



Accreditation Council

Statement of Performance Expectations
Delivering a Safer World



FOR THE YEAR ENDED
30 JUNE 2019

IANZ
INTERNATIONAL ACCREDITATION NZ

Telarc.
The Mark of Success





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Chair and Chief Executive's Foreword

Introduction

The purpose of this Statement of Performance Expectations (SPE) is to:

- Enable the responsible Minister to participate in setting the annual performance expectations of the Crown entity;
- Inform Parliament of those expectations; and
- Provide a base against which actual performance can be assessed.

The SPE sets out the programme of work for the Accreditation Council during the 2018/19 financial year and associated measures to assess operational performance.

Current year and background

Over the last year, the Accreditation Council has focussed on prudent fiscal management.

It has worked to improve the wellbeing and living standards of New Zealanders through the services provided by both IANZ and Telarc. Core activities include accreditation of:

- Medical laboratories in all centres;
- Drinking water laboratories and regional inspectors; and
- Building consent authorities.

The Council has also worked to promote the benefits of accreditation and carry out certification.

IANZ works with regulators to inform policy and help them achieve their regulatory outcomes. It also works with the Ministry of Business Innovation and Employment (MBIE) to help increase international regulatory cooperation and reduce technical barriers to trade, with the ultimate aim of increasing export revenues.

IANZ accreditation provides independent recognition of competence for laboratories, inspection bodies, radiology practices, and other technical services. Accreditation covers:

- Staff competence;
- Scientific validation of methods;
- Proper equipment calibration;
- Internal and external quality controls; and
- Effective systems and procedures.

Telarc provides management systems certification to businesses, covering:

- Environment;
- Health and safety;
- Quality; and
- Food safety.

The New Zealand Quality College (NZQC) supports both entities by providing short specialist courses essential for attaining IANZ accreditation and for certification to ISO 9001, ISO 14001 and other international standards.

The year ahead

In the coming year the Council will continue to work towards protecting the health and living standards of all New Zealanders taking into account Government's key strategies and goals. The Council will work to increase understanding of the value of accreditation and certification amongst regulators and other key stakeholders.

The measures and targets set out in this document provide a performance framework for the Accreditation Council's internal and external monitoring, assessment and accountability.

The Council remains financially sound with a budgeted net profit after tax of \$1.2 million and reserves to ensure it remains a viable going concern. For the first time, Telarc will pay income tax and is budgeted to contribute \$1 million after tax to the Accreditation Council's budgeted surplus.

The 2018/9 budget pre-tax result of \$1.59 million compares with a forecast of \$1.63 million for the 2017/18 year.



Paul Connell
Chair



Dr Llewellyn Richards
Chief Executive Officer



Board Statement

This SPE reflects proposed performance targets and forecast financial statements for the period 1 July 2018 to 30 June 2019. It is produced in accordance with the requirements of section 149E of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the Accreditation Council in accordance with its role under the Crown Entities Act 2004.



Paul Connell
Chair



Lindsey Lawton
Chair of Audit & Risk Committee
and Council Member





Accreditation Council's Background

The Accreditation Council (Council) is responsible to the Minister of Commerce and Consumer Affairs and is an autonomous, non-funded Crown Entity under the Crown Entities Act 2004 (CEA). The Council was established under the Testing Laboratory Registration Act 1972 and now operates under the Standards and Accreditation Act 2015. Through a comprehensive review process, the Council ensures the content of the SPE complies with the CEA (section 149 E).

As a signatory to the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangement (MRA), the Council, trading as International Accreditation New Zealand (IANZ), is the national authority for accrediting laboratories, inspection bodies and radiology services. This accreditation formally recognises compliance with ILAC's world-recognised standards. IANZ is New Zealand's designating authority under a number of government to government agreements, including those with the EU, Singapore, China and the USA. It is also the designating authority under the New Zealand-Taiwan arrangement.

The Council's certification function is performed by Telarc Limited (Telarc), a Crown Entity subsidiary in accordance with the Crown Entities Act 2004, with its own Board of Directors, Chief Executive and staff. This separation is a requirement of the international standard for accreditation bodies, ISO/IEC 17011. Telarc certificates are globally accepted through its JAS-ANZ accreditation, being a signatory to the International Accreditation Forum Multilateral Recognition Arrangement (IAF MLA). Telarc certifies businesses for compliance with a range of standards relating to quality, environment, food safety and health and safety.

The New Zealand Quality College (NZQC) offers short specialist courses covering all aspects of technical competence and good management practice essential for attaining IANZ accreditation, as well as for certification to ISO 9001 and ISO 14001 and related international standards. In addition, training in auditing skills is provided to IANZ accredited or other certified organisations.





Statement of Forecast Service Performance 2019

Government's Economic Strategy goal:

Improve the well-being and living standards of New Zealanders through sustainable and inclusive growth.

Government's Commerce and Consumer Affairs priority:

Continue to play an important role in supporting a more productive and inclusive business environment that delivers for all New Zealanders.





Council Output 1

Assist the Crown in achieving its goals and priorities through public safety related accreditation by:

- Maintaining and delivering existing relevant accreditations to international standards; and
- When feasible, developing and delivering new accreditations that will, in its opinion, best promote the Crown's goals and priorities, with particular consideration given to laboratory testing together with the occupational health and safety and environmental sustainability sectors.

1.1 IANZ will continue to develop the scope of its public safety related accreditation functions relating to the following sectors:

- Food/Water (185 accreditations as at 31 March 2018), including:
 - Drinking water treatment inspection bodies.
 - Food Safety inspection.
 - Drinking water treatment laboratories.
 - Wine testing laboratories.
 - All export animal testing laboratories.
- Health (127 accreditations as at 31 March 2018), including:
 - Medical testing.
 - Radiology services.
 - Point of Care testing.

- Environment (74 accreditations as at 31 March 2018), including:
 - Air quality (OH&S).
 - Industrial emissions discharge testing.
 - Wastewater discharge testing.
 - Radioactivity monitoring.
 - Biosecurity testing laboratories.
 - Biosecurity verification (inspection) agencies.
- Construction (141 accreditations as at 31 March 2018); including
 - Building Consent Authority accreditation (BCA).
 - Civil and Building materials testing.
 - Building systems inspection (eg fire alarms/sprinklers).

IANZ will continue to develop the quality and scope of these standards. Specific measurements are outlined later in this document.

1.2 Telarc's plans in relation to public safety related functions will include:

Health and safety certification

- Continue to certify enterprises against ISO 18001 and ANZS 4801;
- Develop competency to certify against the new international standard ISO 45001;
- Promote the value and benefits of adopting the new standard to business and their workers;
- Sponsor the adoption of ISO 45001 as a New Zealand standard (NZS45001) for the benefit of all NZ business;
- Work with customers to achieve certification under ISO 45001; and
- Increase the number of health and safety certifications.

Health and safety programmes

- Work with industry groups and individual customers to develop health and safety programmes for stakeholders where formal ISO certification is not appropriate; and
- Develop and communicate an unaccredited H&S programme for SME business in NZ that incorporates the core elements of the HSWA 2015 and ISO 45001.

Food safety

- Provide certification against international, domestic and corporate food safety programmes; and
- Grow food safety activity by 5%.

Environmental programmes

- Certify enterprises against standard ISO 14001; and
- Work with Standards NZ to identify opportunities to sponsor internationally recognised standards that have a transferable value to NZ national or regional Environmental service providers.

Forestry management

- Continue to support, and grow, Chain of Custody (PEFC - Programme for the Endorsement of Forest Certification and FSC - Forestry Stewards Council) standards utilisation to ensure sustainable management of forests and their by-products.

Measurement: Public safety programme activity is measured by a financial growth target of 10% across all activities.

Council Output 2

Assist the Crown in achieving its goals and priorities by delivering business and trade related accreditation and certification that will in its opinion best support a more productive and inclusive business environment that delivers for all New Zealanders.

IANZ Accreditation

2.1 Ensure IANZ Accreditation is an efficient and robust solution for regulators and a global business solution for industry.

Measured by qualitative and quantitative evaluation research, surveyed feedback from industry users, and the number of programmes where regulators use accreditation.

2.2 Facilitate NZ exports by reducing/removing technical barriers to trade by:

- Working with the Ministry for Primary Industries (MPI) and the agricultural sector.
- Providing accreditation that ensures dairy testing, meat testing and testing of other animal products meet new Overseas Market Access Requirements.
- Ensuring global acceptance of test reports from IANZ accredited organisations.
- Using the global accreditation networks to reduce technical barriers to trade.

Measurement will be by:

- Test reports from IANZ accredited organisations are accepted by accreditation authorities in more than 105 countries;
- Signatory status to the ILAC Mutual Recognition Arrangement (MRA) is maintained;
- At least one new activity to facilitate international trade is established.

2.3 Maintain and enhance our global links through the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and ILAC.

Measured by: maintaining representation on key international committees.

2.4 Engage on a bi-annual basis with regulators (MBIE, MOH, and MPI) to provide accreditation to support domestic and international commerce.

Telarc Certification

2.5 Telarc contributes to the Government strategy of a more productive and inclusive business environment, through its quality, health and safety, food safety and environmental audit and certification products. These contributions are outlined below.

- Quality systems assist business ensure consistency and meet standards required by customers and support continuous improvement.
- Food safety certification ensures that businesses meet domestic and international food safety standards and remain viable.
- Health and safety systems help keep workers safe and well, which contributes to business sustainability.
- Environmental programmes help business meet social, regulatory and customer expectations and reduce costs.

2.6 Telarc's plans to continue and develop these programmes include:

- Develop Non-ISO programmes that are right sized for small business creating an inclusive product set.
- Remain internationally credible through accreditation by JAS-ANZ, an IAF MLA signatory.
- Train auditors to provide services relating to ethical auditing utilising the Sedex (Supplier Ethical Data Exchange/SMETA (Sedex Members Ethical Trade Audit) internationally recognised standard.

Council Output 3

Maintain financial sustainability without recourse to the Crown by responsibly managing Council's finances and activities measured against the annual plan.

3.1 Financial

- Achieve a budgeted result which balances cost effective operations, globally competitive charges, strategic investment and financial sustainability resulting in:
 - Consolidated revenue for the year to 30 June 2019 of \$17.7 million (forecast 30 June 2018, \$17.2 million); and
 - A consolidated financial surplus after tax for Council of \$1.2 million.
- Maintain reserves to ensure the Council is a viable going concern.

3.2 IANZ Accreditation

- Deliver accreditation at globally competitive prices to 920 entities, including:
 - 738 laboratories, inspection bodies and other providers;
 - 162 other scheduled assessments of competence on behalf of regulators, all at internationally competitive prices.
- Identify key outcomes from 2019 market research, to improve service delivery and take action to increase the value of both accreditation and certification services.

- Deliver improved reporting to assist clients to utilise the benefits of accreditation and certification.
- Monitor organisational performance in line with the Council's long term Strategic Plan.

3.3 Telarc Certification

- Maintain market share of over 50% of JAS-ANZ registered certificates in New Zealand.
- Provide certification to 1100 organisations on the JAS-ANZ register.
- Grow Food Safety activity by 5% year on year.
- Grow Health and safety accreditation activity by 10%.
- Survey clients to ensure service delivery is well targeted, and continue improving its understanding and the value of certification services for all of its customer base.
- Invest further in Information Technology to improve business processes including reporting.
- Leverage technology efficiencies where possible when evaluating and/or developing new programmes.

3.4 NZQC Training

- Provide ongoing training for all accreditation and certification clients to assist in the achievement of their accreditation and certification goal.
- Deliver 1,700 NZQC training days.

Council Output 4

Improve the performance of the Council and relevance to New Zealand.

- 4.1 Improve reporting to assist clients to utilise the benefits of accreditation and certification.
- 4.2 Provide training and support for Council staff in:
 - ISO/IEC 17011:2017: General requirements for accreditation bodies accrediting conformity assessment bodies; and
 - ISO/IEC 17025:2017: General requirements for the competence of testing and calibration laboratories.
- 4.3 Prioritise communication to regulators about ways in which Council's core activities and capabilities may assist the Crown in achieving its goals and priorities.
- 4.4 Prioritise communication to businesses about benefits of internationally recognised accreditation, prioritising sectors in which this may assist the Crown in achieving its goals and priorities.
- 4.5 Prioritise communication to businesses and consumers about existence of fraudulent certification and access to Council mechanisms for detection and prevention, prioritising sectors in which this may assist the Crown in achieving its goals and priorities.
- 4.6 Revise the Council's Strategic Plan and Statement of Intent in line with Government's goals and priorities.

Consolidated Targets F2019

CONSOLIDATED SURPLUS OF \$1.2 MIL (AFTER TAX)

| F2017 | F2018 | F2019 |
|---------|---------|---------|
| ACT | FCST | TARGET |
| \$000's | \$000's | \$000's |
| 1,380 | 1,628 | 1,196 |

IANZ ACCREDITATION RECOGNISED BY NATIONAL ACCREDITATION AUTHORITIES IN 105 COUNTRIES

| F2017 | F2018 | F2019 |
|-------|-------|--------|
| ACT | FCST | TARGET |
| 99 | 100 | 105 |

DELIVER 920 ACCREDITATIONS

| F2017 | F2018 | F2019 |
|-------|-------|--------|
| ACT | FCST | TARGET |
| 891 | 900 | 920 |

**DELIVER 1,100 TELARC CERTIFIED ORGANISATIONS
ON THE JAS-ANZ REGISTER**

| F2017 | F2018 | F2019 |
|--------------|--------------|---------------|
| ACT | FCST | TARGET |
| 1,081 | 1,070 | 1,100 |

INCREASE TELARC FOOD SAFETY REVENUE 5% YEAR ON YEAR

| F2017 | F2018 | F2019 |
|--------------|--------------|---------------|
| ACT | FCST | TARGET |
| \$000's | \$000's | \$000's |
| 1,321 | 1,597 | 1,677 |

DELIVER 1,700 NZQC TRAINING DAYS

| F2017 | F2018 | F2019 |
|--------------|--------------|---------------|
| ACT | FCST | TARGET |
| 1,992 | 1,700 | 1,700 |

**MAINTAIN MARKET SHARE OF CERTIFIED MANAGEMENT
SYSTEMS AT OVER 50% IN NEW ZEALAND**

| F2017 | F2018 | F2019 |
|--------------|--------------|---------------|
| ACT | FCST | TARGET |
| 56% | 54% | 54% |

Financial Statements

Statement of Forecast Comprehensive Revenue and Expense

For the year ended 30 June

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|--|-------------------|---------------------|-------------------|
| IANZ Accreditation Services | | | |
| Revenue | 6,593,197 | 7,339,455 | 7,536,244 |
| Less depreciation and amortisation expense | 197,444 | 159,542 | 142,943 |
| Other expenses | 6,452,719 | 6,941,149 | 7,505,817 |
| Net Surplus / (Deficit) | (56,966) | 238,764 | (112,516) |
| Training and Other Services | | | |
| Revenue | 746,760 | 725,995 | 767,256 |
| Less Expenses | 778,114 | 798,594 | 691,696 |
| Net Surplus / (Deficit) | (31,354) | (72,599) | 75,561 |
| International Recognition Services | | | |
| Revenue | 483,868 | 513,423 | 528,803 |
| Less Expenses | 373,008 | 385,167 | 378,000 |
| Net Surplus / (Deficit) | 110,860 | 128,255 | 150,803 |
| Total IANZ | | | |
| Revenue | 7,823,825 | 8,578,872 | 8,832,304 |
| Less Depreciation and amortisation expense | 197,444 | 159,542 | 142,943 |
| Other expenses | 7,603,841 | 8,124,910 | 8,575,513 |
| Net Surplus / (Deficit) | 22,540 | 294,421 | 113,847 |

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|---|-------------------|---------------------|-------------------|
| Telarc Limited Certification Services | | | |
| Revenue | 8,666,663 | 8,650,590 | 8,918,985 |
| Less depreciation and amortisation expense | 69,196 | 107,403 | 219,087 |
| Finance cost | 14,702 | 8,000 | 0 |
| Taxation expense | 0 | 0 | 393,592 |
| Other expense | 7,298,409 | 7,278,334 | 7,311,721 |
| Net Surplus / (Deficit) | 1,284,356 | 1,256,853 | 994,586 |
| Consolidated | | | |
| Revenue | 16,490,488 | 17,229,463 | 17,751,289 |
| Less depreciation and amortisation expense | 266,640 | 266,945 | 362,030 |
| Finance cost | 14,702 | 8,000 | 0 |
| Taxation expense | 0 | 0 | 393,592 |
| Other expense | 14,902,250 | 15,403,244 | 15,887,234 |
| Total Net Surplus / (Deficit) | 1,306,896 | 1,551,274 | 1,108,434 |
| <u>Other income</u> | | | |
| IANZ Interest | 56,925 | 59,295 | 70,000 |
| Telarc Interest | 7,425 | 17,509 | 17,507 |
| IANZ - Net gain on sale of property, plant and equipment | 8,989 | | |
| Telarc - Net gain on sale of property, plant and equipment/Earn Out | 723 | | |
| Total Other Income | 74,062 | 76,804 | 87,507 |
| Total Comprehensive Revenue and Expense for the Year | 1,380,958 | 1,628,078 | 1,195,941 |
| Surplus attributable to non-controlling interest | 323,126 | 0 | 0 |
| Accreditation Council | 1,057,832 | 1,628,078 | 1,195,941 |

Statement of Forecast Changes in Equity

For the year ended 30 June

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|---|-------------------|---------------------|-------------------|
| Balance at 1 July | 7,422,322 | 7,155,886 | 8,783,964 |
| Total comprehensive revenue and expense for the year | 1,380,958 | 1,628,078 | 1,195,941 |
| Less non-controlling interest share of dividend declared | (150,000) | 0 | 0 |
| Balance at 30 June | 8,653,280 | 8,783,964 | 9,979,905 |

Statement of Forecast Financial Position

As at 30 June

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|---|-------------------|---------------------|-------------------|
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Opening General Funds | | | |
| <u>IANZ Shareholders</u> | | | |
| Opening Balance | 6,664,166 | 8,653,280 | 8,783,964 |
| Surplus / (Deficit) attributable to IANZ shareholders | 1,057,832 | 1,628,078 | 1,195,941 |
| Accumulated Surplus / (Deficit) | 7,721,998 | 10,281,358 | 9,979,905 |
| Telarc Limited purchase | | (1,497,394) | |
| Non-controlling interest | | | |
| Opening Balance | 758,156 | 0 | 0 |
| Minority share of surplus | 323,126 | 0 | 0 |
| Dividend paid | (150,000) | 0 | 0 |
| Accumulated Surplus / (Deficit) | 931,282 | 0 | 0 |
| Total Equity | 8,653,280 | 8,783,964 | 9,979,905 |

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|--------------------------------------|-------------------|---------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5,161,636 | 2,745,126 | 2,879,331 |
| Investment | 1,000,000 | 1,600,000 | 3,000,000 |
| Trade and other Receivables | 3,430,880 | 3,016,640 | 3,328,885 |
| Other assets: prepayments | 217,691 | 210,921 | 215,000 |
| Total Current Assets | 9,810,207 | 7,572,687 | 9,423,216 |
| Non Current Assets | | | |
| Property Plant and Equipment | 233,395 | 208,934 | 293,397 |
| Goodwill | 2,500,000 | 3,322,607 | 3,322,607 |
| Intangible Assets | 287,368 | 318,495 | 417,991 |
| Total Non Current Assets | 3,020,763 | 3,850,036 | 4,033,995 |
| Total Assets | 12,830,970 | 11,422,723 | 13,457,211 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 2,963,623 | 2,078,572 | 2,446,630 |
| Dividend payable to SAI Global | 150,000 | 0 | 0 |
| Provision for Taxation | 0 | 0 | 393,592 |
| Provision for Employee Entitlements | 664,067 | 560,187 | 637,084 |
| Total Current Liabilities | 3,777,690 | 2,638,759 | 3,477,306 |
| Non Current Liabilities | | | |
| Borrowings | 400,000 | 0 | 0 |
| Total Non Current Liabilities | 400,000 | 0 | 0 |
| Total Liabilities | 4,177,690 | 2,638,759 | 3,477,306 |
| Net Assets | 8,653,280 | 8,783,964 | 9,979,905 |

Statement of Forecast Cashflows

For the year ended 30 June

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|---|-------------------|---------------------|-------------------|
| Cash Flows From Operating Activities | | | |
| Cash was provided from: | | | |
| Revenues from services provided | 16,074,089 | 16,794,299 | 17,218,199 |
| Interest received | 103,871 | 76,804 | 87,507 |
| | 16,177,960 | 16,871,103 | 17,305,706 |
| Cash was applied to: | | | |
| Payments to Suppliers | 6,591,465 | 8,402,980 | 7,891,719 |
| Payments to Employees | 8,173,872 | 8,285,965 | 8,774,981 |
| Interest Paid | 14,702 | 17,000 | 0 |
| Net Goods and Services Tax | (9,237) | 91,684 | (41,764) |
| | 14,770,803 | 16,797,629 | 16,624,936 |
| Net Cash Flows From Operating Activities | 1,407,157 | 73,474 | 680,770 |
| Cash Flows From Investing Activities | | | |
| Cash was provided from: | | | |
| Proceeds from sale Property Plant & Equipment | 10,378 | 0 | 0 |
| Sale of Investment | 2,200,000 | 0 | 0 |
| | 2,210,378 | 0 | 0 |
| Cash was applied to: | | | |
| Purchase of Property, Plant & Equipment | 66,739 | 113,409 | 204,065 |
| Purchase of Investment in subsidiary | 0 | 1,870,000 | 0 |
| Purchase of Intangible assets (computer software) | 200,642 | 306,575 | 342,500 |
| | 267,381 | 2,289,984 | 546,565 |
| Net Cash Flows From Investing Activities | 1,942,997 | (2,289,984) | (546,565) |

| | 2017 ACTUAL \$ | 2018 FORECAST \$ | 2019 BUDGET \$ |
|---|-------------------|---------------------|-------------------|
| Cash Flows from Financing Activities | | | |
| Dividend to non-controlling interest | (100,000) | 0 | 0 |
| Repayment of loan | 0 | (200,000) | 0 |
| Net Cash Flows From Financing Activities | (100,000) | (200,000) | 0 |
| Net increase (Decrease) in Cash Held | 3,250,154 | (2,416,510) | 134,205 |
| Cash and cash equivalents at beginning of the year | 1,911,482 | 5,161,636 | 2,745,126 |
| Cash and cash equivalents at end of the year | 5,161,636 | 2,745,126 | 2,879,331 |

Appendix 1

Statement of Significant Accounting Policies

Accreditation Council

The Accreditation Council (Council) is a public benefit entity (PBE) for financial reporting purposes. The Council trades under the name International Accreditation New Zealand (IANZ), and owns its Crown Entity subsidiary, Telarc which performs its certification function. Key accounting policies adopted by the Council include:

1. STATEMENT OF COMPLIANCE

The financial statements of the Council have been prepared in accordance with the Crown Entities Act 2004, and in accordance with New Zealand International Financial Reporting Standards.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards because expenses are greater than \$2m and less than \$30m and the Council is not publicly accountable.

2. PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are in dollars (\$'s).

3. BASIS OF CONSOLIDATION – PURCHASE METHOD

The consolidated financial statements include the parent Council and its subsidiary.

4. REVENUE

The Council's revenue is regarded as exchange transactions and derived through the provision of outputs to the Crown, services to third parties and income from its investments. Such revenue is recognised when earned and reported in the relevant financial period.

5. BORROWING COSTS

Borrowing costs are recognised as an expense in the financial year to which the charge relate.

6. GOODS AND SERVICES TAX

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated with GST included. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

7. TAXATION

The Council is exempt from income tax in accordance with section 39, Standards and Accreditation Act 2015. The Council's Crown Entity subsidiary, Telarc Limited through its association with the Council, and functions it performs in relation to the Act, has been treated as exempt from income tax. However, the Council, has been informed that the IRD has recently changed its interpretation of the tax status of some Crown Entity subsidiaries, particularly subsidiaries of Autonomous and Independent Crown Entities. Consequently, the Council has been informed that the IRD has ruled that Telarc is not a public authority for income tax purposes. Tax will be payable on income earned by Telarc from 1st July 2018.

8. TRADE AND OTHER RECEIVABLES

Trade, WIP and other receivables are stated at their expected realisable value after providing for impairment, doubtful and uncollectable debts. WIP represents work performed for which clients have not been invoiced and is stated at expected realisable value.

9. INVESTMENT IN SUBSIDIARY TELARC

The Investment in subsidiary is carried at the lower of cost or fair value. Each year Council ensures that fair value is equal to or greater than the holding value.

10. INVESTMENTS: SHORT-TERM DEPOSITS

Short-term deposits are stated at the lower of cost and net realisable value, with any decreases recognised in the statement of comprehensive revenue and expense. Such deposits are classified as maturing less than 365 days from balance date.

11. PROPERTY, PLANT AND EQUIPMENT

All property plant and equipment is recorded at historical cost less accumulated depreciation and impaired losses.

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 Council and the cost of the item can be measured reliably.

Work in progress is measured at cost less impairment and is not depreciated.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported as net in the statement of income and expenditure.

SUBSEQUENT COSTS

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

12. DEPRECIATION

Property, plant and equipment are depreciated at rates that will write off the cost less residual value over the assets useful lives. The useful lives and associated depreciation rates of major classes of assets used in the preparation of these statements are reviewed annually as follows:

| | |
|--|---------------------------------------|
| Computer hardware: | 3-5 years 20%-33% straight line |
| Leasehold improvements: | 6 years (max) 16.67% straight line |
| Office furniture and equipment: | 5-10 years 10%-20% straight line |
| Motor vehicles: | 5 years 20% straight line |

13. INTANGIBLE ASSETS

Computer software and client lists purchased are recorded at historical cost less amortisation.

Costs directly associated with the development of accreditation programmes and training courses are recognised as an intangible asset, to the extent that such costs are expected to be recovered. Development costs primarily consist of employee costs and, if directly attributable to the design of programmes and courses, are classified as an intangible asset if the following can all be demonstrated:

- It is technically feasible to complete the course or programme for future use;
- Management intends to complete the course or programme;
- The course or programme is able to be used;
- The generation of probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete development and to use the course or programme; and
- Expenditure attributable during development can be reliably measured.

Any cost failing to meet the above criteria is classified as an expense incurred in the surplus or deficit. Once recognised as an expense, development costs cannot be subsequently classified as an asset.

14. AMORTISATION

Computer software and capitalised course and programme development costs are amortised at rates that will write off the cost less any residual value on a straight line basis over the estimated useful life of the asset. The useful lives and associated amortisation rates used in preparation of these statements are reviewed annually as follows:

Computer software: 3–5 years
20%–33% straight line

Capitalised course and programme development costs: 3–5 years
20%–33% straight line

Client lists purchased are amortised over their expected useful lives.

The useful life of capitalized programmes is determined on completion of each project.

15. GOODWILL

Goodwill represents the difference between the consideration paid and the identifiable assets when a subsidiary is acquired. Council assesses goodwill for impairment annually by comparing the holding cost with fair value.

16. EMPLOYEE ENTITLEMENTS

The Council provides for the group's liability for annual leave and retirement leave, calculated on an actual entitlement basis at current rates of pay.

Employees who have completed 20 years of continuous service may be granted once-only, long-service leave of four weeks. Provision has been made for any future liability, calculated on an actuarial basis.

17. LEASES

Where the lessor effectively retains substantially all the risks and benefits of ownership, leased items are classified as operating leases. Payments under such leases are recognised as expenses in the periods in which incurred.

18. FINANCIAL INSTRUMENTS

The Council and group are party to financial instruments as part of normal operations, including bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position, with all associated revenues and expenses included in the statement of comprehensive revenue and expense.

Apart from items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

19. CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies.

20. EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity comprises general funds only.

21. KEY ASSUMPTIONS USED IN THE PREPARATION OF FINANCIAL FORECASTS

In preparing these financial forecasts, the Council has assumed financial performance is in line with the targets in the statement of forecast service performance.

The Council has assumed there are no significant changes in the regulatory environment in which it generates revenues.

Cost and revenue increases are in line with expected CPI movement.

The prospective financial statements were authorised for issue on 20 March 2018 by the Council. The Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other disclosures. It is not intended to update the prospective financial statements subsequent to presentation.

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