resource created in collaboration with the Ministry of Education, which gives educators the confidence to have conversations about pornography with rangatahi in a way that works for them.

Me mahi tahi tātou mō te oranga o te katoa | Working together for the wellbeing of all

Regulation is only one part of the harm prevention puzzle. As a small organisation, we've found that the reach and impact of our mahi can be maximised by joining forces with a broad range of agencies and non-government actors.

Our Youth Advisory Panel provides us with a vital perspective on the views of rangatahi, which directly informs our classification decision-making. Our close working relationships with officials from NZ Police, DIA, Customs, and the Courts help us to identify and address emerging issues. In an increasingly connected world, problems are solved by global action. Collaboration with international partners lets us share our world-leading approach and highlights gaps in our own knowledge.

Tē tōia, tē haumatia | Nothing can be achieved without a plan

Looking forward, the Office will concentrate on three broad priorities. First, we'll continue to do our core business well. We'll deliver on what we've said we would, make difficult decisions on important issues, and do that professionally and consistently.

Second, we'll better articulate our commitment to Te Tiriti o Waitangi. As an independent Crown entity, we have an obligation to uphold the principles contained in our most important constitutional document. But it's not just an obligation, it's a responsibility. Equity is one of our core values, and that involves thinking deeply about the impact our work has on Māori. Further incorporation of te ao Māori into our work will benefit us all.

Finally, we'll prepare for the future. We know that the current regulatory system doesn't fully cater to new and emerging challenges. I'm readying the organisation for change and laying the foundations for a different future. While no one knows exactly what that system will look like yet, we do know that the same principles underpinning our work – preventing and reducing harm, protecting young and vulnerable people, empowering New Zealanders, and a commitment to free expression – will remain relevant.

The world isn't static, and neither are we. *I ore ate tuatara ka patu ki waho* – a problem is solved by continuing to find solutions. I'm proud to be leading this dynamic organisation through this time of complexity and change.

Nāku iti noa, nā



Caroline Flora – Chief Censor

Our Purpose

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

Empowering and protecting New Zealanders in the digital age

Te Mana Whakaatu – Classification Office (the 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.

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;
5. Support and facilitate the development of self-rating systems used by streaming providers; and
6. Engagement programme supports response to online violent extremism.

Structure and role of the Office

The Chief Censor leads the Office and has special functions under the Films, Videos, and Publications Classification Act 1993 (the Classification Act), including the power to 'call in' a publication for classification and to grant exemptions from a restriction. Our Chief Censor Caroline Flora was appointed in July 2022. Deputy Chief Censor Rupert Ablett-Hampson was appointed in October 2021.

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.

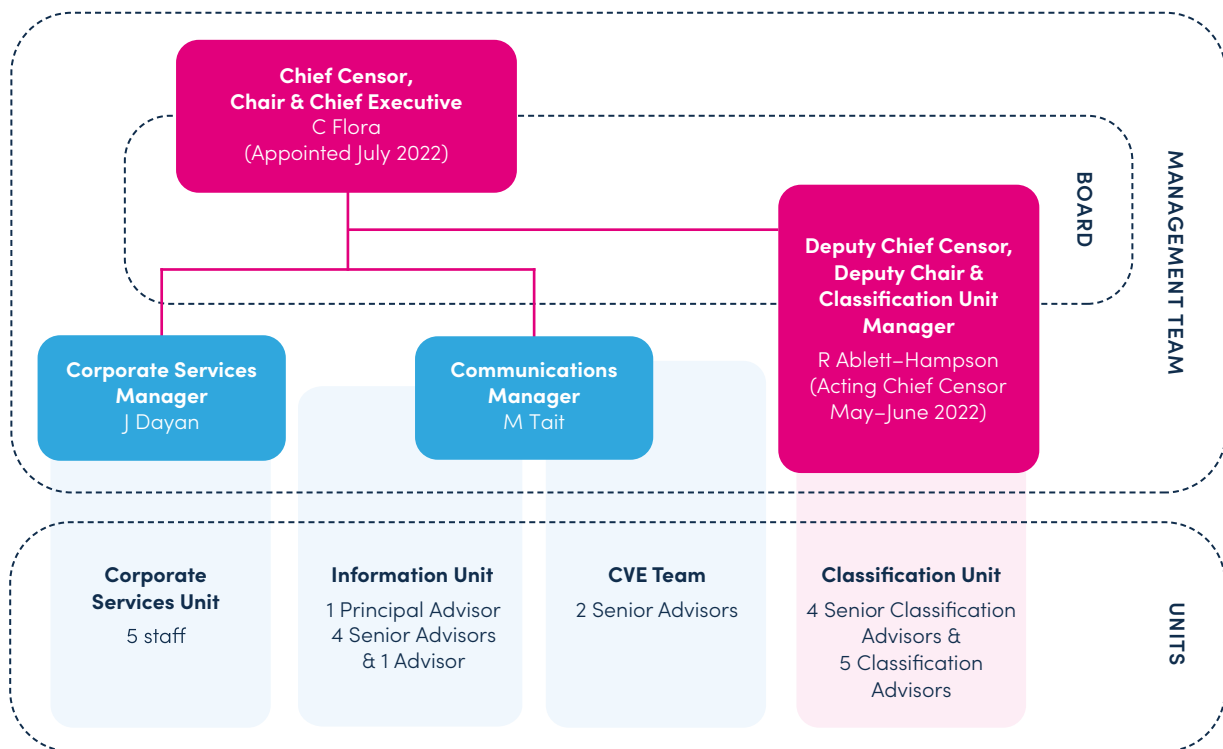
- The Information Unit is managed by the Communications Manager and its functions under the Classification Act are to engage in research, inform and educate the public, and to manage complaints and inquiries.
- The Classification Unit is managed by the Deputy Chief Censor, and our team of classification 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 Mosque attacks.

Publications submitted to the 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





Our Key Impacts

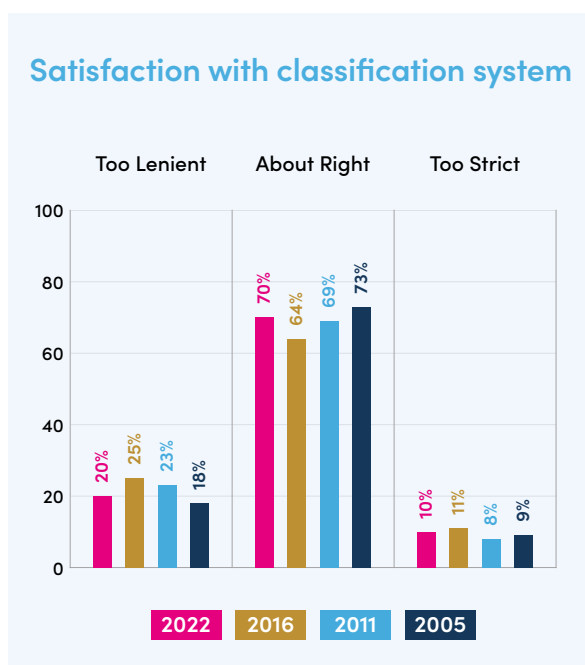
2021/22

Our Key Impacts in 2021/22

The two key measures we use to understand the impact of our work is the degree of confidence the public has about the classification system and public understanding of how the classification system works in New Zealand. Our research survey helps us report on these measures.

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

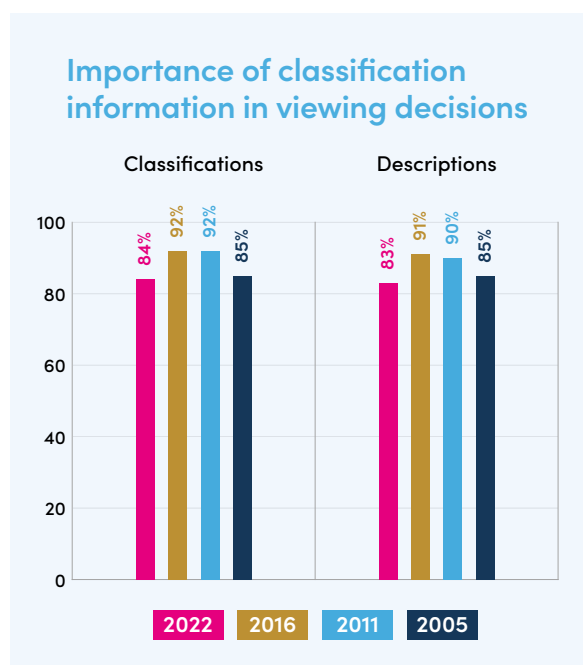
Our research surveys ensure we have updated information about the public's support for, and understanding of, the classification system. The most recent survey was conducted in 2022 and will be updated every three years.



Indicator:

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

Most New Zealanders think that the various age ratings for movies, shows and games generally strike the right balance to provide helpful guidance for families. Asked if age ratings were too strict, too lenient or about right, 70% thought they were 'about right'. 10% thought they were 'much' or 'a bit' too strict, and 20% thought they were 'much' or 'a bit' too lenient.



Indicator:

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

Participants who had chosen or helped to choose a movie, show, or video game for a child or young person in the last 12 months were asked about the importance of official age rating information.

Most thought age ratings (84%) and content warnings (83%) were important when making choices about what children and young people watch, giving a score of seven or above on a scale of 10. The majority thought age ratings and content warnings were very important, giving a rating of 9 or 10 on the scale.

Views about the importance of age rating information when choosing content for children and young people have declined somewhat since we last asked similar questions in 2016. In that survey, 92% thought the age rating was important and 91% thought this about the descriptive note.

A significant factor for this is likely to be the large increase in the number of people viewing movies and shows via online streaming services, and the

continued decline in the use of DVDs/Blu-rays over this period, as they have historically been one of the main contexts for noticing and using age rating labels.

At the time of our 2022 survey, streaming services were in the process of implementing new requirements to display official classification and rating information, and we expect that people's views about the usefulness of labels will increase over time as this system is bedded in.



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.

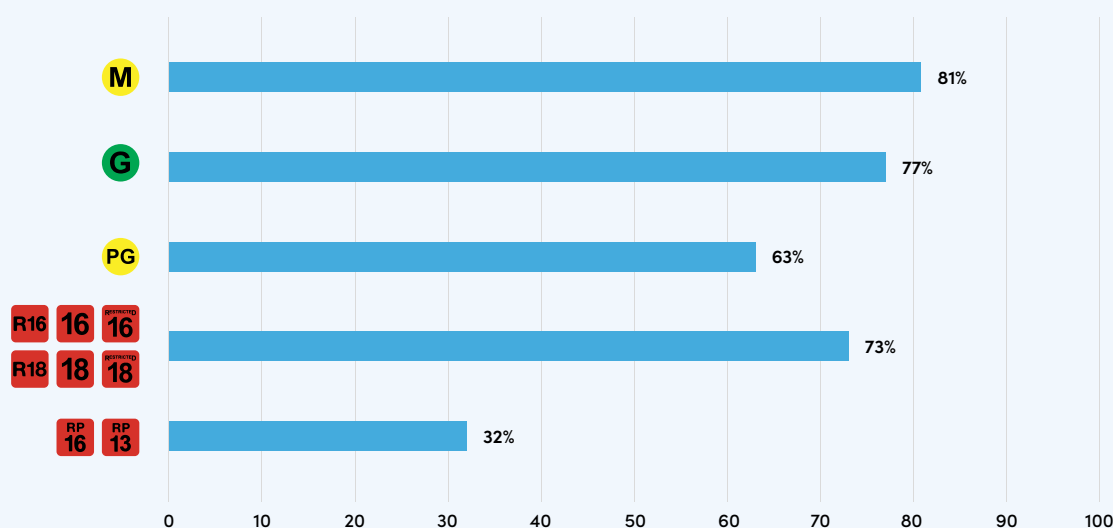
Young people can be particularly impacted by what they see, hear and read. We actively engage with young New Zealanders through our Youth Advisory Panel, Censor for a Day secondary schools programme (unable to run normally this year due to COVID-19 disruptions), and social media channels.

We also provide 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.



Correct understanding of classification labels



Indicator:

We track the level of recognition and understanding of classification labels.

Regular surveys give us a read on people's engagement with our work and their understanding of the classification system. To gauge New Zealanders' knowledge about the meaning of age ratings, we asked five questions about different types of rating symbols and provided multiple choice options for each.

Overall, 78% selected the correct meaning for at least three out of five rating symbols. Most participants selected the correct description for the M, G, and age restricted ratings (e.g. R16, 16, or Restricted 16), and a majority chose the correct meaning of the PG rating. Only around a third knew the correct meaning of the RP ratings. It means younger people can only watch with a parent or guardian.

We cannot directly compare these results with findings from our previous surveys as we reduced the number of questions and there were significant differences in how the questions were asked. This is mainly due to the recent law change that requires online streaming services (for example, Netflix or Disney+) to display official New Zealand ratings on their movies and shows. The appearance and legal definition of these age ratings can differ somewhat from those issued by the Office, and so the wording of the options we provided in the survey was changed to take this into account.

Nonetheless, results suggest that understanding of the M rating (81%) has risen since 2016, but understanding of other ratings may have declined over this period. As previously mentioned, this may in part be due to the continued decline in visibility of labels on DVDs/Blu-rays, as well as the display of unofficial age ratings for movies and shows available on streaming services during this period. The recent law change mentioned above was designed in part to address this issue.

Classification Work

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

The Office received a total of 699 commercial publications this year under section 12(1) of the Classification Act, compared with 791 in 2020/21. We classified 695 publications compared with 790 in 2020/21.

The decrease in commercial publications has been an ongoing trend over several years and is down to the decrease in DVDs and Blu-rays available for sale. New Zealanders, as with most consumers around the world, are choosing to view their entertainment media on streaming platforms rather than on physical media. The number of DVDs and Blu-rays submitted to the Office has fallen from 1,266 in 2012/13 to 146 this year.

We classified 362 films and film trailers this year, which is slightly higher than the 350 classified in 2020/21. The expectation is for this number to remain steady, or even increase, as the international film industry returns to normal following the impacts of the COVID-19 pandemic.

The amendments to the Classification Act that came into effect on 1 August 2021 placed obligations on the major commercial video on-demand platforms to rate their content in line with guidelines set by the Office. This activity generated an additional workstream that has replaced the decrease in commercial submissions. We worked with eight providers covered by this new regime to help them establish robust self-rating systems and apply current existing classifications to their content. To support this process we assessed 224 pieces of content available on streaming platforms this year. This work is expected to increase in the coming years.

The number of publications submitted by Crown agencies was lower in 2021/22 than in 2020/21. We received 372 publications this year, compared with 435 in 2020/21. The number classified was 361 publications, compared with 500 the previous year. These figures reflect the inherent variability of Crown submissions year-on-year. We have done a great deal of educational work with enforcement agencies in the past two years which is expected to have an

impact on the number of submissions as enforcement agencies are able to be more targeted in the range of publications they seek to have classified. We have also established a structured approach to providing pre-classification guidance to enforcement personnel, which has helped streamline the prosecution process.

The majority of Crown publications this year, as with previous years, continues to be child sexual exploitation material submitted by the Police. However, the number of publications that deal with violence and violent extremism is increasing steadily. The Digital Violent Extremism team at the Department of Internal Affairs submitted most of these publications this year.

The Acting Chief Censor used this their power to issue interim classifications under section 22A of the Classification Act for the first time in May 2022. Two publications related to the Buffalo supermarket shooting were given objectionable interim classifications within hours of their availability online. Both publications were then formally classified as objectionable within the 20 working days stipulated in the legislation.

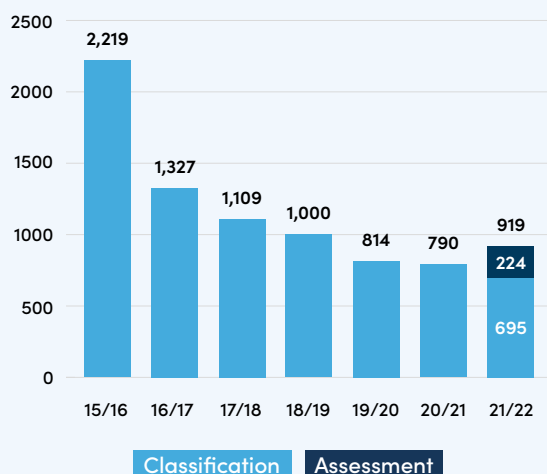
Countering violent extremism

Impact of our mahi

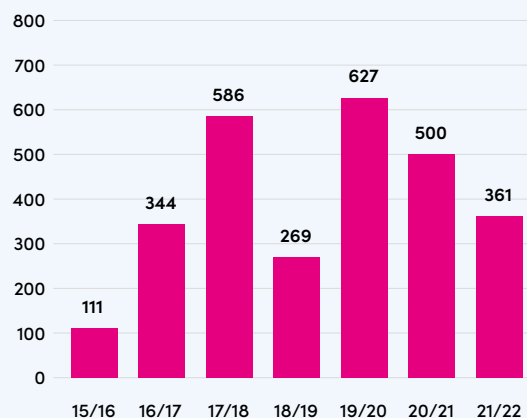
Two recent high profile convictions have resulted from sexual abuse material classified by our Office. In one of these cases, the material was reviewed by the Film and Literature Board of Review which also classified most of the material as objectionable.

[See page 17 for more information about decisions from the Board of Review.](#)

Commercial classifications and assessments over the past 6 years



Crown classification over the past 6 years



The March 15 Mosque attacks in 2019 were a horrific wake-up call to how digital technology can be weaponised, with the terrorist's livestream video and 'manifesto' widely shared online.

With violent extremism on the rise in Aotearoa and around the world, our specialist Countering Violent Extremism team proactively engages with New Zealand and overseas government agencies, academics, and experts at the forefront of countering violent extremism, to share insights and identify solutions.

In February 2022 a new law conferred additional authority on the Chief Censor to make time-limited interim classification assessments. This legislation, which was introduced in May 2020 and received royal assent in November 2021, updates the Classification Act and allows for urgent prevention and mitigation of harms caused by objectionable content in a timely manner.

This enables us to move extremely quickly to put an interim ban in place, and allows enforcement agencies and other organisations to respond rapidly and with confidence to limit the spread of objectionable content. Examples of publications that received an interim ban include the second part of the pseudo-documentary *The Three Faced Terrorist* and the Buffalo attacker's 'manifesto' and livestream video.

As well as banning these objectionable publications, our team has been proactive in identifying and dealing with other high-profile publications such as the Oslo 'manifesto'.

Buffalo supermarket shooting

On May 15, 2022 NZST a white supremacist killed 10 people at a supermarket in Buffalo, in the United States. He livestreamed his racially motivated mass shooting and produced a written 'manifesto'.

Within hours of the massacre the Office banned both the livestream and the 'manifesto' under interim decisions, and then formally classified them as objectionable within 20 working days.

The livestream video and accompanying 'manifesto' were seen to promote the infliction of extreme violence and cruelty on innocent people going about their daily lives.

The extent and degree to which the publications promote mass murder and white supremacist terrorism make their availability likely to be injurious to the public good.

The shooter's intent was to provide encouragement and instruction to others, and contribute to the ongoing proliferation of these types of copycat attacks.

The striking similarity between these publications and those relating to the March 15 Mosque attacks is no coincidence. In his 'manifesto', the Buffalo gunman specifically cites the March 15 Mosque attacks as a direct influence on his views and his actions.

It has become a trend for terrorists, in particular white supremacist killers, to issue these kinds of publications to encourage others to follow their lead.

The gunman's reference to the perpetrator of the March 15 Mosque attacks serves as evidence of the tangible, radicalising impact of these types of publications on vulnerable people.

Our decisions to classify this material as objectionable means it is illegal to possess or distribute these publications.

The Three Faced Terrorist

The Three Faced Terrorist – part 1, an online publication purporting to be a 'documentary' about the March 15 Mosque attacks, was classified by the Chief Censor as objectionable within days of its release in February 2022.

The publication is largely made up of voiceovers and edited clips from news coverage and interviews broadcast after the attacks. The second half of the publication shows the entirety of the banned March 15 Mosque attacks livestream.

The Chief Censor described this as an abhorrent publication that uses the pretext of a 'false flag' conspiracy theory to republish a vile video produced by a terrorist killer.

The Office found that the exploitative film presents the same harm to the public as the March 15 livestream, while adding a layer of toxic disinformation. It was classified as objectionable, just as the original livestream was.

In June 2022, the Office examined part 2 of the pseudo-documentary and issued an interim ban.

In a similar fashion to part 1, part 2 contained footage of a news report relating to the March 15 Mosque attacks and was made up of voiceovers that claim the attacks were staged by the New Zealand Government. As evidence of these false claims, the publication uses footage from the banned March 15 mosque attacks and the aftermath video, which received an R18 classification.

After assessing the publication under the Classification Act, the Office found that part 2 presents the same harms as part 1 and classified the publication as objectionable.

The Oslo Manifesto

The 'manifesto' of a convicted murderer and white supremacist aimed at inspiring others to copy him was banned by the Office in December 2021.

2083: A European Declaration of Independence, also known as the Oslo Manifesto, was written by Anders Breivik, a far-right Norwegian terrorist who killed 77 people on 22 July 2011, in a bomb attack in Oslo and a mass shooting at a summer youth camp. The 'manifesto' was classified as objectionable under the Classification Act.

The decision to call the Oslo Manifesto in for formal classification was made following a review of the Royal Commission report into the March 15 Mosque attacks, which highlighted the influence of the Oslo Manifesto in relation to that attack.

The Chief Censor used his 'call in' power to proactively conduct the classification and carried out a targeted consultation with various faith communities, youth, academics, technology industry experts and a survivor of the Oslo terror attacks.

The views shared with us on the issues and potential harm this 'manifesto' presents assisted in the classification decision. All had concerns about the document, but some thought it might be best to keep it available so that it could be debated. Others considered that it presented the same risks and harms as other terrorist promotional documents that had been banned in New Zealand, and should be treated the same way.

In analysing this document, we found that it provided followers with a rationale for murdering innocent people, while also providing extensive detail on tactics and methods to carry out an attack. The role this particular document played in the horrific March 15 Mosque attacks in Aotearoa could not be ignored. Ultimately, we found that this document presented similar risks and harms to the public as other terrorist promotional documents we have banned under New Zealand law.

International impact

Following the classification of the Buffalo attacker's communications of violence (livestream video and manifesto) as objectionable on 15 May 2022, the Terrorist Content Analytics Platform (TCAP) began alerting tech companies from 17 May 2022. Once added to the TCAP, the number of URLs using the content dropped significantly within the following days (for more information, see [Reader's Digest – 27 May 2022 – Tech Against Terrorism](#)).

The TCAP was developed by Tech Against Terrorism, an initiative launched and supported by the United Nations Counter-Terrorism Executive Directorate (UN CTED), to work with the global tech industry to tackle terrorist use of the internet while respecting human rights.

The TCAP released the following statement:

"We applaud the government of New Zealand for their pro-active and transparent reaction to the concerning spread of this material online. We also commend the Classification Office for taking strategic leadership in criminalising this material, ensuring that tech companies have the clarity and legal grounding to remove such content from their platforms. We believe it is imperative for governments and tech companies to act quickly following these crises to disrupt the spread of these materials and limit their potential for inspiring similar copycat attacks, as sadly shown by the Buffalo attacker drawing inspiration from the Christchurch perpetrator's manifesto and attack."

To read the full statement:

[Statement: Livestream and manifesto of the Buffalo attacker now included in the TCAP](#)

Board of Review

Correct and consistent application of the law should result in similar classifications by the Office and the Film and Literature Board of Review (the Board). We consider Board decisions and analyse any significant differences in the classifications issued and the rationale on which the decisions were based. Both the Office and the Board are in the position of applying 1993 legislation to new types of 'publications', such as terrorist propaganda, social media posts, chat logs and nude 'selfies' (the latter often self-generated by young people). This material is often widely shared or available online.

In 2021/22 the High Court issued a decision relating to 20 publications which had been considered by the Office and the Board.

It has been more than 20 years since the High Court or Court of Appeal last issued guidance on the application of the Classification Act.

The Office continues to develop modern approaches to classify these new publications and navigate new forms of media. The decisions of the Board and the Courts are very useful in helping map the application of the Classification Act to novel circumstances.

During 2021/22 the Board issued five decisions which related to 66 publications.

Included in the publications considered by the Board were computer-generated images and anime images depicting sexualized child nudity, handheld video footage of sexual activity, transcripts of text message conversations and real-life footage of a suicide.

Date of Board Decision	No. of publications considered	Applicant to the Office	Applicant to the Board	Outcome of Review
September 2021	40	NZ Police	Owner of the publications	33 publications received the same classification issued by the Office, five received a lower classification and two received a higher classification.
September 2021	2	NZ Police	NZ Police	Both publications received higher classifications and so were made Objectionable.
March 2022	20	NZ Customs Service	Owner of the publications	On initial consideration the Board gave all publications the same classification issued by the Office. On appeal to the High Court, the Board's decision was set aside and the Board was directed to reconsider its decision in light of the High Court judgement. As a result 12 publications received a lower classification and eight were unchanged.
March 2022	3	NZ Police	Crown Solicitor on behalf of NZ Police	All publications received the same classification issued by the Office.
May 2022	1	Secretary of Internal Affairs	Crown Solicitor on behalf of Department of Internal Affairs	This publication received the same classification issued by the Office.

Telling People About our Classifications

New rules for commercial video on-demand and streaming platforms.

New Zealanders have told us they want clear, consistent and recognisable consumer information on films and shows across all entertainment platforms.

Streaming providers are now required to display New Zealand ratings, thanks to the amendment to the Classification Act that came into effect on 1 August 2021.

The resulting change brings major streaming providers (commercial video on-demand providers) under the New Zealand classification laws that have up until now been applied to distributors of physical publications like films, DVDs and books.

Now major streaming providers listed in Schedule 4 of the amended Act are required to display New Zealand ratings and classifications. Those are the age ratings and descriptive content warnings that New Zealand audiences are familiar with seeing when they go to the cinema or hire a DVD.

The rules apply to Schedule 4 providers (Amazon Prime, Apple TV+, Disney +, Google Play, Microsoft Films & TV, NEON, Netflix, and Sony's Crunchyroll) who provide services covered by the new law. New streaming services arriving in the New Zealand market will be assessed and added as needed.

When choosing new movies and TV shows from those major providers you'll see a New Zealand rating or classification displayed before the content starts to play. In most cases you'll also be able to see a New Zealand rating on the title page for the content. This will help you make informed choices about what you and your family choose to watch.

Equipping New Zealanders to make informed choices about what they watch

Find a Rating

In August 2021, a legislative amendment came into force requiring the Office to provide a publicly accessible online film database.

The website (classificationoffice.govt.nz) was updated to include the Find a Rating search. Users search for a film and are provided with important information such as its classification and descriptive note.

Since the launch of the new database, 'Find a Rating' has become the second-most viewed page on the website after the home page.

Quick Takes

In line with our strategic objective of empowering New Zealanders to watch content in a positive way while safeguarding them from harm, we've begun to produce Quick Takes. Quick Takes provide short summaries of classified publications and plain English explanations of their content warnings.

The Office is refining the pages so they are better optimised for search. We've also trialled providing Quick Takes in other languages – for example, the Quick Take for *Top Gun: Maverick* is available in English, te reo Māori, Samoan and Urdu.

The goal is to be a highly visible and trusted source for New Zealanders wanting to make informed decisions about which films and shows are the right fit for themselves and their whānau.

Taking another look – assessment decisions

We support streaming providers to self-rate their films and shows under new legislation, which means better content warnings for all New Zealanders.

New legislation is now in effect to ensure the major commercial video on-demand providers in Aotearoa are displaying ratings and classifications relevant for New Zealanders.

As the providers continue to work on bringing their systems up to speed with the new rules, we are guiding them through each step of the process. The new legislation allows us to work closely with them as they train their ratings staff, assess and review their self-rating tools, and then, once satisfied, the Chief Censor approves their self-rating systems. These systems are audited annually.

As the Schedule 4 providers developed their systems, and prior to being approved for self-rating, we provided guidance on some high-profile content being screened such, as *Squid Game*, *Euphoria* and *Phoenix Rising*.

The Kashmir Files film reclassified

Bollywood film *The Kashmir Files* was reclassified in March 2022, restricting it to audiences aged 18 or older to see it in cinemas.

The Kashmir Files is a 2022 Indian Hindi-language drama film about the exodus of Hindu people during the Kashmir Insurgency in 1990. It was released in other countries with varying age restrictions and there have been reports that it has been banned in some jurisdictions.

The film was initially classified as R16 in New Zealand but a review was conducted after concerns were raised by members of the public.

The Office changed the New Zealand rating after speaking to a range of community representatives, viewing the film and consulting with overseas classification organisations.

We felt the film did not promote extremism or violence in a way that would require it to be classified as objectionable (banned) in New Zealand. However, it was decided an R18 restriction was warranted given the nature and intensity of the violence and cruelty depicted. This age restriction is consistent with what the film received in Australia and India.

The Batman film classification changes after Chief Censor review

In light of mixed classification decisions from our overseas counterparts, the Chief Censor made the decision to 'call in' *The Batman* in March 2022.

After assessing the film, the rating was lifted from an M (mature audiences) to R13 (restricted to people aged 13 years and over).

There was concern about the potential impact of violence, cruelty and disturbing content in this film on children under 13, believed to be beyond what was reasonable for an unrestricted film.

The Australian Classification Board gave this film an M rating, which under their system is recommended for viewers aged 15 years and over, but this is advisory only. Children of any age can view such a film. Aotearoa has a cross-rating system which means that films rated M in Australia are normally cross-rated M for New Zealand moviegoers.

However, in the United Kingdom, the British Board of Film Classification saw fit to restrict this film to viewers aged 15 and over, due to the level of violence and disturbing content. In the United States, the Motion Picture Association applied a PG-13 rating which advised parents to be cautious before allowing children under the age of 13 to attend.

Given the range of classification approaches taken overseas, we felt it was important to call in and classify this film for local audiences. A teenage member of our Youth Advisory Panel went along to our viewing of this film, and then we took her perspectives and reactions into account in our deliberations.

Squid Game – self-assessment in action

Netflix's Squid Game has rapidly become another success story for the universal appeal of survival thrillers. The Korean series, available in original Korean language or English-dub, subverts childhood games for large-scale death matches with contestants competing to win money and stay alive.

Despite the childhood game references, it's not viewing for children. It is a phenomenon for mature audiences – a fictional horror where the wealthy watch while the poor risk their lives. The tension builds and the threat of death suffocates every decision the contestants must make.

Netflix self-rated Squid Game 16+ with notes for suicide, violence and sex (as at 18 October 2021). That's a recommended age limit that children younger than 16 don't view the show because the content is so disturbing, and those notes for suicide, violence and sex are also signposts warning anyone aged 16 or older that the content gets grim and could be upsetting.

And in Squid Game the situation gets grim fast. Every time someone dies more money is added to the prize pool. There's execution and murder in every episode.

The violence in each episode varies but is generally cruel and shocking. We know from research that overexposure to violence can desensitise people in the real world. But here in the dystopian world the manufactured game scenario is unbelievable enough to not affect mature viewers (over a certain age) who can contextualise what's happening on screen. That's why an age recommendation is so important.

Netflix, as one of the Schedule 4 providers now covered by the Classification Act, self-rated Squid Game 16+ with warnings for suicide, violence and sex. We reviewed the series and recommended they update the content warnings for this show to R16: Graphic violence, cruelty, suicide and content that may disturb. Netflix worked quickly to adopt the recommendation.

Phoenix Rising – working together to change the rating

Phoenix Rising is a two-part documentary on Evan Rachel Wood, the actress, who was in a relationship with Marilyn Manson from 2007 to 2011. She was 18 and he was 37. She alleges he groomed her, isolated her from her family and then abused her physically, emotionally and sexually.

The series originally aired on Sky's NEON streaming platform with a Broadcasting Standards Authority-style rating of 16 VLSC plus an additional content discretion warning: "This documentary series contains disturbing themes including sexual violence and self-harm. Viewer discretion is advised. If you or someone you love needs help, visit sky.co.nz/resources."

After assessing the documentary, we recommended the age rating be lifted to 18 and that additional content warnings be applied to cover rape, violence and suicide themes.

The team at Sky amended their age rating and tailored the pre-roll warning for Phoenix Rising on their NEON service. The series now screens with a rating and note: 18 VLSC plus a revised content discretion warning.

This is the one-off pre-roll screen:



Heard of Euphoria?

Guiding caregivers about popular content aimed at younger audiences.

Euphoria is a highly dramatised and glamourised story about American high school teens. It's written by adults for an adult audience – but it's also watched by young people.

Themes cover the spectrum of mature content from hard drug use to graphic violence and sex.

NEON gave Euphoria a rating of 18 VLSC – this is the strongest possible classification that can be applied under the Broadcasting Standards Authority – with specific warnings for violence, language, and sexual material.

The NEON show page also carries the following viewer discretion warning: "This series contains disturbing themes including sexual assault and self-harm, and strong depictions of sex, drug use and violence. Viewer discretion is advised."

Euphoria resonates with young people and it is fast becoming (and arguably already is) a cultural phenomenon. So while the characters are obviously not realistic a lot of the content may really resonate in some way, even if it is at the extreme end.

At the Office we take seriously our responsibility to help parents and caregivers understand what younger family members are watching and how to talk to them about it. Our [blog](#) on Euphoria highlighted how rangatahi can relate to the lingering emotions that follow the characters throughout the episodes, and helped explain that while the storylines are unbelievable, young people can see the struggles that the characters are having with their parents, friends, romantic partners, and see how the characters are responding.

We felt it was important to provide information and discussion points on this drama featuring rangatahi because although it carries a rating of 18 VLSC it is attractive to a younger audience.

Note:

Sky's NEON shows displayed Broadcasting Standards Authority age ratings and warnings due to being in a transition phase rolling out the legislated requirements to display New Zealand classifications and ratings as a Schedule 4 provider.

Table 1. Publications Classified by Channel and Medium 2021/22

	ADVERTISING FOR PUBLICATIONS	OTHER MATERIAL	MAGAZINES / BOOKS	COMPUTER MATERIAL (MOVING)	COMPUTER MATERIAL (NON- MOVING)	DIGITAL GAMES	DVDS	FILMS & FILM TRAILERS	VIDEOS	TOTAL
Section 46E(3) - CVOD	0	0	0	0	0	0	0	0	0	0
Section 12(1) - Labelling Body	135	12	0	0	0	40	146	362	0	695
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	4	0	0	0	0	4
Section 13(1)(ab) - Commissioner of Police	0	0	0	63	156	0	0	0	0	219
Section 13(1)(b) - Secretary for Internal Affairs	0	0	0	15	33	0	0	0	0	48
Section 13(1) (c) - Chief Censor Grants Leave	0	0	1	0	0	0	0	0	0	1
Section 13(3) - Chief Censor's Own Motion	0	0	0	2	2	0	0	1	0	5
Section 29(1) - Courts	0	0	0	16	69	0	0	0	0	85
Section 41(3) - Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) - Reconsiderations	0	0	0	0	1	1	0	1	0	3
Regulation 27 - Film Poster Approvals	0	0	0	0	0	0	0	0	0	0
Total	135	12	1	96	265	41	146	364	0	1,060

Table 2. Comparison of Publications Received 2012–2022

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Section 12(1) Labelling Body	699	791	748	1,065	1,114	1,195	2,315	1,852	1,741	1,998
Section 13(1)(a) Comptroller of Customs	4	0	33	10	8	6	13	5	8	1
Section 13(1)(ab) Commissioner of Police	230	346	502	458	536	401	131	127	155	44
Section 13(1)(b) Secretary for Internal Affairs	41	30	2	3	17	474	78	146	209	47
Section 13(1)(c) Chief Censor Grants Leave	0	22	46	49	51	101	4	7	9	8
Section 13(3) Chief Censor's Own Motion	7	4	3	9	29	24	9	1	0	0
Section 29(1) Courts	89	55	80	136	39	89	6	16	116	100
Sections 42(1), (2) and (3) Reconsiderations	7	3	3	1	3	3	1	2	20	1
Sections 41(3) Reconsiderations (Courts)	1	0	0	0	0	0	0	0	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	0	0	0	0	1	3
Total	1,078	1,251	1,417	1,732	1,797	2,293	2,557	2,156	2,259	2,202

Table 3. Comparison of Publications Examined 2012–2022

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Section 12(1) Labelling Body	693	786	809	1,011	1,100	1,323	2,220	1,955	1,587	1,957
Section 13(1)(a) Comptroller of Customs	4	0	33	10	8	6	13	5	8	1
Section 13(1)(ab) Commissioner of Police	222	416	512	370	537	396	131	173	115	47
Section 13(1)(b) Secretary for Internal Affairs	43	28	2	3	18	486	65	183	194	24
Section 13(1)(c) Chief Censor Grants Leave	0	22	47	50	49	100	4	7	9	8
Section 13(3) Chief Censor's Own Motion	6	4	3	20	18	24	8	1	0	0
Section 29(1) Courts	69	26	86	111	39	95	0	16	115	111
Sections 42(1), (2) and (3) Reconsiderations	7	3	3	1	3	3	4	15	3	1
Section 41(3) Reconsiderations Courts	1	0	0	0	0	0	0	0	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	0	0	0	0	1	3
Total	1,045	1,285	1,495	1,577	1,772	2,433	2,445	2,355	2,032	2,152

Table 4. Comparison of Publications Classified 2012–2022

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Section 12(1) Labelling Body	695	790	814	1,000	1,109	1,327	2,219	1,958	1,594	1,942
Section 13(1)(a) Comptroller of Customs	4	0	33	10	8	10	9	5	8	1
Section 13(1)(ab) Commissioner of Police	219	464	504	269	586	344	111	173	115	47
Section 13(1)(b) Secretary for Internal Affairs	48	23	1	4	17	509	39	183	194	34
Section 13(1)(c) Chief Censor Grants Leave	1	21	49	48	49	99	5	7	8	8
Section 13(3) Chief Censor's Own Motion	5	3	3	24	14	24	8	1	0	0
Section 29(1) Courts	85	10	86	111	39	95	0	16	134	92
Sections 42(1), (2) and (3) Reconsiderations	3	3	3	1	3	3	4	18	0	1
Sections 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	0	0	0	0	1	3
Total	1,060	1,314	1,493	1,468	1,825	2,411	2,395	2,361	2,054	2,128

Research Work

2022 RESEARCH: WHAT WE'RE WATCHING

The March 15 Mosque attacks in 2019 were a horrific wake-up call to how digital technology can be weaponised, with the terrorist's livestream video and 'manifesto' widely shared online.

The Office commissioned a nationwide survey to explore New Zealanders' views about potentially harmful content on screen and online, and about age ratings and the classification system.

In June 2022 we published findings in the report *What we're watching: New Zealanders' views about what we see on screen and online*. This report focused on New Zealanders' views about specific types of content and the potential for harm to children, young people and the wider community. It also looked at ways in which people manage content to keep themselves and their families safe, and views about how to mitigate the potential harms of online content.

Research methodology

A nationwide online survey was conducted from 22 February to 14 March 2022, involving 1,201 New Zealanders. This included 1,001 adults and a 'youth booster' of 200 young people aged 16 or 17. This oversampling of the youth population allowed for a more in-depth analysis, and it was accounted for when weighting different demographic groups in the full sample.

Summary of key findings from *What we're watching*

New Zealanders are concerned about children and young people seeing harmful content

There is widespread concern about children and young people seeing harmful content – whether in movies and shows, video games, or on social media or other websites.

Most New Zealanders believe that content can have a negative influence on children and young people in various ways, from their emotional wellbeing and mental health, to attitudes about suicide, violence, or sex and relationships.

Most think it's hard to protect children online

Most New Zealanders think it's hard to protect children from inappropriate or harmful online content. Families use various tools to help them manage kids' access to content, including age ratings and parental controls.

It's common for people of all ages to see harmful content online

Harmful online content can be hard to avoid, regardless of someone's age. This is a common experience for New Zealanders – 42% agreed it was hard for them to avoid seeing harmful or offensive content online, while 27% disagreed.

Many New Zealanders had seen online content that promotes or encourages harmful attitudes or behaviours. This included content that encourages violence towards others based on things such as race, culture, religion, sexuality or gender, and violent extremism or terrorism. One in five had seen content that encourages some form of self-harming behaviour, such as suicide, self-harm, and eating disorders such as anorexia or bulimia.

New Zealanders support regulation of harmful online content

There is widespread support among New Zealanders for regulating harmful content. However, only a minority think the current regulatory system is working well to keep young people safe from harmful content online. People also lack confidence in tech companies to keep them safe. Just 33% 'somewhat' or 'strongly' agreed that online platforms provide what people need to keep them safe.

Asked about what more could be done to help keep themselves and their whānau safe online, people talked about the importance of stronger and better regulation, education and support, and the need for tech/social media companies to do more.

New Zealanders' views about age ratings and the classification system

The survey also included some questions about age ratings, the classification system, and the role of the Office that were not included in the report *What we're watching*. We will be publishing part 2 in 2022/23.

RANGATAHI

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 work is informed and empowered by the voices of rangatahi. Having the voice of youth at the centre of the tari means that we have experts who understand what it is like growing up online influencing our mahi. We take our responsibility to protect them very seriously, and a part of that is ensuring they have a seat at the decision-making table.

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.

"We have deep and enriching conversations that I can't have with people in my personal life."

PANEL MEMBER

Some Panel members have taken their involvement to the next level by participating in public-facing initiatives – becoming a visible part of our organisation. One member presented at the New Ec(h)o Systems conference where they were able to directly address academics and social media companies. Two of our members presented alongside members of staff at the INVOLVE conference 2021, where they talked about the Youth Advisory Panel and encouraged other agencies to create their own. After a meeting with the Department of the Prime Minister and Cabinet, two members attended a full-day hui and presented to industry leaders and chief executives, giving them insight on what they thought of the countering violent extremism space.

The Youth Advisory Panel formulated a written submission for the National Security Long-term Insights Briefing, which included their views on what they consider to be threats and risks to New Zealand's national security.

In collaboration with Netsafe and Netsafe's Youth Advisory Squad, the Panel helped us deliver a successful campaign on the risks of sharing nudes. As part of the campaign we asked the Youth Advisory Panel difficult questions about sending and sharing nudes. Members influenced the lead animation script and design, and an individual member wrote a blog about what it was like when another student's nude was shared around their school. This campaign was not only successful at the time but also different pieces of content have been reused in presentations, websites and within schools.

“Relationships have a sort of progression as they go along and some people might think that sending nudes is a part of that for, like, everyone.”

PANEL MEMBER

Having members of the Panel support us on the classification of films has meant that we have been able to sense check our thinking and hear from them on how they feel about challenging content. Notable mentions are the films *Men, Everything Everywhere All at Once*, *Halloween Kills* and *Candyman*.

“A lot of the violent themes have been negated by the wacky weirdness of the games.”

PANEL MEMBER

The Panel also supports the Office with key events such as Youth Week, Mental Health Awareness Week and Māori Language Week. After seeing the value of the Panel, other organisations have been keen to learn about our approach.

Censor for a Day – #C4AD

The Censor for a Day programme was derailed by COVID-19 as lockdowns and different Alert Level conditions meant events were cancelled.

We reached out to schools to offer alternative C4AD but COVID restrictions made that difficult to achieve. The programme is recommencing in 2023. See the discussion about "Conversations on Porn" for our wider engagement activities with teachers, parents and students.



Collaborations

WORKING WITH PROJECT ARACHNID

In September 2021 the Office started a one-year pilot collaboration with Project Arachnid, a global tool to decrease the availability of child sexual abuse material on the internet.

The worldwide scope of the Canadian Centre for Child Protection's Project Arachnid will mean New Zealanders can benefit from increased data and reporting while contributing to a leading global anti-child sexual abuse material (CSAM) initiative.

Project Arachnid includes web-crawling software first introduced in 2017 which systematically browses the internet searching for known CSAM material. Once suspected material is found a notice is sent to the provider requesting its removal. The software detects content at a pace that far exceeds traditional methods, processing tens of thousands of images per second.

CSAM is a growing issue. 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.

New Zealand's role will be to assess material detected through the project. Classification advisors will be trained to assess objectionable material according to the Project Arachnid criteria, which differs from objectionable criteria under the Classification Act.

During the one-year pilot advisors will spend several hours each month working through and confirming suspected CSAM material. The project will be reviewed after one year.

This collaboration recognises that the horrific crimes involving CSAM do not respect national borders. By teaming up with the Canadian Centre for Child Protection we are looking to improve things globally and for New Zealanders.

Ka huri i te kōrero – Changing the conversations about pornography

An exciting development in our pornography workstream was the release of Ka huri i te kōrero – Changing the conversations about pornography, a resource created in collaboration with the Ministry of Education. Drawing from our three-part youth-focused research, and with a strong youth perspective, this resource aims to give teachers and those working with rangatahi the confidence to have conversations in a way that works for them.

To support this release we provided training to Curriculum Leads from around New Zealand on the specifics of this module so they are able to best support teachers delivering this content. The resource has been made public to ensure that those working with rangatahi in a range of vocations, including youth and social work are able to have access to the information and be supported in the important mahi that they do.

Outreach

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. We are an independent voice, thought leader, advocate, and driver of change.

Our annual outreach programme was somewhat curtailed due to the ongoing effects of the COVID-19 pandemic, however we did still have some opportunities to showcase the work we do both nationally and internationally.

During the year we presented to small groups (librarians, law students, police officers) as well as large conferences (eg Netsafety and Brightstar) on topics as wide-ranging as online safety, censorship, misinformation, and porn.

In July we attended Netsafety Week 2021, giving us an opportunity to reflect on how things are going in the important area of internet safety, and to check in on some of the important work being done to turn the tide around. The Chief Censor was able to share insights from our report *The Edge of the Infodemic*, which revealed the depth of concern that the New Zealand public has around misinformation and the role of the internet in this.

We had the opportunity to provide training on countering violent extremism to the National Security and Intelligence Team at the Police, and the Digital Violent Extremism team at the Department of Internal Affairs. We also met with the New Zealand Customs Service to discuss training, however, as with other planned trainings, these were not able to take place due to the ongoing COVID-19 restrictions. Further trainings and engagements are planned for 2022 and 2023.

We were thrilled to have Glen Scanlon, the then Chief Executive of the Broadcasting Standards Authority (BSA), come and speak to us in November. The BSA exists to ensure free speech without harm. They have a similar role to us, except rather than a focus on publications their mandate is for content broadcast on television and radio. We were very interested in the *kōrero* on the changing threshold for content that discriminates, which reflected the work we're doing on countering violent extremist content.

In April the Chief Censor was interviewed for Kantar Public's PUBLIC journal. PUBLIC is an international journal dedicated to youth. Kantar Public spoke with David Shanks about his leadership of the Growing up with Porn research and how the Office was able to put youth voices front and centre.

Conversations on porn

As we began to open up after COVID lockdowns so did the opportunities we had to speak with youth, teachers, parents and *whānau* on how to talk with young people about what they might see in pornography.

Our education specialist spoke to parents and *whānau* at two high schools. Both sessions were well received and one session was filmed to create a resource that can be accessed by families across Aotearoa.

We also presented at the Physical Education New Zealand (PENZ) conference alongside Tracy Clelland, a lecturer and health education expert from Canterbury University. This session was extremely popular with attendees from around the country and provided an opportunity to promote the *Ka huri i te kōrero* – Changing the conversations about pornography resource created in collaboration with the Ministry of Education prior to the April 2022 launch.

Two of our education specialists facilitated a series of presentations at a Christchurch high school that included students, staff, and parents and whānau. We talked about our three-part youth-focused research into porn, and discussed healthy relationships and consent as a counter narrative to pornography.

Following on from these sessions we returned to Christchurch as part of a Relationships and Sexuality Education session for Senior Leaders and Board members run by the Ministry of Education. This session followed on from requests from the community for support in how to deliver relationships and sexuality education in the wake of the Christchurch Girls' High sexual harassment survey results.

Health-related misinformation – Dr Tara Kirk Sell

We invited Dr Tara Kirk Sell to talk about her work on health-related misinformation and disinformation in May 2022. Dr Sell is a Senior Scholar at the Johns Hopkins Center for Health Security, and an Assistant Professor in the Department of Environmental Health and Engineering at the Johns Hopkins Bloomberg School of Public Health.

Dr Sell discussed the economic costs of misinformation in the US context, and potential policy approaches to improve preparedness and response to public health emergencies.

Taking misinformation and disinformation campaigns during the COVID-19 pandemic as an example, Dr Sell underscored the need for a large-scale policy change that brings together all stakeholders, increases public resilience, promotes factual information, and controls misleading content and sources.

A photograph showing the backs of four people sitting on a grassy area. They are looking at a newspaper held by one of them. The person on the left is wearing a dark blue jacket. The person next to them is wearing a denim jacket and glasses. The person in the center is wearing a red hoodie. The person on the far right is wearing a blue checkered shirt. The background shows a concrete wall and some green plants.

Statements of the Classification Office

Te Mana Whakaatu

FOR THE YEAR ENDED 30 JUNE 2022

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2022

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.

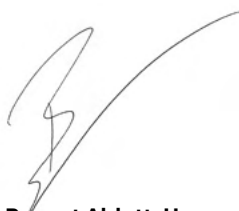
In the Board's opinion, these financial statements and Statement of Service Performance fairly reflect the financial position and operations of the Classification Office for the year ended 30 June 2022.

On behalf of the Board of the Classification Office,



Caroline Flora
Chairperson

18 November 2022



Rupert Ablett-Hampson
Deputy Chairperson

18 November 2022



To the readers of the Office of Film and Literature Classification's financial statements and performance information for the year ended 30 June 2022.

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, Grant Taylor, using the staff and resources of Ernst & Young, 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 47 to 62, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, 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 37 to 46.

In our opinion:

- the financial statements of the Office on pages 47 to 62:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 the Public Benefit Entity Reporting Standards; and
- the performance information on pages 37 to 46:

- o presents fairly, in all material respects, the Office's performance for the year ended 30 June 2022, 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 appropriations; 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 18 November 2022. 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 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 31 and 63 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.



Grant Taylor
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Performance

FOR THE YEAR ENDED 30 JUNE 2022

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 2021/22 for this output class is \$3,169,000. 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 and levies paid by third parties and other sundry revenue. The shortfall in forecast revenue is met cash reserves.

RESOURCES EMPLOYED \$'000	ACTUAL 2022	BUDGET 2022	ACTUAL 2021
Crown Appropriation	3,169	3,169	3,315
Third Party Revenue	337	288	341
Interest & Sundry Revenue	459	530	7
Total Revenue	3,965	3,987	3,663
Expenses	4,084	4,179	4,133
Expected Surplus/(Deficit)	(119)	(192)	(470)

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 2022	BUDGET 2022	ACTUAL 2021
Crown Injection	-	-	-
Expenditure	-	-	34

Classification Services

REPORT AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2021 – 2022

Activity 1 – Production of classification decisions

CLASSIFICATION DECISIONS ARE PRODUCED

QUALITY & QUANTITY	NOTES	ESTIMATED RANGE	ACTUAL 2022		ACTUAL 2021
Publications Received		1,120 – 1,937	1,078		1,251
Publications Examined		1,120 – 1,937	1,045		1,285
1.1.1 Third Party – Number of publications classified		664 – 1,135	699	✓	813
1.1.2 Crown – Number of publications classified	1	456 – 802	361	✗	500
1.1.3 Number of classification decisions registered	1	1,120 – 1,937	1,057	✗	1,313
QUALITY		TARGET	ACTUAL 2022		ACTUAL 2021
1.2.1 Classification decisions are consistent with standards set down in the practice manual	2	95%	99.8%	✓	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%	100%	✓	91.7%
b. the analysis supports the classification decision so the reader understands the reasoning of the decision		75%	91.7%	✓	91.7%

Note 1: Crown Classifications and Registrations Below Estimates

These are demand-driven activities.

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. We selected a range of decisions from each submission channel for each category of classification (from Unrestricted to Objectionable). The independent reviewer then selected 12 of these decisions to review.

The review was conducted against a 4-point scale (Needs a lot of work, Needs Work, Good, and Very Good).

In addition the reviewers provided example-based recommendations for improvement.

The assessment of Style (criteria a) considered tone, sentence structure and language used.

The assessment for Reasoning (criteria b) considered whether the content supports the purpose and was well structured to support understanding of the decision making process.

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 2022 %		ACTUAL 2021 %
1.3.1 Standard s12 & s42 Percentage of Standard s12 and s42 submissions which are classified within 30 working days of receipt.	30	90%	694	691	99%	✓	99%
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%	-	-	-	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%	276	218	79%	✓	91%

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 2020/21 or 2021/22.

Classification Analysis – Performance by Section of the Act Against Estimates

SECTION 12 – LABELLING BODY	MINIMUM ESTIMATE	MAXIMUM ESTIMATE	ACTUAL 2021/22	ACTUAL 2020/21
Publications Received	621	982	699	791
Publications Examined	621	982	693	786
Publications Registered	621	982	692	789
SECTION 13 (1) (a) – COMPTROLLER OF CUSTOMS				
Publications Received	-	-	4	-
Publications Examined	-	-	4	-
Classifications Registered	-	-	4	-
SECTION 13 (1) (ab) – New Zealand Police				
Publications Received	384	576	230	346
Publications Examined	384	576	222	416
Classifications Registered	384	576	219	464
SECTION 13(1)(B) – SECRETARY FOR INTERNAL AFFAIRS				
Publications Received	24	52	41	30
Publications Examined	24	53	43	28
Classifications Registered	24	52	48	23
SECTION 13(1)(C) – CHIEF CENSOR GRANTS LEAVE (COMMERCIAL & PUBLIC)				
Publications Received	37	117	-	22
Publications Examined	37	117	-	22
Classifications Registered	37	117	1	21

**SECTION 13(3) - CHIEF CENSOR'S
OWN MOTION**

Publications Received	12	66	7	4
Publications Examined	12	66	6	4
Classifications Registered	12	66	5	3

**SECTION 29(1)
- COURTS**

Publications Received	36	108	89	55
Publications Examined	36	108	69	26
Classifications Registered	36	108	85	10

**SECTION 41(3)
- RECONSIDERATIONS (COURTS)**

Publications Received	-	-	1	-
Publications Examined	-	-	1	-
Classifications Registered	-	-	-	-

**SECTIONS 42(1), (2) & (3)
- RECONSIDERATIONS**

Publications Received	6	36	7	3
Publications Examined	6	36	7	3
Classifications Registered	6	36	3	3

SUMMARY

Publications Received for the Year	1,120	1,937	1,078	1,251
Publications Examined	1,120	1,937	1,045	1,285
Publications Registered	1,120	1,937	1,057	1,313

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

INFORMATION ABOUT THE CLASSIFICATION ACT AND THE OFFICE IS PRODUCED AND DISTRIBUTED

ACTIVITY 2.1

Development of a Quality Web Presence

	NOTES	TARGET	ACTUAL 2022		ACTUAL 2021
Quantity					
2.1.1 Number of visits to the Classification Office websites	1	400 (average per day)	544	✓	651
Quality					
2.1.2 Website regularly updated with Editor and Moderator approved content		New content added every month	Achieved (10 per month)	✓	Achieved
New content added every month		12-36	Achieved (125)	✓	Achieved

ACTIVITY 2.2

Public Engagements

Quantity					
2.2.1 Number of public engagement activities	2	20-30	22	✓	18
Quantity					
2.2.2 Responses to client satisfaction surveys 'Very Good', or better	3	80%	100%	✓	100%

Note 1: Website Visits

Website activity has remained strong. A significant historical driver of website visits was domestic and international interest in the livestream of the March 15 terrorist attacks. With the establishment of a new website in mid-2022 this activity has significantly reduced.

Note 2: Public Engagement Activities

Performance on this measure is at the bottom end of the range. COVID-19 and the associated level of uncertainty affected the number of public presentations delivered by the Office. This includes 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.

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

Activity 3 – Inquiries and Complaints

AN INQUIRIES AND COMPLAINTS SERVICE IS PROVIDED

	NOTES	TARGET	ACTUAL 2022	ACTUAL 2021
Quantity				
3.1 Number of inquiries and complaints answered	1	400-600	692 ✓	388
Quality				
3.2 Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service'	2	80%	93 ✓	95%
Timeliness				
3.3 Inquiries and complaints responded to promptly		80% within 5 days	96% ✓	90%
		100% within 20 days	100% ✓	100%

Note 1: Inquiries and Complaints – Quantity measure exceeded

This is a demand-driven activity.

The number of inquiries and complaints responded to exceeded forecast. This figure includes 429 complaints and inquiries related to the classification and reclassification of the film *The Kashmir Files*. Excluding the engagement related to the is one title, it is apparent that public engagement is moving to other forum such as our website and engagement on social media channels, particularly in response to the proactive release of information and advice.

Note 2: 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 24.9%, with 43 responses received in 2021/22.

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

RESEARCH IS CARRIED OUT WHICH ENABLES THE OFFICE TO PERFORM IT'S FUNCTIONS EFFECTIVELY

	NOTES	TARGET	ACTUAL 2022		ACTUAL 2021
Quality					
4.1 Research project conducted per year	1	1	1	✓	1
Quality					
4.2 Published research helps inform the public about censorship issues		All Research: 50-100 downloads of Classification Office research reports each month New research: In the 4 months following publication, downloads of the current research report makes up 30% of research report downloads	Achieved Average number of downloads 176 Achieved Average 50%	✓ ✓	New measure introduced in 2021/22 New measure introduced in 2021/22
Timelines					
4.3 Research findings are published within 1 month of report being finalised	2	100%	Achieved	✓	100%

Note 1:

This relates to the Office research report titled ***What we're watching***.

This research asked people from around the country about what they're watching and what concerns they had about it. Harmful content both online and offline is reaching New Zealanders and causing real concern, particularly for children and young people.

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 2:

The website is the main point of access to the Office's research and contains research published by the Office since 2016. 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 ***What we're watching*** was released in June 2022.

See page 26 for further insights.

Activity 5 – Self-Rating Systems

SUPPORT AND FACILITATE THE DEVELOPMENT OF SELF-RATING SYSTEMS USED BY SPECIFIED CVOD PROVIDERS

This is a new activity so prior-year performance is not available.

ACTIVITY 5.1		ESTIMATE	ACTUAL	
Quantity/Quality	NOTES	TARGET	2021/22	
5.1.1 All approved self-rating systems are reviewed annually, using an appropriate review methodology	1	Estimated number of systems reviewed : 6–8 per year	See note 1	NA
5.1.2 All users of the Self-Rating Tool developed by the Classification Office, are surveyed annually regarding the tool's functionality	2	100%		✓
ACTIVITY 5.2				
Timelines				
5.2 All approved self-rating systems reviewed within 3 months of the anniversary of the date on which the system was originally approved	1	75%	See Note 1	NA

Note 1: Review of Self-Rating Systems

The Films, Videos, and Publications Classification (Commercial Video on-Demand) Amendment Act 2020 had a final commencement date of 1 August 2021. Due to the deferral of the commencement of these changes, during this financial year the Classification Office worked towards the initial approval of self-rating systems. As such this measure, which relates to the review of approved self-rating systems, will come into effect in 2022/23.

In 2021/22 eight commercial video on-demand providers were covered by the new provisions of the Classification Act. The Classification Office worked with six providers to support and facilitate the development of approved self-rating system.

The other two providers elected to use the traditional classification process and so are not seeking approval for a self-rating system.

As at 30 June 2022 three providers successfully obtained approval for their self-rating system.

Note 2: Self-Rating Tool survey

Two of the providers use the Self-Rating Tool as the basis of their self-rating system. Users of the Self Rating tool for both of these providers were surveyed regarding its functionality. Responses were received from one. Their feedback indicated satisfaction with the functionality of the tool and support they received.

Activity 6 – Countering Violent Extremism Engagement Programme

ENGAGEMENT PROGRAMME SUPPORTS RESPONSE TO ONLINE VIOLENT EXTREMISM

This is a new activity so prior-year performance is not available.

ACTIVITY 6.1		ESTIMATE	ACTUAL	
Quantity	NOTES	TARGET	2021/22	
6.1.1 Speakers' Programme: Host subject matter experts to speak with agencies with significant interest in online violent extremism.	1	2 each year	1	✗
6.1.2 Training Programme: Deliver training to enforcement agencies on the classification framework as applied to violent extremist material..		2 each year	3	✓
ACTIVITY 6.2				
Quality				
Responses to Client Satisfaction surveys completed by participants "Very Good" or better.	2	80%	100%	✓

Note 1: Speakers' Programme – Target not achieved

Due to resourcing pressures, which were aggravated by COVID 19 restrictions, resources were reallocated to the training programme.

Note 2:

Due to staffing changes, client satisfaction surveys were not conducted for all events. Only one survey was received.

Financial Statements

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2022 (IN NEW ZEALAND DOLLARS)

		ACTUAL 2022 \$'000	BUDGET 2022 \$'000	ACTUAL 2021 \$'000
REVENUE				
Revenue from the Crown	2	3,169	3,169	3,315
Labelling Body Revenue		336	286	340
Other Fee Revenue		1	2	1
Total		3,506	3,457	3,656
OTHER REVENUE				
Interest Revenue		1	21	7
Sundry Revenue		458	509	-
Total		3,965	3,987	3,663
EXPENSE				
Audit fee		39	33	31
Depreciation & Amortisation Expense	7, 8	107	124	194
Insurance Costs		14	9	9
Loss on Disposal of Fixed Assets		2	-	-
Lease & Rental Costs		235	229	236
Other Operating Costs		1,093	1,085	1,417
Personnel Costs	14	2,594	2,699	2,246
Total		4,084	4,179	4,133
Surplus/(Deficit)		(119)	(192)	(470)
Other Comprehensive Revenue		-	-	-
Total Comprehensive Revenue and Expense		(119)	(192)	(470)

Note:

Explanations of major variances are provided in note 18.

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022 (IN NEW ZEALAND DOLLARS)

	NOTES	ACTUAL 2022 \$'000	BUDGET 2022 \$'000	ACTUAL 2021 \$'000
Balance at 1 July		1,028	946	1,498
Surplus/(Deficit)		(119)	(192)	(470)
Comprehensive Revenue & Expense		(119)	(192)	(470)
Balance at 30 June	16	909	754	1,028

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 2022 (IN NEW ZEALAND DOLLARS)

		ACTUAL 2022 \$'000	BUDGET 2022 \$'000	ACTUAL 2021 \$'000
CURRENT ASSETS				
Cash & Cash Equivalents	3	1,070	650	652
Debtors & Prepayments	4	55	147	63
Investments		-	-	500
Total Current Assets		1,125	797	1,215
CURRENT LIABILITIES				
Creditors & Other Payables	5	170	179	223
Employee Entitlements	6	290	230	262
Total Current Liabilities		460	409	485
Net Current Assets		665	388	730
NON-CURRENT ASSETS				
Property, Plant & Equipment	7	92	193	71
Intangible Assets	8	152	173	227
Total Non-Current Assets		244	366	298
Net Assets		909	754	1,028
Represented by EQUITY				
General Funds	16	909	754	1,028
Total Equity		909	754	1,028

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 2022 (IN NEW ZEALAND DOLLARS)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	ACTUAL 2022 \$'000	BUDGET 2022 \$'000	ACTUAL 2021 \$'000
<i>Cash was provided from:</i>				
Receipts from the Crown		3,169	3,315	3,315
Receipts from Customers		804	767	329
Interest Received		1	21	6
Net Goods & Services Tax Received		14	-	-
		3,988	4,103	3,650
<i>Cash was distributed to:</i>				
Net Goods & Services Tax Paid		-	3	18
Payments to Suppliers & Employees		4,017	4,214	3,769
		4,017	4,217	3,787
Net Cash Flow from Operating Activities		(29)	(114)	(137)
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment		-	-	-
Sale of Intangibles		-	-	-
Sale of Investments		500	-	-
		500	-	-
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment		53	78	33
Purchase of Intangibles		-	58	-
Proceeds from Sale of Property, Plant & Equipment		-	-	500
Acquisition of Investments		-	-	-
		53	136	533
Net Cash Flow from Investing Activities		447	(136)	(533)

CASH FLOWS FROM FINANCING ACTIVITIES	NOTES	ACTUAL 2022 \$'000	BUDGET 2022 \$'000	ACTUAL 2021 \$'000
<i>Cash was provided from:</i>				
Capital Contribution		-	-	-
Net Cash Flow from Financing Activities		-	-	-
Cash & Cash Equivalents at the beginning of the year		652	900	(1,322)
Net Increase/(Decrease) in Cash & Cash Equivalents		418	(250)	(670)
Cash & Cash Equivalents at the end of the year	3	1,070	650	652

Note:

The GST (net) component of cash flows 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 2022

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 2022 and were approved on 31 October 2022.

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:

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 2022.

Key Judgments and Assumptions

The preparation of financial statements requires judgments, 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.

As at 1 July 2021 a change was made to the estimate of the useful life for an intangible asset to reflect the current expectation that within 5 years there will be a significant overhaul of the classification system. The carrying amounts of property, plant and equipment and intangible assets are disclosed in notes 7 and 8.

Critical judgments in applying the Classification Office's accounting policies

Management has exercised the following critical judgments 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 judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Classification Office.

Judgment 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 judgment 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	5 years	20%
Classification database	12 years	6%

The estimated amortisation rate for the 'self-rating tool' has changed from 10% to 20% this year (10 year to 5 year lifetime).

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

	2022 \$'000	2021 \$'000
Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST)	3,169	3,315
Crown Revenue Per Accounts as at 30 June	3,169	3,315

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 (2021: nil).

Note 3: Cash & Cash Equivalents

	2022 \$'000	2021 \$'000
Cash at bank and on hand	1,070	652
Total Cash & Cash Equivalents	1,070	652

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

Note 4: Debtors & Prepayments

	2022 \$'000	2021 \$'000
Prepayments	55	61
Trade Debtors	-	2
Total Debtors & Prepayments	55	63

As at 30 June 2022 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

	2022 \$'000	2021 \$'000
Trade Creditors	70	150
Income in Advance	11	3
Sundry Creditors	56	51
GST	33	19
Total Creditors & Other Payables	170	223

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

	2022 \$'000	2021 \$'000
Accrued Annual Leave	207	193
Provision for Staff Accrued Personnel Costs	83	69
	290	262

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. No long service leave was owing as at 30 June 2022 (2021: nil).

Note 7: Property, Plant & Equipment

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

COST OR VALUATION	COMPUTER HARDWARE \$'000	FIT OUT \$'000	FURNITURE & FITTINGS \$'000	OFFICE EQUIPMENT \$'000	OTHER EQUIPMENT \$'000	TECHNICAL EQUIPMENT \$'000	TOTAL \$'000
Balance at 1 July 2020	272	369	262	37	16	32	988
Balance at 30 June 2021	291	369	271	37	19	32	1,019
Additions	45	-	5	-	4	1	55
Disposals	(73)	-	-	(2)	(2)	-	(77)
Balance at 30 June 2022	263	369	276	35	21	33	997

ACCUMULATED DEPRECIATION & IMPAIRMENT LOSSES

Balance at 1 July 2020	242	362	229	35	12	31	911
Balance at 30 June 2021	264	367	235	36	14	32	948
Depreciation Expense	20	-	7	1	3	1	32
Eliminate on Disposal	(72)	-	-	(2)	(1)	-	(75)
Balance at 30 June 2022	212	367	242	35	16	33	905

CARRYING AMOUNTS

At 30 June 2020	30	7	33	2	4	1	77
At 30 June 2021	27	2	36	1	5	-	71
At 30 June 2022	51	2	34	0	5	0	92

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

COST OR VALUATION	COMPUTER SOFTWARE \$'000	CLASSIFICATION DATABASE \$'000	TOTAL \$'000
Balance at 1 July 2020	311	1,848	2,159
Balance at 30 June 2021	311	1,848	2,159
Disposals	-	-	-
Additions	-	-	-
Balance at 30 June 2022	311	1,848	2,159
ACCUMULATED AMORTISATION & IMPAIRMENT LOSSES			
Balance at 1 July 2020	77	1,701	1,778
Balance at 30 June 2021	101	1,831	1,932
Amortisation Expense	62	13	75
Disposals	-	-	-
Balance at 30 June 2022	163	1,844	2,007
CARRYING AMOUNTS			
At 30 June 2020	234	147	381
At 30 June 2021	210	17	227
At 30 June 2022	148	4	152

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 the original development cost was fully depreciated in 2019/20. The remaining carrying amounts relates to a portion of upgrade costs.

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:

	2022 \$'000	2021 \$'000
FINANCIAL ASSETS		
Cash & Equivalents	1,070	652
Receivables	-	62
Investments – Term Deposits	-	500
Total Financial Assets	1,070	1,214
FINANCIAL LIABILITIES		
Creditors and other payables	126	201
Total Financial Liabilities	126	201
Total	944	1,013

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 2022.

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.

	2022 \$'000	2021 \$'000
OPERATING LEASE COMMITMENTS		
Not later than one year	130	219
Later than one year and not later than five years	13	125
Later than five years	-	-
Total Operating Lease Commitments	143	344
Capital Commitments	-	-
Total Commitments	143	344

Note 13: Contingencies

The Classification Office has no known contingent liabilities or assets as at 30 June 2022 (2021: nil).

Note 14: Personnel Expenditure

PERSONNEL EXPENDITURE	2022 \$'000	2021 \$'000
Salaries and Wages	2,504	2,156
Employer contributions to defined contribution plans	62	57
Increase/(decrease) in employee entitlements (Note 6)	28	33
	2,594	2,246

Note 15: Key Management & Employee Remuneration

KEY MANAGEMENT PERSONNEL COMPENSATION	2022 \$'000	2021 \$'000
Salaries & other	455	269
Post-employment Benefit	14	7
Total Key Management Personnel Compensation	469	276
Full-time equivalents	2	1

The key management personnel in the 2022 year were the Chief Censor and the Deputy Chief Censor. (2021: Chief Censor).

EMPLOYEE REMUNERATION

TOTAL REMUNERATION AND BENEFITS	2022	2021
\$100,000 - \$109,999	3	3
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	1	1
\$150,000 - \$159,999	1	1
\$210,000 - \$219,999	1	-
\$250,000 - \$259,999	1*	-
\$270,000 - \$279,999	-	1*

*Refers to the Chief Executive's remuneration

SEVERANCE PAYMENTS

During the year ended 30 June 2022 no employees received compensation in relation to cessation (2021: nil).

No Board members received compensation or other benefits in relation to cessation (2021: nil).

Note 16: Equity

EQUITY	2022 \$'000	2021 \$'000
Surplus/(Deficit) for the year	(119)	(470)
Balance at 30 June	909	1,028

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

2021/22 compared to Budget

Labelling Body revenue is intrinsically tied to the volume and nature of commercial submissions.

Budget assumed a drop in the volume of Labelling Body submissions of between 10–25%, varying by medium type, and in line with long-term trends. However submission levels dropped 11% and therefore revenue exceeded forecast.

Interest Revenue

2021/22 compared to Budget and Actual 2020/21

The Office has been able to earn interest on the investment of capital funds as well as any unspent portion of Crown funding throughout the year. Due to ongoing deficits, approximately \$1,500K in equity has been eroded over the last 5 years, which in turn reduces funds available for investment. Due to low, and reducing levels of cash reserves, combined with low interest rates and cash flow requirements, funds were not invested and so interest earnings were minimal.

Sundry Revenue

2021/22 compared to Budget and Actual 2020/21

A new Levy associated with commercial video on-demand framework was established in Regulation on 24 May 2021, with a commencement date of 1 August 2022.

Due to this timing the budget for 2021/22 was set for Levy revenue prior to confirmation of the FVCP Levy Regulations.

Expenses

2021/22 compared to Budget and Actual 2020/21

Audit Fee – a new audit provider was appointed in 2022 which resulted in an increased fee.

Insurance Costs – a general increase in insurance costs arranged by AOG provider.

Depreciation & Amortisation Expense – Depreciation and Amortisation expense was \$17K (14%) less than budget and \$87K (42%) less than 2020/21. These variations are due to the full depreciation of the original development cost of the Classification Database Application and the change in the depreciation rate for the Self Rating Tool from 10 years

to 5 years in 2021/22 on the recommendation of Audit NZ.

Other Operating Costs

2021/22 compared to Actual 2020/21

Other operating expenditure in 2021/22 was 23% (\$324K) less than 2020/21, and was a return to typical levels of expenditure. In 2020/21 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. Contractors were used to meet ongoing vacancies and to meet short-term needs for expertise in specific areas.

Personnel Costs

2021/22 compared to Actual 2020/21

Personnel expenditure in 2021/22 varied from the prior year by 15% (\$348K). A permanent appointment was made to the 18-month vacancy in the Deputy Chief position in October 2021. In 2020/21 contract staff were used to fill the operational and policy functions of this position as well as meet specialist requirements 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 2021/22. 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 Classification 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 lockdowns 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 regarding leave provisions and supporting staff who handle and view classification material that may be harmful or distressing.

We continue to maintain a 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.

As at 30 June 2022 we had 26 staff (22.8 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.

A 3-year collective agreement is in place between the Office and the PSA and bargaining was concluded in May 2022.

Emissions Reporting

As a small independent Crown entity, we are not covered by the carbon neutral government programme and are not required to measure, report or offset on our greenhouse gas emissions.

However, the Office does have a range of measures in place to reduce our environmental impact. We do not own or lease any vehicles; we have minimal expenditure on air travel and staff use public transport for short around town trips. Where possible we source carbon neutral supplies, we make e-waste recycling available to staff and support a staff-initiated food waste reduction programme.

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

During 2022/23:

- 62% of our staff identify as women and 38% identify as men.
- Among the classification team (Classification Advisors, Senior Classification Advisors, Chief Censor and Deputy Chief Censor), 62% are women and 36% are men.
- 83% of managers are women, and 16% 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 2022 we had a negative gender pay gap organisation-wide and within the classification team.

Ethnicity

Of those surveyed 65% of our staff identify as NZ European/Pākehā and 12% identify as Māori. 23% 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 40% of our staff have caregiver responsibilities of some kind. This includes 35% of staff who have childcare responsibilities and 12% who care for other dependents. We provide flexible working options to accommodate and support this.

Age & Disability

Employee ages range from early-20s to late-60s, and the average age is 45. 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.

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

Just 5% of our staff have reported that they have some form of disability. The Office aims to reduce obstacles for employees with disabilities, and ensure that any employee who identifies as having a disability (either permanent or temporary) has their individual needs accommodated.

The average length of service is 6.4 years.

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 their 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 their 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 the 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 may 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

**Kōrerotahi.
Mātakitahi.**