

TE MANA WHAKAATU

**Classification  
Office**

Watch carefully.  
Think critically.



# Annual Report

2019/20

# Annual Report of the CLASSIFICATION OFFICE



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for the year ended 30 June 2020

TE MANA WHAKAATU

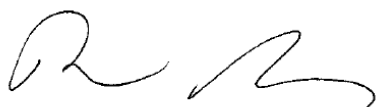
# Classification Office

The Hon. Minister of Internal Affairs

Minister

Pursuant to Section 150 of the Crown Entities Act 2004, I present the Annual Report of the Office of Film & Literature Classification for the year ended 30 June 2020.

Yours sincerely



D E Shanks  
Chief Censor

OFFICE OF FILM & LITERATURE CLASSIFICATION  
PO Box 1999  
Wellington  
Telephone: (04) 471 6770  
Free call: 0508 CENSOR (0508 236 767)  
Website: [www.classificationoffice.govt.nz](http://www.classificationoffice.govt.nz)

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## CHIEF CENSOR'S FOREWORD

I'm pleased to present the annual report of the Classification Office for the year ended 30 June 2020.



It has been an extraordinary year, and I'm proud of how our team has met the challenges of this time. When New Zealand went into lockdown in late March to prevent the spread of COVID-19, we were able to quickly adapt to a working from home model. As well as continuing our core work programme, we rolled out a social media campaign to help New Zealand parents manage screen-time positively, and provided input to the Department of Internal Affairs to help with the development of their national information campaign, Keep It Real Online.

New Zealanders today are facing unprecedented challenges in the digital age, with almost limitless access to digital content anywhere and anytime. This presents vital benefits and opportunities, but there are also costs. We've seen a sharp rise in real-world harm from digital media, which is only accelerating. This includes the impacts of online porn on young people, the rise of disinformation, and how digital technology is being weaponised by violent extremists, among other evolving issues.

As well as our traditional role of classifying publications, we are focused on supporting New Zealanders to engage with media in a conscious and critical way. And we're looking at options for preventing harm through both regulatory and non-regulatory interventions.

I am particularly proud of the two research reports we have published in 2019/2020, which investigate how young New Zealanders are affected by online porn. Together with our earlier report 'NZ Youth and Porn' these studies provide a strong evidence base on this subject, shining a light on how online porn impacts our rangatahi and tamariki.

We have put significant work into supporting law changes that will bring the major commercial video on-demand and streaming services into New Zealand's classification system. This means that New Zealanders will soon see clear and recognisable age

ratings and content warnings when they browse on films and shows on these platforms, helping them to make informed choices.

A big focus this year has been ramping up our education and outreach activities. We have developed and promoted a range of practical resources for parents, to help them make safe media choices for their whānau and support their tamariki and rangatahi to think critically about content. We've also worked closely with our partners in the Pornography Working Party to produce and collaborate on a suite of resources that are informed by our research – designed for parents, educators and front-line services – as well as improving national curriculum guidelines which talk about porn for the first time.

Young people are at the heart of what we do, and over the past year we've put significant focus on engaging with rangatahi through our Youth Advisory Panel, increased social media presence, and other outreach activities.

As an organisation we have made good progress overall against our core Performance Expectations and delivered an operating surplus due to additional funding to support our work in countering online extremists. Our third-party classifications were down this year however, due to a continued drop in DVD and game submissions in the digital age, which supports our changing focus.

Our work is having real impact, yet the challenges we're up against run deep and we are continuing to see rapidly evolving harms from digital media. A joined up effort is needed with New Zealand's regulators, enforcement agencies, experts and NGOs all acting in alignment and connecting with international thought-leaders. This is vital, as the actions we take now to manage harm from digital media will powerfully impact the experience tamariki have growing up in these times.

A handwritten signature in dark ink, appearing to be 'D Shanks'.

David Shanks  
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

The Classification Office is an independent media regulator focused on keeping New Zealanders safe in a fast-changing digital world. Once upon a time we were best known for classifying physical media like films released in cinemas and on DVD. That's still part of our job, along with classifying materials for Crown agencies, but as New Zealanders' media habits have evolved our focus has too.

Today we produce leading-edge research and practical resources to help New Zealanders think critically about the media 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 regulation, what isn't, and where gaps exist. We're thinking about how the New Zealand Government regulates digital media, and collaborating with government agencies, NGOs and experts on new interventions to help New Zealanders enjoy digital content safely.

## STRUCTURE AND ROLE OF THE OFFICE

The Classification Office was established under s76 of the Films, Videos, and Publications Classification Act 1993 (the Classification Act), to classify publications which may need to be restricted or banned, and to provide information about classification decisions and the classification system as a whole.

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

The Office is structured into two main units: the Information Unit and 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 manage complaints and enquiries.
- The Classification Unit is managed by the Deputy Chief Censor, which is currently a vacant role. Our team of classification advisors are responsible for assessing publications that are submitted for classification. They can be submitted by the Film and Video Labelling Body of New Zealand, the Secretary for Internal Affairs, the Comptroller of Customs, the Commissioner of Police, the Courts, commercial applicants and members of the public.

In December 2020 the Office prepared a Statement of Performance Expectations for the 2020/21 financial year and submitted this to the responsible Minister. This was signed by the Board on the 17 December 2020. As at the 30 June 2020 this had not been formally adopted by the Board and thus the requirement of the Crown Entities Act to complete a Statement of Performance Expectations before 1 July 2020 each year was not met.



# OUR KEY IMPACTS IN 2019/20

## IMPACT A: The public has greater confidence in the classification system

The Classification Office is a trusted centre of expertise for New Zealanders. We provide recognised classifications, reliable warnings and valued guidance to the public every day, while striving to preserve New Zealanders' rights to freedom of expression through our decision making. We also work with enforcement agencies to reduce the impact of publications that promote such things as child exploitation, terrorism and sexual violence. The results of our 5-yearly survey of New Zealanders in 2016 showed that:

- 69% think the Classification Office is doing a 'good' or 'excellent' job.
- 73% think classifications are 'about right' – not too strict or too lenient.
- 92% think classifications are important when choosing entertainment for children and teens.

In recent years we have been working hard to drive changes to the classification system and shift our work programme to meet the needs of New Zealanders in the digital age – with a particular focus on youth, Māori and Pacific people.

## New consumer information rules for digital streaming platforms

New Zealanders need clear and recognisable consumer information on entertainment media so they can make informed choices for themselves and their tamariki – whether they're watching in a cinema, on DVD, or online.

We advocated for regulatory change to bring commercial video on-demand and streaming platforms into New Zealand's classification system, and over the past year have worked hard to support the development of policy in the new Amendment Act.

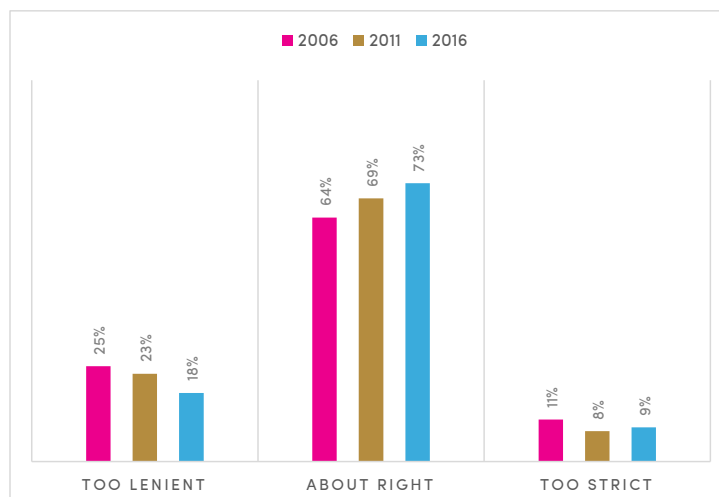
The new rules mean that from mid-2021, the major platforms in New Zealand will need to display New Zealand age ratings and content warnings on all films and shows available to New Zealand viewers.

## Leading and connecting effort to respond to emerging digital harms

We have seen major technology and social changes around the world in recent years that have driven a sharp rise in real-world harm from digital media. In particular, the amount of extremist material and disinformation on the Internet is rising fast and digital technology is being used in sophisticated ways by terrorists, violent extremists, and other state and non-state actors with an agenda.

We have ramped up our internal expertise on violent extremism, including connecting with international experts, and are taking initial steps to drive long-term system change.

Figure 1: Confidence in Classification System



## IMPACT B: The Public is better educated & informed about the classification system

New Zealanders have told us that they need better information and support to enjoy entertainment media safely and protect their tamariki and rangatahi from harm.

Our focus in 2019/20 has been to:

- Give parents simple tools to confidently manage their children's access and use of media and games.
- Educate children and young people to be savvy and resilient consumers in a digital world
- Equip New Zealanders to consume media in an active and critical way.
- Broaden and deepen engagement with the community.

We have made significant progress in these areas over the past year. A summary of our information, public engagement and research activities is presented from page 17.

Our 2016 public understanding survey found that knowledge of classification labels is generally good, however understanding of individual labels has decreased since 2011 (down from an average of 82% in 2011 to 78% in 2016). Lower general understanding of labels relates to the move from the use of physical media with online content, resulting in lower visibility of New Zealand labels. Reduced recognition and understanding of traditional labels is magnified by a proliferation of alternative labelling systems for movies and shows in the online space. Changes in the regulation of

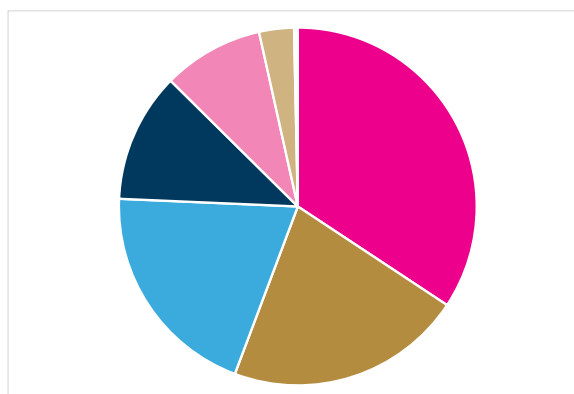
commercial video on-demand content is expected improve public awareness and understanding of content warnings.

Figure 2: Outcome Framework



Figure 3: Publications Classified by Medium

|                              |              |     |
|------------------------------|--------------|-----|
| Image Files                  | 512          | 34% |
| Films & Film Trailers        | 320          | 21% |
| DVDs                         | 298          | 20% |
| Advertising for Publications | 175          | 12% |
| Video Files                  | 136          | 9%  |
| Digital Games                | 47           | 3%  |
| Magazines / Books            | 3            | <1% |
| Other material               | 2            | <1% |
| <b>TOTAL</b>                 | <b>1,493</b> |     |





# Classification Activities

We received 1,417 publications from third parties for classification this year and examined a total of 1,495, compared to 1,732 (received) and 1,577 (examined) in 2018/2019. This decrease is due a significant drop in submissions of commercial publications such as DVDs and games, reflecting the growing shift to digital media, as well as the impact of COVID-19 on the entertainment industry.

Submissions from Crown agencies increased year-on-year, with 627 publications classified compared to 418 in 2018/2019.

## Proactive engagement with digital providers

Alongside our classification work, we have worked proactively with commercial video on-demand and streaming platform providers to address instances where consumer information on films and shows hasn't adequately warned New Zealanders about the content. Upcoming law changes will require these platforms to display appropriate New Zealand age ratings and content warnings on all new film and shows from mid-2021, with existing content to follow within six months.

### Tiger King

Around the same time New Zealand went into lockdown for COVID-19, Netflix released Tiger King, a documentary mini-series that explores the eccentric society of big cat conservationists in America.

When the show was first released on Netflix it appeared with a warning of '16+ language', which in our view didn't give New Zealanders adequate warning of some of the darker and more complex themes. However the challenge was that most of the stronger content in the series is referenced rather than depicted.

We decided to bring our Youth Advisory Panel to the table (over Zoom) to share their views. We wanted to understand the impact of this series on young New Zealanders, including how they felt about the treatment of animal cruelty, sexual violence, suicide, and drug use. We also wanted to know if they thought our proposed new warning note covered these themes appropriately.

With their input we recommended Netflix change their warning note to 'Suicide, violence, animal cruelty, drug use and offensive language', and this change was quickly implemented.



### Good Boys

Our Youth Advisory Panel also weighed in on 'Good Boys', a coming-of-age comedy that follows a group of three self-proclaimed 'Beanbag Boys', who are in their early teen years. We listened to the Panel's views during our assessment process and gave it an R13 classification, which was later confirmed by the Film and Literature Board of Review.



We came to this decision because although 'Good Boys' has some challenging content – such as sexual references, drug use, explicit language and harmful imitable conduct – it is clearly aimed at older audiences, with much of the humour likely to go over the heads of younger viewers.

This content is also balanced by the film's positive messages around consent, friendship, and responsibility. Ultimately, it's a film about self-acceptance and learning to make good decisions.

We agreed that the film requires some restriction, due to the frequent use of offensive language and the presence of imitable conduct – particularly the scene where the boys run across a highway – which could give young children the impression that dangerous acts are exciting and without consequence.

## Material Submitted by Enforcement Agencies

2019/20 has seen high volumes of material submitted by enforcement agencies. The Police submitted 502 publications (compared with 458 the previous year), Internal Affairs submitted 2, and 80 were submitted by the Courts. The vast majority of enforcement agency submissions have continued to relate to child sexual abuse material, increasing 30% from last year. This correlates with a worldwide increase in the distribution of child sexual abuse material during lockdown, as evidenced in Europol's report 'EXPLOITING ISOLATION: Offenders and victims of online child sexual abuse during the COVID-19 pandemic'<sup>1</sup>.

We have also seen a continued volume of violent and potentially extremist material submitted to the Office, which is now handled by our specialist Countering Violent Extremism team. Following the Christchurch terrorist attacks, we've seen a shift in the ideological subject matter of potentially extremist material submitted – with a greater volume of material relating to white supremacy, the far-right, and online hate speech, compared to material related to Islamic fundamentalism. Material related to the livestream of the Christchurch terrorist attacks continues to evolve and be circulated, though due to its illegality within New Zealand it has moved to encrypted platforms and closed groups. Online material from some of these groups has also been submitted to the office for classification.

Classifying such material is detailed and nuanced work. Context continues to be a vital part of our classification process and our team are skilled in the finely balanced work of limiting potential harms to the public good, while ensuring we are not overstepping our authority as regulators and upholding the protection of every citizen's right to freedom of expression.

### Livestream of Halle attack

The Halle Attack Livestream is a 'first-person' video of terrorist attacks by a lone gunman in Halle, Germany, carried out on Yom Kippur (the holiest day of the Jewish calendar).

It shows the attacks from the terrorist's perspective, firstly in a synagogue in Halle and then in a kebab shop, including the cruel murders of two people and several others being shot at.

<sup>1</sup> [https://childrescuecoalition.org/wp-content/uploads/2020/06/europol\\_covid\\_report-cse\\_jun2020v.3.pdf](https://childrescuecoalition.org/wp-content/uploads/2020/06/europol_covid_report-cse_jun2020v.3.pdf)

The Chief Censor called the video in for classification on 10 October 2019 and classified it as 'objectionable' under the Classification Act, because it promotes and supports extreme violence and cruelty.

While the video is now illegal to view by the general public, government enforcement agencies who are seeking to tackle violent extremism are permitted to access it, and other organisations and members of the public who feel they have a legitimate reason for accessing the video can make an application to the Chief Censor for an exemption.

### Attack on 5G cell phone tower

Fake news, conspiracy theories and disinformation have snowballed since the outbreak of COVID-19. One of these conspiracy theories claims that 5G cell phone towers cause COVID-19, and has led to towers being attacked in New Zealand and around the world.

In April 2020 an amateur video was uploaded to Facebook depicting two men in New Zealand setting fire to a cell tower (it was later removed by Facebook). The video was picked up by the media and shared in full by at least two media outlets.

The Police launched an investigation into the attack, and our team met to discuss whether there was merit for the video to be restricted or banned under the Classification Act, as it promotes a criminal act with potentially significant and detrimental consequences.

We completed an assessment applying the different sections of the Act, and found that the video had some concerning crime-promotional elements but did not meet the high levels of promotion needed to be classified objectionable.

### New Zealand's Darkest Day?

'New Zealand's Darkest Day?' is a lengthy text document that deals with the Christchurch mosque attacks of March 2019 which was submitted to us by the Commissioner of Police.

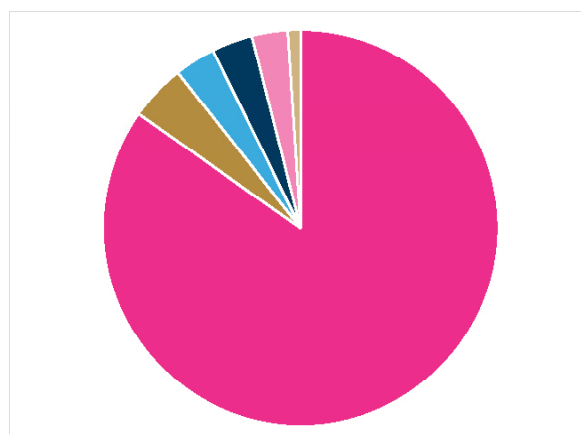
It appears to be the work of a single person who believes the public are being misled by the official version of events, to further a vague but sinister political agenda.

While the Classification Act does not regulate political speech or the expression of opinions and misinformation, the document contains numerous images from the Christchurch terrorist's livestream video and extracts from his so-called manifesto 'The Great Replacement'.

We assessed the document and concluded that it doesn't meet the high threshold of being considered objectionable under the Classification Act. However we restricted it to an adult audience, as young New Zealanders may not have the critical skills to evaluate its merit and be able to distance themselves from the disturbing content and imagery.

Figure 4: Subject Matter of Objectionable Publications

|   |   |     |     |
|---|---|-----|-----|
| ●   | Exploitation of children/child nudity<br>s3(2)(a), s3(3)(b) | 405 | 85% |
| ●   | Bestiality<br>s3(2)(e)                                      | 22  | 5%  |
| ●   | Sexual Violence<br>s3(2)(b), s3(3)(a)(ii), s3(3)(a)(v)      | 16  | 3%  |
| ●   | Promotes or encourages crime<br>s3(3)(d)                    | 16  | 3%  |
| ●   | Violence, Cruelty, Torture<br>s3(2)(f), s3(3)(a)(i)         | 14  | 3%  |
| ●   | Urine/Excrement<br>s3(2)(d)l                                | 5   | 1%  |
|   | TOTAL   | 478 |     |
| (Some publications may be objectionable under more than one section of the Act) |   |     |     |



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

Until now there has been no requirement under New Zealand law for commercial video on-demand and streaming platforms to display appropriate New Zealand age ratings or content warnings on films and shows.

That's because our regulatory system for media is based on laws made back in the 80s/90s – well before the digital age.

The release of 13 Reasons Why on Netflix in 2017 underlined the urgent need for change. This series aimed at young people depicts suicide in a graphic way, and includes other hard-hitting content, but at the time of release it didn't have an appropriate warning for viewers.

It was clear we needed one set of rules for entertainment providers to display consumer information to New Zealand viewers. We advocated for changes to the legislation, and over the past year have worked with DIA on the development of the policy in the Amendment Act. We have also developed an online self-rating tool which can be used manually by providers, or used by their development teams to inform the design of their own self-rating systems.

The Films, Videos, and Publications Classification (Commercial Video On-Demand) Amendment Act received Royal Assent in August 2020, and changes to two sets of regulations are underway: one prescribes how consumer information should be displayed on these platforms, and the other enables us to charge providers fees and/or a levy to help cover the cost of our new functions in this area. The new display rules are proposed to come into effect from mid-2021.

Our key focus now is working with affected providers to help them meet the new requirements. This includes supporting the development of authorised in-house self-ratings systems, which we audit each year. We also intend to manage a complaints process for the public and maintain a New Zealand database of film ratings.

## Countering violent extremism and disinformation online

The terrorist attacks on Christchurch mosques in March 2019 were a wake-up call to how digital technology can be weaponised by violent extremists in new and devastating ways. The terrorist's livestream video and manifesto document were shared virally online, and inspired subsequent attacks around the world.

The amount of extremist material and disinformation online has been rising fast in recent years, and COVID-19 has created conditions for these issues to snowball. There is growing concern worldwide about the impacts on crime, social cohesion, public health, and how online platforms are used by violent extremists to recruit and radicalise people.

Our new Countering Violent Extremist team increases our capacity to respond quickly and decisively to extremist material, ensure that we are on top of international thinking and trends, and to clearly communicate with our enforcement partners and the public about the framework we apply.

We are connecting with experts around the world and have started work on an integrated strategy to counter violent extremism and other forms of online hate. The aim of this work is to help ensure New Zealand government agencies, the digital sector, NGOs and academics are all acting in alignment, and working in collaboration with the public, other governments and international experts. We have also supported work on a Bill to improve the tools available under the Classification Act to counter violent extremist counter online.

Alongside this work, we are looking at what research could help tackle disinformation in New Zealand.

Table 1: Publications Classified by Channel &amp; Medium 2019/20

|  | ADVERTISING<br>FOR<br>PUBLICATIONS | OTHER<br>MATERIAL | MAGAZINES /<br>BOOKS | COMPUTER<br>MATERIAL<br>(MOVING) | COMPUTER<br>MATERIAL<br>(NON-<br>MOVING) | DIGITAL<br>GAMES | DVDS       | FILMS & FILM<br>TRAILERS | TOTAL       |
|--|------------------------------------|-------------------|----------------------|----------------------------------|--|------------------|------------|--------------------------|-------------|
| Section 12(1) - Labelling Body                       | 174                                | 1                 | 0                    | 0                                | 0  | 44               | 296        | 299                      | 814         |
| Section 13(1)(a) - Comptroller<br>of Customs         | 0                                  | 0                 | 0                    | 20                               | 13                                       | 0                | 0          | 0                        | 33          |
| Section 13(1)(ab) -<br>Commissioner of Police        | 1                                  | 0                 | 3                    | 91                               | 408                                      | 0                | 0          | 1                        | 504         |
| Section 13(1)(b) - Secretary<br>for Internal Affairs | 0                                  | 0                 | 0                    | 0                                | 1  | 0                | 0          | 0                        | 1           |
| Section 13(1)(c) - Chief<br>Censor Grants Leave      | 0                                  | 0                 | 0                    | 2                                | 25                                       | 1                | 2          | 19                       | 49          |
| Section 13(3) - Chief Censor's<br>Own Motion         | 0                                  | 0                 | 0                    | 1                                | 1  | 1                | 0          | 0                        | 3           |
| Section 29(1) - Courts                               | 0                                  | 0                 | 0                    | 22                               | 64                                       | 0                | 0          | 0                        | 86          |
| Sections 42(1), (2) and (3) -<br>Reconsiderations    | 0                                  | 1                 | 0                    | 0                                | 0  | 1                | 0          | 1                        | 3           |
| <b>TOTAL</b>   | <b>175</b>                         | <b>2</b>          | <b>3</b>             | <b>136</b>                       | <b>512</b>                               | <b>47</b>        | <b>298</b> | <b>320</b>               | <b>1493</b> |



**Table 2: Comparison of Publications Received 2010 – 2020**

|  | 2019/20      | 2018/19      | 2017/18      | 2016/17      | 2015/16      | 2014/15      | 2013/14      | 2012/13      | 2011/12      | 2010/11      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Section 12(1)<br>Labelling Body                    | 748          | 1,065        | 1,114        | 1,195        | 2,315        | 1,852        | 1,741        | 1,998        | 1,886        | 1,798        |
| Section 13(1)(a)<br>Comptroller of Customs         | 33           | 10           | 8            | 6            | 13           | 5            | 8            | 1            | 3            | 35           |
| Section 13(1)(ab)<br>Commissioner of Police        | 502          | 458          | 536          | 401          | 131          | 127          | 155          | 44           | 49           | 192          |
| Section 13(1)(b)<br>Secretary for Internal Affairs | 2            | 3            | 17           | 474          | 78           | 146          | 209          | 47           | 104          | 36           |
| Section 13(1)(c)<br>Public & Commercial            | 46           | 49           | 51           | 101          | 4            | 7            | 9            | 8            | 9            | 10           |
| Section 13(3)<br>Chief Censor's Own Motion         | 3            | 9            | 29           | 24           | 9            | 1            | 0            | 0            | 0            | 2            |
| Section 29(1)<br>Courts                            | 80           | 136          | 39           | 89           | 6            | 16           | 116          | 100          | 30           | 109          |
| Sections 42(1), (2) and (3)<br>Reconsiderations    | 3            | 1            | 3            | 3            | 1            | 2            | 20           | 1            | 0            | 0            |
| Regulation 27<br>Film Poster Approvals             | 0            | 1            | 0            | 0            | 0            | 0            | 1            | 3            | 6            | 12           |
| <b>TOTAL</b>                                       | <b>1,417</b> | <b>1,732</b> | <b>1,797</b> | <b>2,293</b> | <b>2,557</b> | <b>2,156</b> | <b>2,259</b> | <b>2,202</b> | <b>2,087</b> | <b>2,194</b> |



Table 3: Comparison of Publications Examined 2010 – 2020

|  | 2019/20      | 2018/19      | 2017/18      | 2016/17      | 2015/16      | 2014/15      | 2013/14      | 2012/13      | 2011/12      | 2010/11      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Section 12(1)<br>Labelling Body                    | 809          | 1,011        | 1,100        | 1,323        | 2,220        | 1,955        | 1,587        | 1,957        | 1,816        | 1,829        |
| Section 13(1)(a)<br>Comptroller of Customs         | 33           | 10           | 8            | 6            | 13           | 5            | 8            | 1            | 38           | 0            |
| Section 13(1)(ab)<br>Commissioner of Police        | 512          | 370          | 537          | 396          | 131          | 173          | 115          | 47           | 33           | 242          |
| Section 13(1)(b)<br>Secretary for Internal Affairs | 2            | 3            | 18           | 486          | 65           | 183          | 194          | 24           | 100          | 36           |
| Section 13(1)(c)<br>Public & Commercial            | 47           | 50           | 49           | 100          | 4            | 7            | 9            | 8            | 11           | 8            |
| Section 13(3)<br>Chief Censor's Own Motion         | 3            | 20           | 18           | 24           | 8            | 1            | 0            | 0            | 0            | 2            |
| Section 29(1)<br>Courts                            | 86           | 111          | 39           | 95           | 0            | 16           | 115          | 111          | 22           | 125          |
| Sections 42(1), (2) and (3)<br>Reconsiderations    | 3            | 1            | 3            | 3            | 4            | 15           | 3            | 1            | 0            | 0            |
| Regulation 27<br>Film Poster Approvals             | 0            | 1            | 0            | 0            | 0            | 0            | 1            | 3            | 6            | 13           |
| <b>TOTAL</b>                                       | <b>1,495</b> | <b>1,577</b> | <b>1,772</b> | <b>2,433</b> | <b>2,445</b> | <b>2,355</b> | <b>2,032</b> | <b>2,152</b> | <b>2,026</b> | <b>2,255</b> |

Table 4: Comparison of Publications Classified 2010 -2020

|  | 2019/20      | 2018/19      | 2017/18      | 2016/17      | 2015/16      | 2014/15      | 2013/14      | 2012/13      | 2011/12      | 2010/11      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Section 12(1)<br>Labelling Body                    | 814          | 1,000        | 1,109        | 1,327        | 2,219        | 1,958        | 1,594        | 1,942        | 1,830        | 1,814        |
| Section 13(1)(a)<br>Comptroller of Customs         | 33           | 10           | 8            | 10           | 9            | 5            | 8            | 1            | 38           | 0            |
| Section 13(1)(ab)<br>Commissioner of Police        | 504          | 269          | 586          | 344          | 111          | 173          | 115          | 47           | 33           | 253          |
| Section 13(1)(b)<br>Secretary for Internal Affairs | 1            | 4            | 17           | 509          | 39           | 183          | 194          | 34           | 90           | 36           |
| Section 13(1)(c)<br>Public & Commercial            | 49           | 48           | 49           | 99           | 5            | 7            | 8            | 8            | 11           | 8            |
| Section 13(3)<br>Chief Censor's Own Motion         | 3            | 24           | 14           | 24           | 8            | 1            | 0            | 0            | 1            | 1            |
| Section 29(1)<br>Courts                            | 86           | 111          | 39           | 95           | 0            | 16           | 134          | 92           | 22           | 135          |
| Sections 42(1), (2) and (3)<br>Reconsiderations    | 3            | 1            | 3            | 3            | 4            | 18           | 0            | 1            | 0            | 0            |
| Regulation 27<br>Film Poster Approvals             | 0            | 1            | 0            | 0            | 0            | 0            | 1            | 3            | 6            | 13           |
| <b>TOTAL</b>                                       | <b>1,493</b> | <b>1,468</b> | <b>1,825</b> | <b>2,411</b> | <b>2,395</b> | <b>2,361</b> | <b>2,054</b> | <b>2,128</b> | <b>2,031</b> | <b>2,260</b> |

# Information, Public Engagement and Research



New Zealanders are facing new and evolving harms from modern digital media, and for parents in particular, it can be hard to know how to support their tamariki and rangatahi to enjoy media content while staying safe.

We've ramped up our focus on education and outreach, including developing practical resources for parents, to help them make safe choices for their whānau and support their tamariki and rangatahi to think critically about content. We're also producing evidence-based resources and training for educators and service providers, and actively engaging with young people through our Youth Advisory Panel, social media and other outreach activities.

When COVID-19 reached New Zealand in 2020 and we went into nationwide lockdown, we recognised many whānau would be watching more entertainment content than usual while at home. We ran a social media campaign themed 'Watch Together, Talk Together' with the aim to help parents manage screen time in a positive way, by having good conversations with their children about what they were watching.

We also provided input and resources for the Keep it Real Online campaign led by the Department of Internal Affairs, which has generated strong interest. This campaign provides practical advice for parents and young people to navigate issues like online porn, bullying and nudes.

Our social media presence has grown in 2019/2020 and in particular we've developed a presence on

Instagram that resonates well with young people. We're sharing content from our Youth Advisory Panel sessions on this platform along with open-minded conversation starters on everything from porn to mental health and resilience.

Research is a significant part of what we do and gives us real-world insight. Our research into how young New Zealanders are affected by online porn has provided a strong evidence base on this subject. It's also enabled us to produce and collaborate on a suite of practical resources for parents, educators, front-line services, and young people.

We are committed to Te Tiriti o Waitangi and are investing in improving our team's literacy of Te Reo Māori and Te Ao Māori and applying this knowledge. We have registered our Te Mahere Reo Māori (Māori language plan) with Te Taura Whiri i te Reo Māori, and we seek to have a clear Māori voice in our work – for example in the design and participation of our pornography research.

## [United Nations Convention on the Rights of the Child](#)

(General Assembly, 1989)

### **Article 12**

1. States Parties shall assure to the child who is capable of forming his or her own views the right to express those views freely in all matters affecting the child, the views of the child being given due weight in accordance with the age and maturity of the child.

2. For this purpose, the child shall in particular be provided the opportunity to be heard in any judicial and administrative proceedings affecting the child, either directly, or through a representative or an appropriate body, in a manner consistent with the procedural rules of national law.

### **Article 13**

The child shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of the child's choice.

## Youth Advisory Panel

The health and wellbeing of New Zealand's young people is central to our work and informs what we do. As a Crown Entity with a mandate to protect children and young people from harmful media content, we take this responsibility seriously and we are duty bound to do so under the United Nations Convention of the Rights of the Child.

Digital literacy is a vital life skill for the 21st century. Our tamariki and rangatahi are growing up in a world where the digital landscape changes at pace, and they can access almost any content on their devices. While working to regulate harmful online content at an industry and legislative level, our work is also to educate and inform – we want to support rangatahi to enjoy the benefits and opportunities that digital media presents them, while safely navigating the very real harms.

Our Youth Advisory Panel, made up of a diverse group of 16 to 19 year old New Zealanders, provides us with an ongoing youth voice to inform our thinking on key issues.

The Youth Advisory Panel assist us with understanding issues that directly affect young people, providing insight into how young people experience, interpret, and manage their media rich world.

This year, they provided feedback around 'Tiger King' – a Netflix documentary series that exploded in popularity during lockdown. They felt that some of the show's more concerning content – which includes real life footage of a person's reaction to see a man shoot himself off screen – has potential triggers for certain groups of people, so warnings for violence, suicide, and animal cruelty were important. As

a direct result of this feedback, the Classification Office recommended that Netflix change their warning note to include 'Suicide, violence, animal cruelty, drug use and offensive language'.

The Youth Panel also collaborated on the creation of our first youth-centred social media campaign, a full month of posts designed to provoke questions and engage with young people around the subject of online porn. The Instagram campaign garnered an audience of 107,00, with a typical age range of 13-17. Under the supervision of Ara Taiohi and our own Comms team the members of the Youth Panel also gained experience through helping us engage with and moderate the online conversations these posts provoked.

Collaborating with several other government agencies and NGOs – such as DIA, Youthline, Ministry of Education, and Ara Taiohi – has given members the opportunity to develop connections with people in different sectors while contributing to the Office's engagement with these entities. In particular, our relationships with organizations in the Youth Sector have been strengthened. The YAP also contributed to DIA's Keep It Real Online campaign, providing feedback on the campaign, including script consultation, and also assisted with developing material aimed at helping parents and educators have healthy conversations with young people about porn.

The Youth Advisory Panel continue to form an integral part of the work of the Office, and we look forward to their continued involvement.

## RESEARCH ON THE IMPACTS OF ONLINE PORN ON YOUNG NEW ZEALANDERS

Research is a critical part of our work programme, ensuring our classification decisions and advice are grounded in up-to-date expert views and public opinions in the fast-changing world of media content.

### Our research drives positive change

Three years ago there was no comprehensive understanding of the issues that online pornography presented for rangatahi and tamariki in New Zealand.

Since then we have completed a series of three research studies into how and why young New Zealanders use online porn, with two of these undertaken in 2019/2020. Our research has provided a strong evidence base on this issue, and shone a light on how online porn impacts young people.

Working closely with our partners in the Pornography Working Party, we have used the research findings to produce and collaborate on a suite of practical, evidence-based solutions including: resources for parents, educators and young people; updated national curriculum guidelines which talk about porn for the first time; workforce development content for front-line services; and input into DIA's national information campaign 'Keep It Real Online'.

This work has brought young people's use of online porn out into the open, making it 'OK' to talk about for the first time and creating an opportunity to address the harmful issues – without the shame.

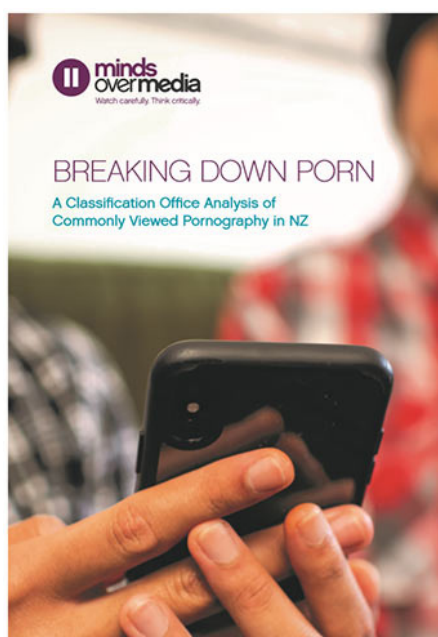
### Breaking down porn: A Classification Office Analysis of Commonly Viewed Pornography in NZ

This research study is based on 200 of the most popular videos that New Zealanders watch on mainstream porn site Pornhub.

We know that porn has become a default form of sex education for many young people – which can impact their attitudes towards sex and relationships, including issues like consent. We wanted to understand what New Zealanders are watching in general, and what this might say about the kind of content younger viewers are also accessing.

This analysis was released in the second quarter and is available to view on our website. Key findings included:

- Only 3% of the videos showed condom use
- 10% showed physical aggression
- 35% contained some non-consensual behaviour
- 46% were about step/family fantasy
- Just 29% showed some form of affection.
- Growing up with porn: Insights from young New Zealanders



### Growing up with porn: Insights from young New Zealanders

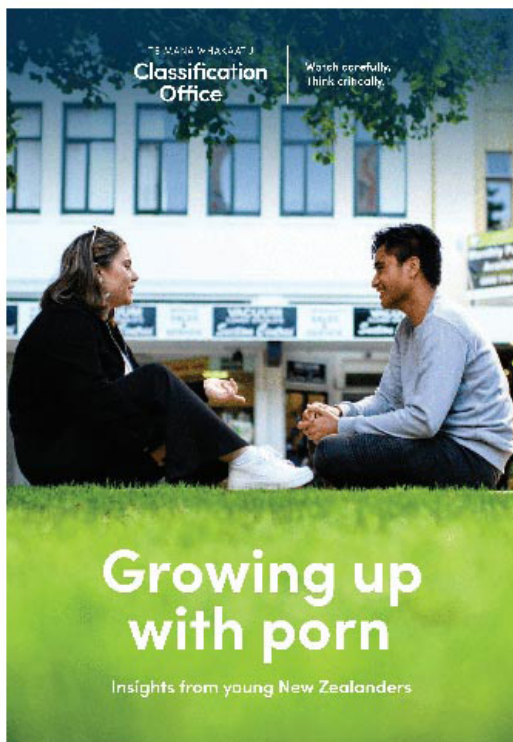
This research involved more than 50 interviews with a diverse group of young New Zealanders aged 14–17, providing an in-depth understanding of young New Zealanders' experiences with porn and the impact this may have on relationships.

Our report was released in April 2020 and is available on our website.

Key findings included:

- Porn is normalised for young people today, whether they watch it or not.
- Young people are curious about sex and porn is a default learning tool.

- Girls watch porn too, for similar reasons as boys, but see a double standard in how society views this.
- Porn can have a negative impact on body image/confidence for both girls and boys.
- They think it can negatively influence sex.
- Young people and adults are not talking about porn.
- Young people want comprehensive sexuality education which includes information about porn.
- Young people had varying views about web filters and age verification, but agreed that children shouldn't have access to porn.



## Secondary schools education programme

Our 'Censor For A Day' school education programme offers senior media students in New Zealand a first-hand experience of how our classification system works. It gives them the opportunity to apply our decision-making framework to a film and come to their own conclusion, then hear about the actual decision we arrived at. In previous years we have delivered the programme to hundreds of students around New Zealand.

This programme also provides us with an opportunity to hear more young New Zealanders' views on the role of censorship in our society. It complements our Youth Advisory Panel and our ongoing engagement with young people on social media.

Our planned programme of school visits for the 2019/2020 year was put on hold, firstly in the wake of the Christchurch terrorist attacks, and then due to the outbreak of COVID-19 in New Zealand. We are currently planning a full programme for the 2020/2021 year.

We greatly appreciate the assistance provided by film distributors and cinemas who generously support this programme.



Statements of the  
**CLASSIFICATION OFFICE**  
TE MANA WHAKAATU

**for the year ended 30 June 2020**

## STATEMENT OF RESPONSIBILITY

### For the Year Ended 30 June 2020

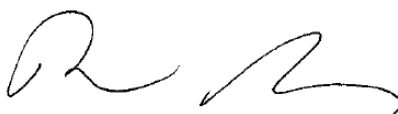
The Board is responsible for the preparation of the Office of Film and Literature Classification's (Classification Office) financial statements and statement of service performance, and for the judgements made in them.

The Board is responsible for any end of year performance information provided by the Classification Office under section 19A of the Public Finance Act 1989.

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 2020.

On behalf of the Board of the Classification Office



D E Shanks  
Chairperson

18 December 2020

# AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## Independent Auditor's Report

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

### Opinion

We have audited:

- the financial statements of the Office on pages 34 to 49, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Office on pages 7, 8 and 26 to 33.

In our opinion:

- the financial statements of the Office on pages 34 to 49:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 7, 8 and 26 to 33:
  - presents fairly, in all material respects, the Office's performance for the year ended 30 June 2020, 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.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Office. 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.

### Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Office as set out in Note 19 to the financial statements.

### 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 obtained at the date of signing our opinion comprises the information included on pages 5,6, 9 to 20, and 50 to 55, 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Stephen Usher  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# STATEMENT OF PERFORMANCE

## FOR THE YEAR ENDED 30 JUNE 2020

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 this output class is \$3,399,000. The scope of the appropriation is:

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

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

| Resources Employed<br>\$'000 | ACTUAL<br>2020 | BUDGET<br>2020 | ACTUAL<br>2019 |
|------------------------------|----------------|----------------|----------------|
| Crown Appropriation          | 3,399          | 2,725          | 1,960          |
| Third Party Revenue          | 357            | 595            | 499            |
| Interest & Sundry Revenue    | 31             | 22             | 113            |
| Total Revenue                | 3,787          | 3,342          | 2,572          |
| Expenses                     | 3,541          | 3,353          | 2,900          |
| Expected Surplus/(Deficit)   | 246            | (11)           | (328)          |

### Non-departmental capital expenditure – Capital Injection to the Office of Film and Literature Classification

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

| Resources Employed<br>\$'000 | ACTUAL<br>2020 | BUDGET<br>2020 |
|------------------------------|----------------|----------------|
| Crown Injection              | 600            | 600            |
| Expenditure                  | 293            | 200            |



# CLASSIFICATION SERVICES

(Report against Statement of Performance Expectations 2019–2020)

## ACTIVITY 1 – PRODUCTION OF CLASSIFICATION DECISIONS

| QUANTITY & QUALITY   | NOTES | Minimum Estimate | Maximum Estimate | ACTUAL 2020 | ACTUAL 2019  |
|--|-------|------------------|------------------|-------------|--------------|
| Publications Received  |       | 1,251            | 2,024            | 1,417       | 1,732        |
| Publications Examined  |       | 1,251            | 2,024            | 1,495       | 1,577        |
| 1.1.1 Third Party – Number of publications classified  | 1     | 896              | 1,270            | 865 x       | 1,050        |
| 1.1.2 Crown – Number of publications classified  |       | 355              | 754              | 627 ✓       | 418          |
| 1.1.3 Number of classification decisions registered  |       | 1,251            | 2,024            | 1,492 ✓     | 1,468        |
| QUALITY  | 2     |                  | TARGET           | ACTUAL 2020 | ACTUAL 2019  |
| 1.2.1 Classification decisions are consistent with set standards   | 3     |                  | 95%              | 99.9% ✓     | 99.5%        |
| 1.2.2 Classification decisions<br>(a) are soundly reasoned<br>(b) are written in a style which is accessible to a range of readers | 4     |                  | 75%              | See Note 4  | Not assessed |

### Note 1: Third Party Classifications below Estimate

The number of third party publications classified is 3.5% below the minimum of estimated range. The drop in the number of third party classifications is due to an general drop in commercial submissions, in comparison to both 2018/19 Actuals and against forecast. While this trend was apparent throughout the year it was particularly pronounced in the final quarter of 2019/20 as a result of the global and domestic response to responses to COVID-19. The long, slow decline in submissions of DVDs accelerated with 23% fewer received in 2019/20 comparison to 2018/19. Games submissions, which have been relatively stable for several years, were 29% lower than 2018/19.

### Note 2: Change to External Quality measure

Correct and consistent application of the law should result in similar classification decisions by the Office and the Film and Literature Board of Review. Targets for this performance indicator were removed from the 2019/20 as this measure was no longer appropriate. The Office continues to monitor Board of Review decisions in order to identify any significant differences, in either the classification itself or the rationale for the decision.

A divergence could indicate that the publication had not been classified appropriately. An analysis and comparison of Classification Office and Board of Review decisions is included in the Office's reporting to the Minister of Internal Affairs.

The Board of Review considered 35 publications which had been classified during 2019/20. They issued 6 decisions, all of which resulted in substantially the same classification as issued by the Classification Office.

### Note 3: 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 Board of the

## TIMELINESS <sup>5,6</sup>

|       |   | TARGETS |     | No. of<br>Pubs | ACTUAL<br>2020 |     | ACTUAL<br>2019 |     |
|-------|---|---------|-----|----------------|----------------|-----|----------------|-----|
|       |   | Days    | %   |                | No.            | %   |                |     |
| 1.3.1 | Standard s12 & s42<br>Percentage of Standard s12 and s42 submissions which are classified within 30 working days of receipt.            | 30      | 90% | 820            | 805            | 98% | ✓              | 97% |
| 1.3.2 | Complex s12 & s42 <sup>7</sup><br>Percentage of Complex s12 and s42 submissions which are classified within 35 working days of receipt. | 35      | 70% | 0              | 0              | N/A | N/A            | N/A |
| 1.3.3 | s13<br>Percentage of s13 submissions which are classified within 55 working days of receipt, where statutory obligations enable this.   | 55      | 70% | 587            | 417            | 71% | ✓              | 64% |

Classification Office via a monthly reporting framework.

### Note 4: External Measure – Independent Review

The Classification Office is increasingly focused on supporting New Zealanders to engage with media in a conscious and critical manner. This year we conducted an independent review of three decisions, covering three different publication formats. This review was conducted by experts in plain English (the Write Group) and builds on recommendations made from a review they undertook in the past.

The review was not conducted against a 5-point scale. Rather the reviewers provided a detailed assessment of the three decisions reviewed and provided a qualitative assessment of our performance against 10 areas which had been assessed when they last reviewed our decisions.

Overall, the assessment was that, while there remained room for improvement, there had been some positive changes in our writing style and format to make decisions more accessible to a range of readers and that the reasoning was clear. We have also invested in training and resources for classification staff to keep a focus on plain language and clarity in the logic, legal frame and reasoning.

This year has also seen process improvements put in place for peer review and quality checks of work by Senior classification staff. Further quality assurance is provided by processes which ensure decisions produced by the Office are reviewed by at least two

Senior Classification Advisors.

The review did not make an assessment about whether the decisions were ‘soundly reasoned’ in terms of how our governing legislation was applied. This aspect of our decisions has been assessed in previous reviews by legal experts’ experienced in the application of the Classification Act, and was not the focus of the current review.

### Note 5: Timeliness Target Achieved

Timeliness targets are set by the Office, not in legislation. The Act requires the Office to examine publications submitted ‘as soon as practicable’. This measure incorporates both processing timeliness as well as the queue of publications awaiting examination.

### Note 6: 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.
- 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 measure.

### Note 7: Standard 1.3.2 Not Applicable

No publications which met the criteria for ‘complex’ were classified during this 2018/19 or 2019/20.

## Classification Analysis

### Performance by Section of the Act against Estimates

|  | Minimum<br>Estimate | Maximum<br>Estimate | Actual<br>2020 | Actual<br>2019 |
|--|---------------------|---------------------|----------------|----------------|
| Section 12 - Labelling Body  |                     |                     |                |                |
| Publications Received  | 859                 | 1,175               | 748            | 1,066          |
| Publications Examined  | 859                 | 1,175               | 809            | 1,012          |
| Classifications Registered   | 859                 | 1,175               | 813            | 1,001          |
| Regulation 27(3) & 27(4) - Film Poster Approvals                   |                     |                     |                |                |
| Publications Received  | 3                   | 6                   | 0              | 0              |
| Publications Examined  | 3                   | 6                   | 0              | 0              |
| Approvals Registered   | 3                   | 6                   | 0              | 0              |
| Section 13(1)(a) - Comptroller of Customs                          |                     |                     |                |                |
| Publications Received  | 6                   | 18                  | 33             | 10             |
| Publications Examined  | 6                   | 18                  | 33             | 10             |
| Classifications Registered   | 6                   | 18                  | 33             | 10             |
| Section 13(1)(ab) - New Zealand Police                             |                     |                     |                |                |
| Publications Received  | 289                 | 547                 | 502            | 458            |
| Publications Examined  | 289                 | 547                 | 512            | 370            |
| Classifications Registered   | 289                 | 547                 | 504            | 269            |
| Section 13(1)(b) - Secretary for Internal Affairs                  |                     |                     |                |                |
| Publications Received  | 19                  | 45                  | 2              | 3              |
| Publications Examined  | 19                  | 45                  | 2              | 3              |
| Classifications Registered   | 19                  | 45                  | 1              | 4              |
| Section 13(1)(c) - Chief Censor Grants Leave (Commercial & Public) |                     |                     |                |                |
| Publications Received  | 35                  | 91                  | 46             | 49             |
| Publications Examined  | 35                  | 91                  | 47             | 50             |
| Classifications Registered   | 35                  | 91                  | 49             | 48             |
| Section 13(3) - Chief Censor's Own Motion                          |                     |                     |                |                |
| Publications Received  | 12                  | 28                  | 3              | 9              |
| Publications Examined  | 12                  | 28                  | 3              | 20             |
| Classifications Registered   | 12                  | 28                  | 3              | 24             |

|   | Minimum<br>Estimate                     | Maximum<br>Estimate                     | Actual<br>2020 | Actual<br>2019 |
|---|---|---|----------------|----------------|
| Section 29 (1) - Courts                       |   |   |                |                |
| Publications Received                         | 28                                      | 108                                     | 80             | 136            |
| Publications Examined                         | 28                                      | 108                                     | 86             | 111            |
| Classifications Registered                    | 28                                      | 108                                     | 86             | 111            |
| Sections 42(1), (2) & 3 - Reconsiderations    |   |   |                |                |
| Publications Received                         | 2                                       | 4                                       | 3              | 1              |
| Publications Examined                         | 2                                       | 4                                       | 3              | 1              |
| Film Poster Decisions                         | 2                                       | 4                                       | 3              | 1              |
| SUMMARY                                       |   |   |                |                |
| Publications Received For the Year            | 1,251                                   | 2,023                                   | 1,417          | 1,732          |
| Publications Examined                         | 1,251                                   | 2,023                                   | 1,495          | 1,577          |
| Classifications and Film Poster Decisions     | 1,251                                   | 2,023                                   | 1,492          | 1,468          |
| VARIANCES                                     |   |   |                |                |
|   | Variance<br>from<br>Minimum<br>Estimate | Variance<br>from<br>Maximum<br>Estimate |                |                |
| Actual Received vs Estimate                   | 13%                                     | (30%)                                   |                |                |
| Actual Examined vs Estimate                   | 20%                                     | (26%)                                   |                |                |
| Actual Classifications Registered vs Estimate | 19%                                     | (26%)                                   |                |                |

**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 next year.

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

# STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

## INFORMATION SERVICES

(Report against Statement of Performance Expectations 2019–2020)

### ACTIVITY 2 – DISSEMINATION OF INFORMATION

#### Activity 2.1 Development of a Quality Web Presence

|  | NOTES                         | TARGETS | ACTUAL<br>2020 | ACTUAL<br>2019 |
|--|-------------------------------|---------|----------------|----------------|
| Quantity   |                               |         |                |                |
| 2.1.1 Number of visits to the Classification Office websites (average per day) | 1                             | 250     | 475 ✓          | 419            |
| Quality  |                               |         |                |                |
| 2.1.2 Website regularly updated with Editor and Moderator approved content     | New content added every month |         | Achieved ✓     | 92%            |
|  | 12–36 items each year         |         | 57 ✓           | 46             |

#### Activity 2.2 Public Engagements

|  | NOTES | TARGETS | ACTUAL<br>2020 | ACTUAL<br>2019 |
|--|-------|---------|----------------|----------------|
| Quantity   |       |         |                |                |
| 2.2.1 Number of public engagement activities                           |       | 25–35   | 39 ✓           | 70             |
| Quality  |       |         |                |                |
| 2.2.2 Responses to client satisfaction surveys 'Very Good', or better. | 2     | 80%     | 90.2% ✓        | 92.9%          |

#### Note 1: Increase in Website Visits

Website activity has continued to increase. A significant driver of this activity in 2019/20 is domestic and international interest in the classification of the livestreamed footage of the Christchurch Mosque attacks and the associated documents.

Day teachers are asked to provide more extensive feedback. Any feedback which includes a response of Good, Satisfactory or Not Satisfactory are deemed as having not achieved this measure.

#### Note 2: Public Engagement Activities – Quality Measure

These surveys are used for our formal presentations. The survey asks the organiser to provide feedback on speaker's performance, the suitability of the content and the how educational and informative the presentation was. A five-point scale ranging from 'Not Satisfactory' to 'Excellent' is used. Censor for a

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

The Censor for a Day programme scheduled for March 2020 was cancelled amid rising concerns about travel and public gatherings in the lead up to New Zealand entering lockdown in late March.

## ACTIVITY 3 – INQUIRIES AND COMPLAINTS

|            |  | NOTES | TARGETS             | ACTUAL<br>2020 |   | ACTUAL<br>2019 |
|------------|--|-------|---------------------|----------------|---|----------------|
| Quantity   |  |       |                     |                |   |                |
| 3.1        | Number of inquiries and complaints answered  | 3     | 600-800             | 499            | x | 661            |
| Quality    |  |       |                     |                |   |                |
| 3.2        | Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service' | 4     | 80%                 | 100%           | ✓ | 93.5%          |
| Timeliness |  |       |                     |                |   |                |
| 3.3        | Inquiries and complaints responded to promptly   |       | 80% within 5 days   | 95.4%          | ✓ | 90.6%          |
|            |  | 5     | 100% within 20 days | 99.8%          | x | 99.0%          |

### Note 3: Inquiries and Complaints – Quantity measure not met

The number of inquiries and complaints responded to in the second half of the year was less than forecast. The number of complaints and inquiries received dipped in the period prior to, and during, New Zealand's COVID-19 response. At the same time, the volume of traffic on our website and general engagement on social media channel, particularly in response to proactive release of information and advice was high.

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

### Note 4: Inquiries and Complaints – Quality Measure

People who make a substantive written inquiry or complaint (including those considered to be an Official Information Act request) via email are surveyed on our response to them. The purpose of the survey is to provide evidence about the quality of the responses we provide about the operation of the classification system under s88 of the Classification Act. The survey questions are included at the bottom of our email signatures. Responses are entirely optional, i.e. we do not solicit responses.

The response rate to this survey is 8% with 26 responses received in 2019/20.

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."

### Note 5: Inquiries and Complaints – Timeliness Measure not met

Of the 499 inquiries and complaints handled by the Office during 2019/20, one was not responded to within the 20 day target time frame. This single item was received via an obsolete comment feature on the Classification Office's main website. Upcoming upgrades to the website will remove this functionality.



## ACTIVITY 4 – RESEARCH

|            |  | NOTES   | TARGETS | ACTUAL<br>2020 |   | ACTUAL<br>2019 |
|------------|--|---|---------|----------------|---|----------------|
| Quantity   |  |   |         |                |   |                |
| 4.1        | Research papers per year   | 6   | 1       | 2              | ✓ | 1              |
| Quality    |  |   |         |                |   |                |
| 4.2        | Published research helps inform the wider public about censorship issues | Research reports make up at least 10% of resources downloaded |         | 20.9%          | ✓ | 27%            |
| Timeliness |  |   |         |                |   |                |
| 4.3        | Research findings are published within 1 month of report being finalised | 7   | 100%    | 100%           | ✓ | 100%           |

### Note 6:

This relates to Phases 2 and 3 of the New Zealand Youth & Porn research programme conducted and published during 2019/20.

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 individuals understand the nature of injury to the individual, or society, of harmful publications.

Over the year the we worked with a research partner The Collaborative Trust to conduct in-depth interviews with more than 50 diverse young people from across the country. [Growing Up with Porn](#) was the culmination of three years' work for the Classification Office. It follows the nationally representative survey NZ Youth and Porn (December 2018) and an analysis of the content of mainstream porn – [Breaking Down Porn](#) (December 2019).

### Note 7:

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

Two reports were published during 2019/20:

**Breaking Down Porn** was completed in November 2019 and released in December 2019.

**Growing up with porn: Insights from young New Zealanders** was completed in March 2020 and was released in April 2020, as the nation's lockdown saw our young people spend more time online than usual.

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020

| REVENUE                                 | NOTES | ACTUAL<br>2020<br>\$'000 | BUDGET<br>2020<br>\$'000 | ACTUAL<br>2019<br>\$'000 |
|---|-------|--------------------------|--------------------------|--------------------------|
| Revenue from the Crown                  | 2     | 3,399                    | 2,725                    | 1,960                    |
| Labelling Body Revenue                  |       | 354                      | 594                      | 496                      |
| Other Fee Revenue                       |       | 3                        | 1                        | 3                        |
|   |       | 3,756                    | 3,320                    | 2,459                    |
| OTHER REVENUE                           |       |                          |                          |                          |
| Interest Revenue                        |       | 31                       | 22                       | 30                       |
| Sundry Revenue                          |       | 0                        | 0                        | 83                       |
|   |       | 31                       | 22                       | 113                      |
| Total Revenue                           |       | 3,787                    | 3,342                    | 2,572                    |
| EXPENSE                                 |       |                          |                          |                          |
| Audit Fee                               |       | 32                       | 32                       | 31                       |
| Depreciation & Amortisation Expense     | 7, 8  | 237                      | 285                      | 262                      |
| Insurance Costs                         |       | 13                       | 11                       | 8                        |
| Loss On Disposal of Fixed Assets        |       | 41                       | 0                        | 1                        |
| Lease & Rental Costs                    |       | 213                      | 205                      | 203                      |
| Other Operating Costs                   |       | 869                      | 887                      | 698                      |
| Personnel Costs                         | 14    | 2,136                    | 1,933                    | 1,697                    |
| Total Expense                           |       | 3,541                    | 3,353                    | 2,900                    |
| Surplus/(Deficit)                       |       | 246                      | (11)                     | (328)                    |
| Other Comprehensive Revenue             |       | 0                        | 0                        | 0                        |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE |       | 246                      | (11)                     | (328)                    |

Note: Explanations of major variances are provided in Note 18.

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

|                                   | NOTES | ACTUAL<br>2020<br>\$'000 | BUDGET<br>2020<br>\$'000 | ACTUAL<br>2019<br>\$'000 |
|-----------------------------------|-------|--------------------------|--------------------------|--------------------------|
| Balance at 1 July 2019            |       | 651                      | 712                      | 979                      |
| Capital Injection                 |       | 600                      | 0                        | 0                        |
| Surplus/(Deficit)                 |       | 246                      | (11)                     | (328)                    |
| Comprehensive Revenue and Expense |       | 1,497                    | 701                      | (328)                    |
| Balance at 30 June 2020           | 16    | 1,497                    | 701                      | 651                      |

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 2020

|                             | NOTES | ACTUAL<br>2020<br>\$'000 | BUDGET<br>2020<br>\$'000 | ACTUAL<br>2019<br>\$'000 |
|-----------------------------|-------|--------------------------|--------------------------|--------------------------|
| CURRENT ASSETS              |       |                          |                          |                          |
| Cash & Cash Equivalents     | 3     | 1,322                    | 570                      | 434                      |
| Debtors & Other Receivables | 4     | 102                      | 83                       | 76                       |
| Total Current Assets        |       | 1,424                    | 653                      | 510                      |
| CURRENT LIABILITIES         |       |                          |                          |                          |
| Creditors & Other Payables  | 5     | 155                      | 152                      | 132                      |
| Employee Entitlements       | 6     | 230                      | 175                      | 192                      |
| Total Current Liabilities   |       | 384                      | 327                      | 324                      |
| Net Current Assets          |       | 1,040                    | 326                      | 186                      |
| NON-CURRENT ASSETS          |       |                          |                          |                          |
| Property, Plant & Equipment | 7     | 77                       | 115                      | 149                      |
| Intangible Assets           | 8     | 381                      | 260                      | 316                      |
| Total Non-Current Assets    |       | 458                      | 375                      | 465                      |
| Net Assets                  |       | 1,497                    | 701                      | 651                      |
| Represented By:             |       |                          |                          |                          |
| EQUITY                      |       |                          |                          |                          |
| General Funds               | 16    | 1,497                    | 701                      | 651                      |
| TOTAL EQUITY                |       | 1,497                    | 701                      | 651                      |

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

FOR THE YEAR ENDED 30 JUNE 2020

|  | NOTES | ACTUAL<br>2020<br>\$'000 | BUDGET<br>2020<br>\$'000 | ACTUAL<br>2019<br>\$'000 |
|--|-------|--------------------------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>        |       |                          |                          |                          |
| Cash was provided from:                            |       |                          |                          |                          |
| Receipts from the Crown                            |       | 3,500                    | 2,725                    | 1,960                    |
| Receipts from Customers                            |       | 370                      | 597                      | 592                      |
| Interest Received                                  |       | 31                       | 22                       | 32                       |
| Net Good & Services Received                       |       | 0                        | 498                      | 0                        |
|  |       | 3,901                    | 3,842                    | 2,584                    |
| Cash was distributed to:                           |       |                          |                          |                          |
| Net Goods & Services Tax Paid                      |       | 24                       | 487                      | 2                        |
| Payment to Suppliers & Employees                   |       | 3,317                    | 3,045                    | 2,642                    |
|  |       | 3,341                    | 3,532                    | 2,644                    |
| Net Cash Flow from Operating Activities            |       | 560                      | 310                      | (60)                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>        |       |                          |                          |                          |
| Cash was provided from:                            |       |                          |                          |                          |
| Sale of Property, Plant & Equipment                |       | 0                        | 0                        | 0                        |
| Sale of Intangibles                                |       | 0                        | 0                        | 0                        |
| Sale of Investments                                |       | 0                        | 0                        | 0                        |
|  |       | 0                        | 0                        | 0                        |
| Cash was distributed to:                           |       |                          |                          |                          |
| Purchase of Property, Plant & Equipment            |       | 36                       | 80                       | 70                       |
| Purchase of Intangibles                            |       | 237                      | 28                       | 58                       |
| Proceeds from Sale of Property, Plant & Equipment  |       | (1)                      | 0                        | 0                        |
| Acquisition of Investments                         |       | 0                        | 0                        | 0                        |
| Net Cash Flow from Investing Activities            |       | 272                      | 108                      | 128                      |
|  |       | (272)                    | (108)                    | (128)                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>        |       |                          |                          |                          |
| Capital Contribution                               |       | 600                      | 0                        | 0                        |
| Net Cash Flow from Financing Activities            |       | 600                      | 0                        | 0                        |
| Net Increase/(Decrease) in Cash & Cash Equivalents |       | 888                      | 202                      | (189)                    |
| Cash & Cash Equivalents at Beginning of Year       |       | 434                      | 368                      | 623                      |
| CASH & CASH EQUIVALENTS AT THE END OF THE YEAR     | 3     | 1,322                    | 570                      | 434                      |

**Note:** The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the 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 2020

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

The Office of Film and Literature Classification is a Crown Entity formed under the Films, Videos, and Publications Classification Act 1993.

The Office of Film and Literature Classification'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 Classification Office are for the year ended 30 June 2020 and were approved by the Board on 18 December 2020.

### Basis of Preparation

These statements have been prepared in accordance with the Crown Entities Act 2004.

### 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 Regime 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 (\$), which is the Classification Office's functional currency. All financial information is presented in New Zealand dollars.

### 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 in 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 IFRS 9 Financial Instruments

PBE IFRS 9 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement with effect from 1 January 2021. OFLC will apply this new standard in preparing the 30 June 2021 financial statements. No effect is expected as a result of this change.

#### Amendment to PBE IPSAS 2 Statement of Cash Flows

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

#### PBE IPSAS 41 Financial Instruments

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

#### PBE FRS 48 Service Performance Reporting

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

## Key Judgements and Assumptions

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

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

## Critical Accounting Estimates and Assumptions

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

### Property, plant & 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 Expenses, and carrying amount of the asset in the Statement of Financial Position. The Classification Office minimises the risk of this estimation uncertainty by:

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

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

## Critical Judgements in Applying the Classification Office's Accounting Policies

Management has exercised the following critical judgements in applying the Classification Office's accounting policies for the period ended 30 June 2020:

### Lease classifications

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Classification Office. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

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

### Changes in Accounting Policies

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

### Significant Accounting Policies

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

#### Revenue

Revenue is measured at the 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. Interest income on an impaired financial asset is recognised using the original effective interest rate.

### Other revenue

Labelling Body income, other fee income and sundry income are recognised when earned and is reported in the financial period to which they relate.

### Cash and cash equivalents

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

### 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 Expenses.

### Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, 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 Expenses. 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 Expenses.

### 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 |
| Fit Out                | 2 - 6 years |
| Furniture and Fittings | 10 years    |
| Office Equipment       | 4 - 5 years |
| Other Equipment        | 4 - 5 years |
| Technical Equipment    | 4 - 5 years |
| Vehicles               | 5 - 6 years |

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 licenses are capitalised on the basis of the costs incurred to acquire and bring in 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 Expenses.

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

|                         |             |
|-------------------------|-------------|
| Software                | 3 – 4 years |
| Self Rating Tool        | 10 years    |
| Classification database | 12 years    |

### 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 its 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 revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

### 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

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes

the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to the balance date 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 defined contribution superannuation scheme and is recognised as an expense in the Statement of Comprehensive Revenue and Expenses 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 & 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 only has 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   | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST) | 3,399          | 1,960          |
| Crown Revenue Per Accounts as at 30 June   | 3,399          | 1,960          |

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 (2019: nil).

| NOTE 3: CASH & CASH EQUIVALENTS | 2020<br>\$'000 | 2019<br>\$'000 |
|---------------------------------|----------------|----------------|
| Cash at bank & on hand          | 1,322          | 434            |
| Total Cash & Cash Equivalents   | 1,322          | 434            |

The carrying value of cash at bank and on hand deposits with maturities less than three months approximates their fair value.

| NOTE 4: DEBTORS & OTHER RECEIVABLES | 2020<br>\$'000 | 2019<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Interest Receivable                 | 0              | 0              |
| Sundry Debtors                      | 21             | 1              |
| Prepayments                         | 71             | 36             |
| Trade Debtors                       | 10             | 39             |
|                                     | 102            | 76             |
| Less Provision for Doubtful Debts   | 0              | 0              |
| Total Debtors & Other Receivables   | 102            | 76             |

As at 30 June 2020 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 | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------------|----------------|----------------|
| Trade Creditors                    | 79             | 80             |
| Income in Advance                  | 15             | 10             |
| Sundry Creditors                   | 24             | 29             |
| GST                                | 37             | 13             |
| Total Creditors & Other Payables   | 155            | 132            |

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               | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Accrued Annual Leave                        | 172            | 151            |
| Provision for Staff Accrued Personnel Costs | 57             | 34             |
| Long Service Leave                          | 1              | 3              |
| Sick Leave Provision                        | 0              | 4              |
| <b>Total Employee Entitlements</b>          | <b>230</b>     | <b>192</b>     |

The value of long service leave is calculated on an employee's current hourly rate and the number of days employees have available. Long Service leave is available to employees based on their individual employment agreements.

#### NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Movements for each class of assets are as follows:

| Cost or Valuation       | Computer<br>Hardware<br>\$'000 | Fit Out<br>\$'000 | Furniture &<br>Fittings<br>\$'000 | Office<br>Equipment<br>\$'000 | Other<br>Equipment<br>\$'000 | Technical<br>Equipment<br>\$'000 | Vehicles<br>\$'000 | Total<br>\$'000 |
|-------------------------|--------------------------------|-------------------|-----------------------------------|-------------------------------|------------------------------|----------------------------------|--------------------|-----------------|
| Balance at 1 July 2018  | 348                            | 306               | 290                               | 38                            | 16                           | 33                               | 0                  | 1,031           |
| Balance at 30 June 2019 | 258                            | 367               | 255                               | 37                            | 15                           | 31                               | 0                  | 963             |
| Additions               | 14                             | 2                 | 15                                | 0                             | 4                            | 1                                | 0                  | 36              |
| Revaluation increase    | 0                              | 0                 | 0                                 | 0                             | 0                            | 0                                | 0                  | 0               |
| Disposals               | 0                              | 0                 | (8)                               | 0                             | (3)                          | 0                                | 0                  | (11)            |
| Balance at 30 June 2020 | 272                            | 369               | 262                               | 37                            | 16                           | 32                               | 0                  | 988             |

| Accumulated Depreciation<br>& Impairment Losses | Computer<br>Hardware<br>\$'000 | Fit Out<br>\$'000 | Furniture &<br>Fittings<br>\$'000 | Office<br>Equipment<br>\$'000 | Other<br>Equipment<br>\$'000 | Technical<br>Equipment<br>\$'000 | Vehicles<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------|-------------------|-----------------------------------|-------------------------------|------------------------------|----------------------------------|--------------------|-----------------|
| Balance at 1 July 2018                          | 266                            | 219               | 261                               | 38                            | 15                           | 31                               | 0                  | 830             |
| Balance at 30 June 2019                         | 212                            | 296               | 231                               | 34                            | 12                           | 29                               | 0                  | 814             |
| Depreciation Expense                            | 30                             | 66                | 6                                 | 1                             | 2                            | 2                                | 0                  | 107             |
| Eliminate on Disposal                           | 0                              | 0                 | (8)                               | 0                             | (2)                          | 0                                | 0                  | (10)            |
| Balance at 30 June 2020                         | 242                            | 362               | 229                               | 35                            | 12                           | 31                               | 0                  | 911             |
| <b>Carrying Amounts</b>                         |                                |                   |                                   |                               |                              |                                  |                    |                 |
| At 30 June 2018                                 | 82                             | 87                | 29                                | 0                             | 0                            | 2                                | 0                  | 202             |
| At 30 June 2019                                 | 46                             | 71                | 24                                | 3                             | 3                            | 2                                | 0                  | 149             |
| At 30 June 2020                                 | 30                             | 7                 | 33                                | 2                             | 4                            | 1                                | 0                  | 77              |

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT (Continued)

### 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

Movements for each class of intangible assets are as follows:

| Cost or Valuation            | Computer Software<br>\$'000 | Classification Database<br>\$'000 | Work In Progress<br>\$'000 | Total<br>\$'000 |
|------------------------------|-----------------------------|-----------------------------------|----------------------------|-----------------|
| Balance at 1 July 2018       | 81                          | 1,828                             | 18                         | 1,927           |
| Balance at 30 June 2019      | 130                         | 1,828                             | 20                         | 1,978           |
| Disposals                    | (56)                        | 0                                 | 0                          | (56)            |
| Additions                    | 237                         | 0                                 | 0                          | 237             |
| Net transfer between classes | 0                           | 20                                | (20)                       | 0               |
| Balance at 30 June 2020      | 311                         | 1,848                             | 0                          | 2,159           |

| Accumulated Amortisation & Impairment Losses | Computer Software<br>\$'000 | Classification Database<br>\$'000 | Work In Progress<br>\$'000 | Total<br>\$'000 |
|--|-----------------------------|-----------------------------------|----------------------------|-----------------|
| Balance at 1 July 2018                       | 81                          | 1,449                             | 0                          | 1,530           |
| Balance at 30 June 2019                      | 89                          | 1,588                             | 0                          | 1,662           |
| Amortisation Expense                         | 2                           | 130                               | 0                          | 130             |
| Disposals                                    | 0                           | 0                                 | 0                          | 0               |
| Impairment Losses                            | (14)                        | 0                                 | 0                          | (14)            |
| Balance at 30 June 2020                      | 77                          | 1,701                             | 0                          | 1,778           |
| Carrying Amounts                             |                             |                                   |                            |                 |
| At 30 June 2018                              | 0                           | 379                               | 18                         | 397             |
| At 30 June 2019                              | 41                          | 255                               | 20                         | 316             |
| At 30 June 2020                              | 234                         | 147                               | 0                          | 381             |

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 CDA was brought into production in 2008/09 and is fully depreciated in 2019/20.

### Restrictions

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

#### NOTE 9: FINANCIAL INSTRUMENTS

PBE IFRS9: Financial Instruments was issued on January 2017 replacing the existing standard PBE IPSAS 29 and NZ IAS 39, Financial Instruments: Recognition and Measurements. The standard is effective for periods beginning on or after 1 January 2021. The Classification Office does not intend to early adopt the amendment. The carrying amounts of financial assets and liabilities in each of the financial instruments categories are as follows:

|                              | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------|----------------|----------------|
| Financial Assets             |                |                |
| Cash and Equivalents         | 1,322          | 434            |
| Receivables                  | 102            | 76             |
| Total Financial Assets       | 1,424          | 510            |
| Financial Liabilities        |                |                |
| Creditors and other Payables | 103            | 132            |
| Total Financial Liabilities  | 103            | 132            |
| Total                        | 1,321          | 378            |

#### NOTE 10: RELATED PARTY INFORMATION

The Office of Film & Literature Classification 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 condition 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 2020.

#### NOTE 12: CAPITAL COMMITMENTS AND OPERATING LEASES

The Classification Office has a long-term leases on its premises in Wellington. The lease expired 31 January 2020 and was renewed for a further 3 years (and is subject to three-yearly reviews).

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

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Operating Lease Commitments                       |                |                |
| Not later than one year                           | 219            | 108            |
| Later than one year and not later than five years | 345            | 0              |
| Later than five years                             | 0              | 0              |
| Total Operating Lease Commitments                 | 564            | 108            |
| Capital Commitments                               | 0              | 0              |
| Total Commitments                                 | 564            | 108            |



**NOTE 13: CONTINGENCIES**

The Office of Film & Literature Classification has no known contingent liabilities or assets as at 30 June 2020 (2019:nil).

| NOTE 14: PERSONNEL COSTS                              | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Salaries and Wages                                    | 2,049          | 1,644          |
| Employer contributions to defined contributions plans | 48             | 37             |
| Increase/(decrease) in employee entitlements (Note 6) | 39             | 16             |
| <b>Total Personnel Costs</b>                          | <b>2,136</b>   | <b>1,697</b>   |

| NOTE 15: KEY MANAGEMENT & EMPLOYEE REMUNERATION    | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Salaries and Other                                 | 514            | 519            |
| Post-employment Benefit                            | 8              | 8              |
| <b>Total Key Management Personnel Compensation</b> | <b>522</b>     | <b>527</b>     |
| <b>Full time Equivalents</b>                       | <b>2*</b>      | <b>2</b>       |

The key management personnel and board members are the Chief Censor and Deputy Chief Censor.

\*The Deputy Chief Censor position was vacant as of 28 May 2020.

| <b>Employee Remuneration and Benefits</b> | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| \$120,000 – \$129,999                     | 2           | 1           |
| \$130,000 – \$139,999                     | 1           | 0           |
| \$220,000 – \$229,999                     | 1           | 0           |
| \$230,000 – \$239,999                     | 0           | 1           |
| \$290,000 – \$299,999                     | 1*          | 1*          |

\* Refers to the Chief Executive's remuneration.

**Employee Severance Payments**

During the year ended 30 June 2020 no employees (2019:0) received compensation in relation to cessation.

No Board members received compensation or other benefits in relation to cessation (2019:nil).

| NOTE 16: EQUITY                | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------|----------------|----------------|
| Equity                         |                |                |
| Balance at 1 July              | 651            | 979            |
| Capital Injection              | 600            | 0              |
| Surplus/(Deficit) for the year | 246            | (328)          |
| Balance at 30 June             | 1,497          | 651            |
| Revaluation Reserve            |                |                |
| Balance at 1 July              | 0              | 0              |
| Transfer to Taxpayers' Funds   | 0              | 0              |
| Balance at 30 June             | 0              | 0              |
| TOTAL EQUITY                   | 1,497          | 651            |

#### NOTE 17: SUBSEQUENT EVENTS

There are no significant events after balance date.

#### NOTE 18: EXPLANATION OF KEY VARIANCE

##### STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE Crown Revenue

(2019/20 compared to Budget)

The Classification Office received \$674K (20%) additional funding during 2019/20 as the result of a cabinet decision. The purpose of this funding is to support the Office's work related to countering violent extremism. Funding for out years was also provided.

2019/20 compared to 2018/19

The Office's baseline funding in 2019/20 was increased by \$765K. The purpose of this funding increase was primarily focused on addressing the Office's ongoing deficit position. This, coupled with the additional funding provided by cabinet to fund our work in countering violent extremism resulted in an increase in crown revenue of \$1,439K (42%).

##### Labelling Body Revenue

(2019/20 compared to Budget and 2018/19 Actual)

Labelling Body revenue is significantly less than the prior year (40%) and 2018/19 (68%). Labelling Body revenue is intrinsically tied to the volume and nature of commercial submissions. While there was a significant drop in commercial submissions due to COVID-19 restrictions, submissions were lower than forecast throughout the year. By way of example DVD volumes, which had been tracking at a 5-10% reduction per annum, dropped by 33% in 2019/20. Computer game volumes, which had been relatively stable also dropped by 32%.

Corresponding with this drop in volume other fee metrics were impacted such as urgencies fees which were 57% less than expected.

##### Interest Revenue

(2019/20 compared to Budget)

The Office earns interest on the investment of capital funds as well as any unspent portion of crown funding throughout the year. Due to ongoing deficits in prior years approximately \$940K in equity has been eroded, which in turn reduces funds available for investment. Therefore budgeted interest earnings have been reducing. However the Office received a capital injection of \$600K for the development of a Self-Rating tool and a wider framework to support the regulation of commercial video on-demand providers. These funds, coupled with the supplementary funds received to increase our capacity to respond to the demands associated with countering violent extremism, resulted in an additional \$9K in interested earnings.

##### Sundry Revenue

(2019/20 compared 2018/19 Actual)

During 2018/19 the Office received one -off funding of \$80K from ACC in support of Phase 1 of our New Zealand Youth & Porn research project.

##### Depreciation & Amortisation Expense / Loss on Sale of Assets

(2019/20 compared to Budget and 2018/19 Actual)

Depreciation and Amortisation expense was \$48K (17%) less than budget and \$25K (11%) than 2018/19. This variations is due to the disposal of a prototype of an online ratings tool which was developing in 2017/18 and 2018/19. This

prototype was replaced with a production ready tool in 2019/20. Expenditure on this intangible asset was \$56K, with impairment losses of \$14K.

#### Personnel Costs

(2019/20 compared to 2018/19 Actual)

Personnel expenditure increased in comparison to 2018/19 by 21%. This is due to meeting the additional staffing demands associated with developing and implementing the self rating framework and establishing the CVE team, which were separately funded. In addition, four additional staff were recruited to support Classification and Information activities

Impact of COVID-19 on Personnel Expenses: There was no notable change in staff expenses or annual leave liability as a result of COVID-19.

#### Other Operating Costs

(2019/20 compared to 2018/19 Actual)

Other operating expenditure increased in comparison to 2018/19 by 21%. Expenditure increased in a range of areas including resourcing policy, communication and classification activity related to legislative change.

During 2018/19, the Office faced significant financial uncertainty and ongoing deficits. In order to constrain expenditure public engagement activity was restrained to a bare minimum. During 2019/20 these activities were reactivated including the initiation of an upgrade project of the Classification Office's website and the development of a range of educational resources which support parents to engage with young people, critical thinking and explain the classifications process

In addition, the Office's risk profile has changed as a result of its engagement with high profile violent extremist material. The Office has increased expenditure on improved IT and physical security.

Impact of COVID-19 on Operating Expenses: There was no notable change in operating expenses due to COVID-19.

#### STATEMENT OF CHANGES IN EQUITY

##### Capital Contribution

The Office received a one-off capital injection of \$600K for the development of a self-rating framework established by the Films, Videos and Publications Classification (Commercial Video on-Demand) Amendment Act 2020.

#### NOTE 19: IMPACT OF COVID-19

As a consequence of the COVID-19 global pandemic, in late March 2020 the New Zealand Government declared a State of National Emergency. This resulted in New Zealand entering an initial 4-week period of Alert Level 4 (full lockdown of non-essential services). Restrictions were then gradually relaxed and from early June 2020 New Zealand moved to Alert Level 1. At Alert Level 1 there are no significant restrictions within New Zealand however there continue to be significant border controls severely limiting access to New Zealand.

We have assessed the impact of the pandemic on the Classification Office. We have also reviewed our financial statements on a line by line basis and may any adjustments necessary 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 were temporary reductions in the volume of submissions and the number of complaints and inquiries, 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 AND 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. 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 active in the workplace, as well as management and staff participation on a health and safety committee.

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

Additionally, the COVID-19 lockdown and ongoing impacts of the pandemic this year has 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 on supporting staff who handle and view classification material that may be harmful or distressing.

We also encourage staff to pursue interests outside of work and assist them in developing skills and experience to enable them to pursue other careers in the future. The Office and the Public Service Association (PSA) work together to monitor how staff are being affected by objectionable material, including tracking the frequency and severity of exposure and the changing balance of Crown and commercial work.

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

### Staffing

As a relatively small organisation, maintaining capability can be a challenge and changes in a small number of positions can have wide-ranging impacts on the organisation. The Deputy Chief Censor position is currently vacant. This role is responsible for the management of the Classification Unit.

Following a significant organisational change and restructure programme in 2017/18 the Office is well-equipped, agile and on a more sustainable track than the one we were on previously.

As at 30 June 2020 the Office had 25 staff (22 full time equivalents). The small size of the Office creates challenges around maintaining corporate knowledge, representation, and segregation of duties. The classification function is now more closely aligned with the Office's information and public engagement activities. This has the benefit of maintaining capacity and flexibility within the Classification team, building capability for the delivery of Information services as well as providing a healthy work balance for staff. During the year we also used casual and contract staff to bridge gaps in resourcing.

A 3-year collective agreement is in place between the Office and the PSA and was due to be renegotiated in September 2019. Bargaining has been initiated however negotiations were delayed and are scheduled for early 2020/21.

## 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, and consults with staff on a regular basis. This assists us to monitor our performance as a good employer and to maintain a good understanding of our staff make up and some of the challenges our staff face.

### Gender Profile

A workplace profile survey is conducted each year. Our most recent survey in shows that:

- 63% 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), 60% are women and 40% men.
- 84% of managers are women, and 17% are men.

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

### Caregiver Profile

Approximately 50% of our staff have caregiver responsibilities of some kind. This includes 40% of staff who have childcare responsibilities and 10% who care for both children and other dependants. We provide flexible working options to accommodate and support this. Twenty percent of our staff work less than full-time hours.

### Ethnicity

Of those surveyed 65% of our staff identify as NZ European/Pakeha, 8% identify as Māori and Asian, 4% identify as Pasifika and 15% identify as other ethnicities.

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.

## Age & Disability

Current employee ages range from mid-20s to late 60s, and the average age is 49. 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. Forty four percent of staff are aged 50+ and only 12% are under 30.

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

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

The average length of service is 7.3 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 constant improvement on good employer issues.

## Key Good Employer Elements

### Leadership, Accountability & Culture

The Chief Executive (who is the Chief Censor) communicates his goals for the Classification Office and expectations of staff through meetings, managers and written communication. Minutes from the weekly management team meetings are circulated to all staff and weekly staff meetings are held to inform the team about the wider activities of the Office. The Chief Censor has an 'open door' policy and seeks staff feedback. Two of the key attributes in the performance development system are 'commitment to open communication through sharing information, ideas and knowledge with others' and 'teamwork and co-operation', which encourage staff to acknowledge the contribution, help or assistance of other team members.

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

### Recruitment, Selection & Induction

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

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

### Employee development, promotion & exit

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

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

**Employee development, promotion & exit (continued)**

vacancies are made available to internal applicants and internal transfers are considered. On occasion, employees have been able to undertake secondments to other agencies.

**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 by the Office go beyond the statutory flexible working arrangements set out under the Employment Relations Act 2000.

Flexible work options available to our staff include:

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

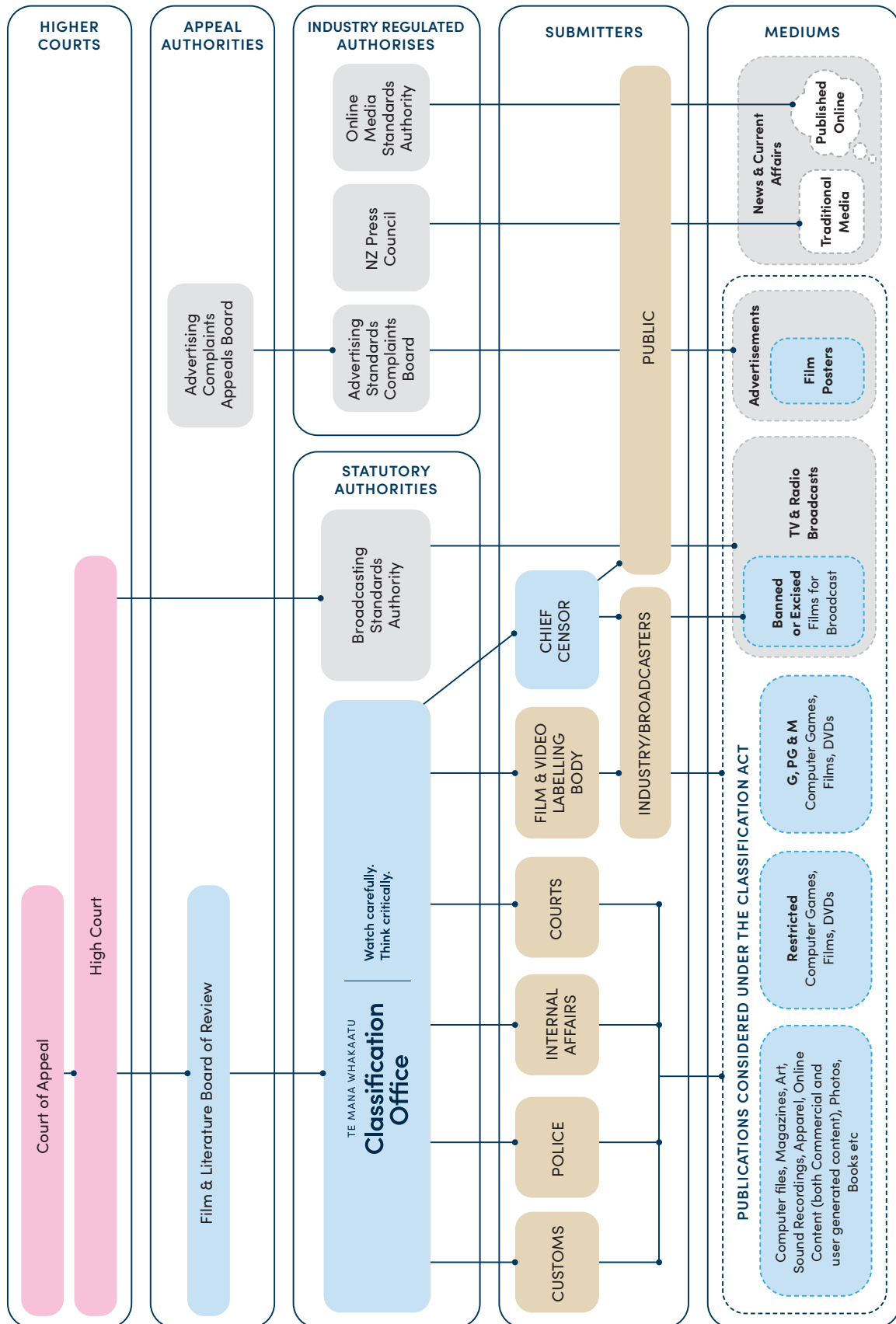
The Office recognises the right of every employee to enjoy a workplace free of harassment, bullying and unlawful discrimination, and works to promote such an environment. All staff and managers have been trained on their rights and responsibilities, and maintaining awareness of this issue is an ongoing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

**Safe & Healthy Environment**

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 an up-to-date Harassment and Bullying policy, which includes a complaints procedure.



Figure 5: Regulatory environment





TE MANA WHAKAATU  
**Classification  
Office**

**Watch carefully.  
Think critically.**