

# Statement of Performance Expectations 2014/15



# NZQA

NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

*The New Zealand Qualifications Authority (NZQA) ensures that New Zealand qualifications are valued as credible and robust, both nationally and internationally.*

*Te manu ka kai i te miro, nō na te ngahere.  
Te manu ka kai i te mātauranga, nō na te ao.*

*The bird that partakes of the berry, his is the forest.  
The bird that partakes of knowledge, his is the world.*

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# Statement of Performance Expectations 2014/15

These measures enable the public, Ministers, Parliament and external monitoring agencies to track NZQA's progress against the commitments made in its 2014/15–17/18 Statement of Intent ([www.nzqa.govt.nz](http://www.nzqa.govt.nz)). Together these documents describe the impact NZQA is seeking to achieve, the key initiatives it has underway, the deliverables it will produce and the indicators it will use to measure its performance.

NZQA does this in order to ensure that New Zealand qualifications are valued as credible and robust, both nationally and internationally.

NZQA has the following output classes funded by the Government through Vote Education:

**Output class 1: Provision of information and advisory services:** This includes community consultation and communication and ministerial support.

**Output class 2: Quality assurance:** This includes the delivery of quality assurance processes, the management of risk in the tertiary sector (non-university) and the Administration of the Code of Practice for the Pastoral Care of International Students.

**Output class 3: Qualifications support structures:** This includes the development and maintenance of the New Zealand Qualifications Framework and ensuring the credibility of standards and qualifications, overseas qualifications assessment and recognition and international liaison.

**Output class 4: Secondary school assessments:** This includes secondary school external and internal assessments, New Zealand Scholarship examinations and secondary school assessment communications.

The following pages describe the aims we are seeking to achieve in the delivery of our outputs and how our performance is measured. These measures have been updated to reflect changes in the New Zealand qualifications system and the quality assurance of tertiary education organisations (non-university). These measures enable the public to monitor the aspects of our core functions that best indicate our performance in delivering excellent services to the Government and our clients.

Ministerial sign-off

Signed by:

**Hon Hekia Parata**

Minister of Education

New Zealand Qualifications Authority sign-off

Signed by:

**Sue Suckling**

Board Chair

New Zealand Qualifications Authority

**Karen Poutasi**

Chief Executive

New Zealand Qualifications Authority

# Output Class 1

## Output I: Provision of Information and Advisory Services

### Scope of appropriation

This appropriation is limited to providing information on government education policy and programmes, general information, advisory programmes, and services to the public, community groups, industry and the education community.

### Purpose of appropriation

People need quality, timely and relevant information to make good decisions. These performance measures provide NZQA with an indication of how well learners, their whānau, schools, education providers and Government are supported in their decision-making. The number of responses and submissions provided to Ministers can vary significantly according to demand, therefore no estimate for these services for 2014/15 has been provided.

### Outputs in this output class are:

**Output I.1:** Community consultation and communication

**Output I.2:** Ministerial support

### Funding

COST AND FUNDING	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Revenue</b>			
Crown	3,726	3,726	3,726
Other	–	–	–
<b>Total revenue</b>	<b>3,726</b>	<b>3,726</b>	<b>3,726</b>
Expenses	3,707	3,726	3,726
<b>Net funded to/(from) NZQA reserves</b>	<b>19</b>	<b>–</b>	<b>–</b>

100% of the total revenue for this output is provided by the Crown. \$1.112m of the revenue is for the administration of capital charge.

## Output 1.1: Community consultation and communication

### NZQA's role

NZQA provides information to its key clients (learners, parents, whānau, teachers, education providers, iwi, industry and schools). The quality and timeliness of these communications help people make informed decisions. The information programme and timetable can be found on NZQA's website [www.nzqa.govt.nz](http://www.nzqa.govt.nz).

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The delivery of an information programme on the following: quality assurance, the New Zealand Qualifications Framework, Te Rautaki Māori, NZQA's Pasifika Strategy, NCEA and other government education policy for which NZQA has responsibility <sup>1</sup>	100%	100%	100%
<b>Quality measure</b>			
The percentage of external communications that meet good practice guidelines	100%	100%	100%
<b>Timeliness measure</b>			
The percentage of external communications that meet timeframes in NZQA's information programme plan, published on its website	New measure	100%	100%

<sup>1</sup> The information programme established for 2014/15 includes a range of workshops, online and hard copy material. The quantity of individual materials such as brochures and resource kits is dependent upon demand. NZQA's performance standard is to deliver 100% on its published programme.

## Output 1.2: Ministerial Support

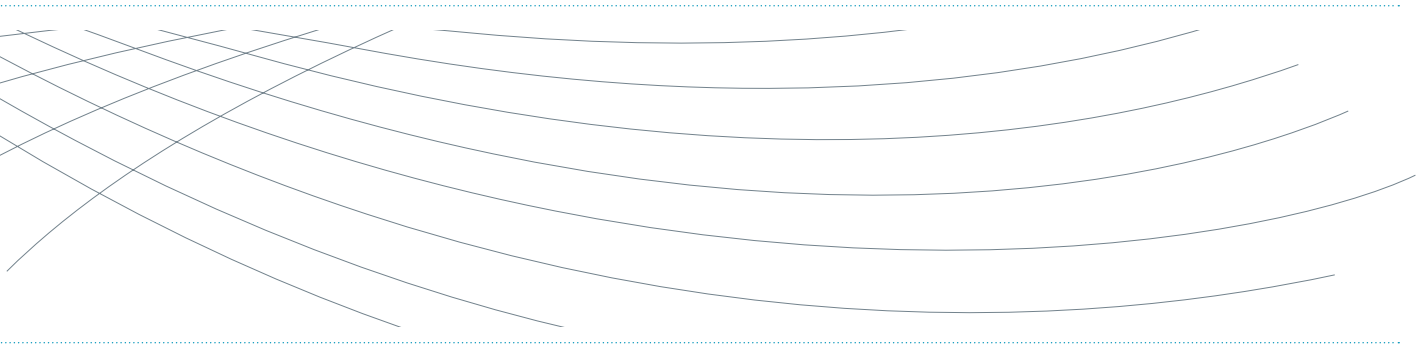
### NZQA's role

Ministers, Parliament and the public require high-quality and timely information in order to support improvements to the education system.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of draft responses to Ministerial correspondence and Official Information Act requests	206	Volume is demand-driven	Volume is demand-driven
The number of submissions to Ministers	133	Volume is demand-driven	Volume is demand-driven
The number of draft response to oral and written parliamentary questions	20	Volume is demand-driven	Volume is demand-driven
<b>Quality measure</b>			
The percentage of draft responses to Ministerial correspondence and Official Information Act requests accepted by the Minister in terms of technical accuracy <sup>2</sup>	100%	97%	97%
The percentage of submissions accepted by the Minister in terms of technical accuracy	100%	97%	97%
The percentage of responses to oral and parliamentary questions that are accepted by the Minister in terms of technical accuracy	100%	97%	97%
<b>Timeliness measure</b>			
The percentage of draft responses to Ministerial correspondence, Official Information Act requests and submissions, that achieve the deadlines set by staff in the Ministers' offices	100%	95%	95%
The percentage of responses to oral and written parliamentary questions that achieve the deadlines agreed with Ministers' offices	100%	100%	100%

<sup>2</sup> Technical accuracy is defined as factually correct, with no errors of significance. This definition has been agreed with Ministers' offices.



# Output Class 2

## Output 2: Quality Assurance

### Scope of appropriation

This appropriation is limited to the provision of quality assurance services to support the New Zealand qualifications system, which includes the ongoing development and management of quality assurance processes, monitoring and managing providers at risk, and the ongoing refinement and maintenance of the quality assurance framework.

### Purpose of appropriation

Ensuring high-quality services are delivered to tertiary learners in the non-university sector is a core function for NZQA. These performance measures provide an indication of how well providers are quality assured and risk is being managed, for both learners and for the Crown's investment in the tertiary education sector. NZQA does this through measuring key aspects of this work, including external evaluation and review, and applying the Incentives and Sanctions policy.

### Outputs in this output class are:

**Output 2.1:** Delivery of quality assurance processes

**Output 2.2:** Managing risk in the tertiary education sector (non-university)

**Output 2.3:** Administration for the Code of Practice for Pastoral Care of International Students

### Funding

COST AND FUNDING	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Revenue</b>			
Crown	4,034	4,034	4,034
Other	5,973	5,973	5,973
<b>Total revenue</b>	<b>10,007</b>	<b>10,007</b>	<b>10,007</b>
Expenses	11,806	11,606	11,506
<b>Net funded to/(from) NZQA reserves</b>	<b>(1,799)</b>	<b>(1,599)</b>	<b>(1,499)</b>

Approximately 40% of the total revenue for this output is provided by the Crown.



## Output 2.1: Delivery of quality assurance processes

### NZQA's role

As part of its quality assurance role, NZQA assesses applications for programme and qualification approval, and conducts a rolling programme of evaluations and reviews of tertiary education providers, the standards learners are assessed against, and their performance against national moderation requirements. NZQA measures its own performance with a focus on incentivising quality improvement within the sector and ensuring risk to learners and the Crown is minimised.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of external evaluations and reviews undertaken of tertiary education organisations (non-university)	213	141	180
The number of applications <sup>3</sup> received for quality assurance	New measure	New measure	Volume is demand-driven (estimate 2,000–4,000)
The number of tertiary education organisations with consent to assess NZQA-managed standards monitored in accordance with national external moderation requirements to determine how well they are assessing their learners against NZQA-managed standards <sup>4</sup>	527	New measure	Volume is demand-driven (estimate 450–550)
<b>Quality measure</b>			
The percentage of tertiary education organisations (non-university) that have sanctions applied on the basis that they have been placed Category 4 as a result of external evaluation and review <sup>5</sup>	New measure	New measure	100%
The percentage of approved qualifications that meet all published requirements for placement on the New Zealand Qualifications Framework	100%	100%	100%
The percentage of tertiary education organisations (non-university) that, as a result of significant assessment and moderation issues relating to NZQA-managed standards, are being actively-managed in accordance with published NZQA policies and processes	New measure	New measure	100%

<sup>3</sup> Application types include qualifications, programmes, assessment standards, consents to assess, training schemes, industry training programmes, degrees, PTE registration, changes of ownership from private training establishments (PTEs), government training establishments, wānanga, institutes of technology and polytechnics, and industry training organisations.

<sup>4</sup> This measure applies to tertiary education organisations (TEOs) with consent to assess against NZQA-managed standards, all of which are monitored by NZQA. These TEOs supply to NZQA assessment plans indicating which standards they will assess against for a particular year. These plans, as well as a TEO's moderation history, are then used to determine the extent of moderation to be conducted.

<sup>5</sup> NZQA's Incentives and Sanctions policy commenced from April 2011. The possible results for the external evaluation and review are: Not confident, Not yet confident, Confident, Highly confident. Category 4 providers are those in which NZQA is "Not confident".

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Timeliness measure</b>			
The percentage of external evaluation and review reports completed and sent to all types of tertiary education organisations within 30 working days of the site visit	New measure	New measure	95%
The percentage of applications processed to a decision for sub-degree programmes of study completed within 55 working days	New measure	New measure	90%
The percentage of tertiary national external moderation results letters sent within 30 working days of the moderation submission date	New measure	New measure	70%

## Output 2.2: Managing risk in the tertiary education sector (non-university)

### NZQA's role

As the regulator of tertiary education in New Zealand, NZQA has a key role in protecting learners and the Crown from poorly performing providers. NZQA audits provider trust accounts to ensure student fee payments are protected, sanctions providers it is not confident in, and manages complaints to deal with issues.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The percentage of all provider trust accounts that are audited by a member of the New Zealand Institute of Chartered Accountants (NZICA) at the request of NZQA	91%	70%	80%
The number of complaints received	New measure	New measure	Volume is demand-driven (estimate 300)
<b>Quality measure</b>			
The percentage of issues identified through the NZICA audits of provider trust accounts that are addressed by NZQA	100%	100%	100%
The percentage of complaints regarding tertiary education organisations that are managed in accordance with published policies and procedures	100%	100%	100%
<b>Timeliness measure</b>			
The percentage of issues identified through NZICA audits of provider trust accounts that are addressed by NZQA within 30 working days of NZQA receiving notification	100%	100%	100%
The percentage of complaints regarding tertiary education organisations that are concluded within 65 days	96.3%	90%	90%

## Output 2.3: Administration of the Code of Practice for the Pastoral Care of International Students

### NZQA's role

As the administrator of the Code of Practice for the Pastoral Care of International Students, NZQA has a key role in ensuring international students receive appropriate standards of advice and care. NZQA registers Code signatories to ensure these standards will be met, and investigates complaints relating to breaches of the Code.<sup>6</sup>

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of newly registered signatories to the Code of Pastoral Care	New measure	New measure	Volume is demand-driven (estimate 30)
The number of Code signatories	New measure	New measure	Volume is demand-driven
<b>Quality measure</b>			
The percentage of new applications for code status that are processed against the required criteria for acceptance as a signatory	New measure	New measure	100%
The percentage of complaints against NZQA with respect to the Code that are upheld	New measure	New measure	Fewer than 20% <sup>7</sup>
<b>Timeliness measure</b>			
The percentage of newly registered code signatories processed within a 55 day timeframe upon receipt of an application <sup>8</sup>	New measure	New measure	90%
The percentage of complaints against NZQA with respect to the Code which are managed within 10 working days	New measure	New measure	90%

<sup>6</sup> The administration of the Code of Practice for the Pastoral Care of international students was transferred from the Ministry of Education to NZQA on 1 August 2013. As the administrator of the Code, NZQA is currently responsible for registering and monitoring the signatories to the Code, while future legislation change will give NZQA a more compliance orientated role with regard to breaches of the Code.

<sup>7</sup> As this is a new measure, it is not clear how many complaints may be made against NZQA with respect to the Code. If only a very small number of complaints are made, a single upheld complaint would result in a large percentage. A more specific performance standard for this measure will be identified in the future as NZQA develops a clearer picture of the number of complaints likely to be made against it with respect to the Code.

<sup>8</sup> The 55 day timeframe is defined as 55 working days

# Output Class 3

## Output 3: Qualifications Support Structures

### Scope of appropriation

This appropriation is limited to the provision of overseeing the setting of standards and New Zealand qualifications. It also includes standard-setting and qualification development responsibility, recognition and review of qualifications, records management processes to support the New Zealand Qualifications Framework (NZQF) and participation in the promotion of the New Zealand qualifications system to key education and immigration partner countries.

### Purpose of appropriation

As stewards of New Zealand's qualifications system, NZQA ensure that New Zealand qualifications are valued as credible and robust. These performance measures provide an indication of how well NZQA is doing in developing and maintaining the NZQF, assessing overseas qualifications, and promoting New Zealand qualifications internationally. NZQA does this through measuring key aspects of its work, including standards development, recognition of qualifications and international liaison.

### Outputs in this output class are:

**Output 3.1:** The development and maintenance of the NZQF and ensuring the credibility of standards and qualifications

**Output 3.2:** Overseas qualifications assessment and recognition

**Output 3.3:** International liaison

### Funding

COST AND FUNDING	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Revenue</b>			
Crown	6,789	6,789	6,789
Other	21,628	21,628	21,628
<b>Total revenue</b>	<b>28,417</b>	<b>28,417</b>	<b>28,417</b>
Expenses	26,457	25,656	25,579
<b>Net funded to/(from) NZQA reserves</b>	<b>1,960</b>	<b>2,761</b>	<b>2,838</b>

Approximately 24% of the total revenue for this output is provided by the Crown.

## Output 3.1: The development and maintenance of the New Zealand Qualifications Framework and ensuring the credibility of standards and qualifications

### NZQA's role

In order for learners, education institutions, and employers to have confidence that learners are assessed against credible, robust and consistent standards, NZQA must ensure these standards are maintained and that results are available and accurate. The quality assurance process for standards involves an evaluation of the standards against the requirements for listing on the Directory of Assessment Standards. This is an independent quality assurance process applied to all standard-setting bodies.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of non-curriculum-based NZQA-owned standards maintained	576 <sup>9</sup>	Volume is demand-driven (estimate 250–280)	Volume is demand-driven
The number of credits assessed by accredited tertiary education organisations and put on to learners' transcripts	10,926,271	Volume is demand-driven (estimate 10–12 million)	Volume is demand-driven
The number of qualification certificates issued to learners	90,043	Volume is demand-driven	Volume is demand-driven
<b>Quality measure</b>			
The percentage of NZQA-owned standards submitted for quality assurance registered following no more than two quality assurance cycles <sup>10</sup>	100%	90%	90%
The percentage of credits for standards assessed by accredited tertiary education organisations accurately put on to learners' transcripts	100%	100%	100%
The accuracy of national qualification records awarded to tertiary learners	100%	100%	100%

<sup>9</sup> The increase in volume is attributed to the Targeted Review of Qualifications programme of work and as part of the normal standards' maintenance cycle.

<sup>10</sup> The quality assurance process for the Delivery of Assessment Standards (DAS) involves an evaluation of the standards against the requirements for listing and a compliance check to ensure that any issues raised in the evaluation have been addressed. This measure is settings target of 9 out of 10 NZQA-owned standards being registered on the DAS following no more than two such cycles. NZQA's quality assurance process can be found on its website <http://www.nzqa.govt.nz/>.

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Timeliness measure</b>			
The percentage of NZQA owned non-curriculum – based standards maintained and accepted for registration by their planned review date	99%	95%	95%
The percentage of results for standards assessed by accredited tertiary organisations put on to learners' transcripts within two working days	99.54%	98%	98%
The percentage of national qualification certificates dispatched to learners within five working days	98.9%	98%	98%

## Output 3.2: Overseas qualifications assessment and recognition

### NZQA's role

People who want to live/work/study in New Zealand can apply to have their overseas qualifications evaluated to see if a comparison to a New Zealand qualification can be made. Employers, education providers and Immigration New Zealand need to understand what overseas qualifications mean in a New Zealand context and be assured that they have been robustly assessed.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of qualifications recognised and then benchmarked against the New Zealand Qualifications Framework	10,241	Volume is demand-driven (estimate 8,500–10,000)	Volume is demand-driven (estimate 8,500–10,000)
<b>Quality measure</b>			
The percentage of qualifications subject to external corroboration from two sources regarding the legitimacy of the qualification	100%	100%	100%
<b>Timeliness measure</b>			
The percentage of standard applications evaluated within 35 working days (exclusive of any verification delays)	99.99%	96%	96%
The percentage of fast track applications evaluated within 20 working days (exclusive of any verification delays)	100%	96%	96%

## Output 3.3: International liaison

### NZQA's role

NZQA works closely with the Ministry of Foreign Affairs and Trade to ensure New Zealand's reputation for high quality education supports New Zealand's export education aims.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
Support for the Ministry of Foreign Affairs and Trade in free trade agreement negotiation meetings	13	10	Volume is demand-driven <sup>11</sup>
The number of free trade agreements for which NZQA has implementation responsibilities	4	4	Volume is demand-driven
<b>Quality measure</b>			
NZQA provides support for free trade negotiations and implements free trade agreements to the satisfaction of the Ministry of Foreign Affairs and Trade <sup>12</sup>	4	3	3
<b>Timeliness measure</b>			
The Ministry of Foreign Affairs and Trade is satisfied with the timeliness of NZQA's involvement with free trade negotiations and the implementation of NZQA's free trade agreement responsibilities	4	3	3

<sup>11</sup> The number of free trade agreement negotiation meetings is determined by the Ministry of Foreign Affairs and Trade's agenda. The current focus is on the implementation of agreed free trade agreements.

<sup>12</sup> Scale 1 to 4: 1 is strongly disagree, 2 is disagree, 3 is agree, 4 is strongly agree.

# Output Class 4

## Output 4: Secondary School Assessment

### Scope of appropriation

This appropriation is limited to the provision of overseeing assessment for national secondary school qualifications, including the National Certificate of Educational Achievement (NCEA) and Scholarship examinations, and the moderation of internal and external school assessment.

### Purpose of appropriation

Every year approximately 165,000 learners aim to achieve NCEA. Ensuring a robust and equitable assessment system for New Zealand's secondary learners is one of NZQA's core functions. These performance measures provide an indication of how well NCEA is administered and the integrity of the secondary school assessments system is ensured. NZQA does this through measuring key aspects of the work, including the examination of standards and assessments systems.

#### Outputs in this output class are:

**Output 4.1:** Secondary school external assessment

**Output 4.2:** Secondary school internal assessment

**Output 4.3:** New Zealand Scholarship examinations

**Output 4.4:** Secondary school assessment systems

### Funding

COST AND FUNDING	2014/15 \$000	2015/16 \$000	2016/17 \$000
<b>Revenue</b>			
Crown	26,480	26,480	26,480
Other	11,784	12,084	12,084
<b>Total revenue</b>	<b>38,264</b>	<b>38,564</b>	<b>38,564</b>
Expenses	40,136	40,103	39,903
<b>Net funded to/(from) NZQA reserves</b>	<b>(1,872)</b>	<b>(1,539)</b>	<b>(1,339)</b>

Approximately 69% of the total revenue for this output is provided by the Crown.



## Output 4.1: Secondary school external assessment

### NZQA's role

The successful delivery of external assessment for secondary school students through national examinations for NCEA is dependent upon NZQA administering robust examination processes.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of standards examined and assessed as part of the external assessment systems of the NCEA	298	Volume is demand-driven (estimate 270–330)	Volume is demand-driven (estimate 270–330)
<b>Quality measure</b>			
The percentage of marker judgements unaltered following Review or Reconsideration of External Assessment Result process	98.84%	99%	99%
<b>Timeliness measure</b>			
The percentage of results provided to learners (NCEA) by the third full week of January	100%	99%	99%

## Output 4.2: Secondary school internal assessment

### NZQA's role

NZQA's moderation of internally (school) assessed student work promotes consistency in assessment decisions.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity and timeliness measure</b>			
The number of samples of student work selected for secondary moderation	103,624	95,000–105,000	Approximately 100,000 <sup>13</sup>
<b>Quality measure</b>			
The percentage of moderation reports successfully appealed	0.09%	<1%	<1%

<sup>13</sup> Approximately 10,000 samples are randomly selected, as a statistically valid, indicative snapshot. Approximately 90,000 extra samples are purposely selected, targeting areas of concern. These are randomly selected within the area of focus.

## Output 4.3: New Zealand Scholarship examinations

### NZQA's role

NZQA is responsible for ensuring that provided the published standard is met, scholarships are awarded to the top 3% (plus or minus 0.25%) of candidates in subject cohorts exceeding 250 students. The quality and timeliness of Scholarship administration is closely monitored.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of subjects examined and assessed for New Zealand Scholarship	New measure	New measure (estimate 30–40)	Volume is demand-driven (estimate 30–40)
<b>Quality measure</b>			
The percentage of marker judgements unaltered following Review or Reconsideration of External Assessment Result process	99.73%	99%	99%
<b>Timeliness measure</b>			
The percentage of validated results provided to learners within the second full week of February	100%	99%	99%

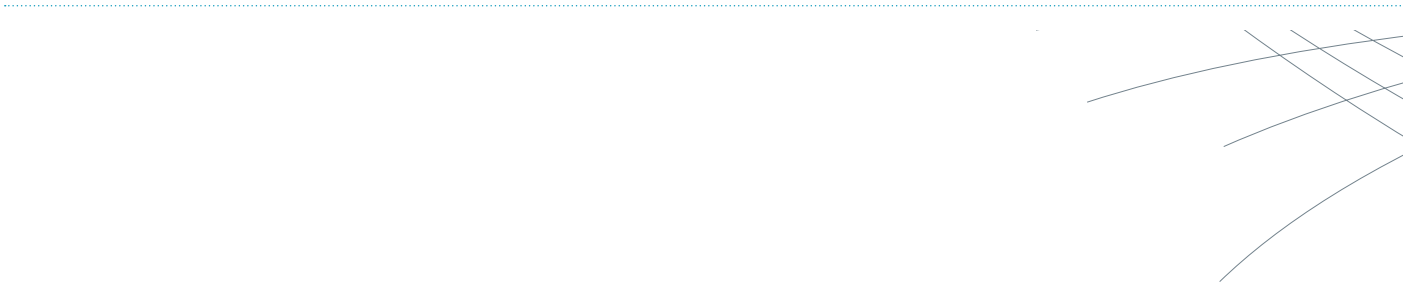
## Output 4.4: Secondary school assessment systems

### NZQA's role

NZQA conducts Managing National Assessment checks of secondary schools to promote continuous improvement in schools' assessment practices to ensure they are accurate and consistent.

### How NZQA's performance is measured

Performance measures	Actual performance in 2012/13	Performance standard for 2013/14	Performance standard for 2014/15
<b>Quantity measure</b>			
The number of Managing National Assessment checks completed	180	120–180	110–170
<b>Quality measure</b>			
The percentage of significant issues identified by NZQA relating to the assessment of secondary students that are addressed by a monitored action plan	100%	100%	100%
<b>Timeliness measure</b>			
The percentage of draft Managing National Assessment reports provided to schools within six weeks from the date of the completion of onsite work	New measure	New measure	100%



# Prospective Financial Statements

## Financial declaration

In issuing these Financial Statements, the Board of NZQA is acknowledging it is responsible for the information presented, including the appropriateness of the assumptions used.

These Prospective Financial Statements are issued as at 15 May 2014 and are based on the information available at the time.

## Prospective financial information disclosures

These Prospective Financial Statements have been prepared for the purpose of fulfilling NZQA's obligations under the Crown Entities Act 2004 to table a Statement of Performance Expectations before Parliament. As such, these Prospective Financial Statements may not be suitable for other purposes.

NZQA is a Crown entity as defined in the Crown Entities Act 2004. Its role is described in detail throughout the Statement of Intent. The prospective financial information contained in these statements reflects the organisation's purpose and activities.

The Prospective Financial Statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with PBE FRS 42 Prospective Financial Statements.



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## Financial planning assumptions

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The following assumptions are used in these Prospective Financial Statements. These assumptions may vary as a result of any of the underlying demographic data relating to the learner population in New Zealand or immigration trends changing. This includes any consequential changes in the make-up of the number and type of learning institutions within New Zealand.

The activities and services reflected in NZQA's financial strategy and their associated costs are based on a number of assumptions on what may occur during the next few years. This includes an optimised depreciation charge on core business assets to reflect their useful lives and timely recoveries of cash from asset depreciation for future capital reinvestment programmes.

Consideration has been given to ensuring that fees and charges set are appropriate and deliver maximum value for the services provided. While NZQA may change its fees and charges going forward, for the purposes of the development of the Prospective Financial Statements, all fees and charges are estimated at the existing pricing structure.

NZQA over recent years has accumulated funds from its net operating surpluses to allow the organisation to grow, adjust direction, to manage fluctuations in third-party revenue and to be financially sustainable. For each year presented in the 2014/15–2017/18 Statement of Intent, NZQA is forecasting an improvement in net operating results over time with a return to a balanced position in 2016/17. This represents NZQA's intention to self-fund the initial phase of the Future State programme where discretionary operating funding has been provided for business development for each year to the level of any deficit. Without the Future State programme and investment the net operating deficit or surplus would be close to zero.

The impact of these planned deficits will gradually reduce the accumulated comprehensive revenue and expense in the Statement of Financial Position to a level that is still sufficient to sustain any operating risks resulting from reduction in third-party revenue for up to two consecutive years. NZQA is confident that this level of planned reserves is prudent.

NZQA is assuming that the range and levels of service that its activities provide will not change between 2014/15 and 2017/18.

Actual financial results achieved over the forecast period may differ from these Prospective Financial Statements, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted, or NZQA may subsequently take actions that differ from the proposed course of action on which the Prospective Financial Statements are based. It is assumed that fees will continue to be charged to third parties in all existing revenue areas.

Should there be a 10% increase or decrease in any one of the fee or volume figures for the key revenue streams resulting from NCEA Domestic Exam Fees, Credit Fees, Qualifications Recognition Fees or Quality Assurance Fees, there would be a respective increase or decrease in revenue received from that respective revenue stream of between \$200,000 and \$1.6 million. This risk is being mitigated by maintaining a minimum cash reserve of \$3.2 million.

## Revenue

Revenue from the Crown is based on the information contained in the 2013 Estimates of Appropriation, Vote Education.

Revenue from third parties includes tertiary credit and assessment fees, secondary examination and assessment fees, charges for qualification recognition services provided to immigrants, institutes of technology and polytechnics quality assurance charges, charges for EER, risk and compliance fees and accreditation services provided to education providers.

The volume forecast used to predict NCEA revenue is based on the 2013/14 forecasted outturn results and it is compared against the projected secondary students' trend for reasonableness. Consideration has then been given to the number of students who may seek financial assistance based on previous years and to how many families will have multiple candidates enrolled as these variables will have an impact on the total NCEA fee projection. The net result of this analysis provides the estimated full fee paying candidates. This is forecast to be constant over the next few years which is consistent with historical trends.

The volume forecast for NZQF credits is based on the 2013/14 forecasted outturn results with adjustments for projected movements in credit volume based on the trends of student numbers in the Tertiary Education Strategy Monitoring Report.

The number of PTEs is based on the current number of PTEs as at February 2014 (577 PTEs). Given the movements into and out of the sector, an average of 577 is considered reasonable in this Statement of Performance Expectations.

The volume forecast for qualifications recognition is based on Immigration New Zealand's forecast long-term arrivals. NZQA is contracted to Immigration New Zealand to quality assure the list of qualifications exempt from assessment (LoQEA). A reduction in the funding and the scope of LoQEA means that there will be a small increase in volume of direct applications resulting from this change.

NZQA receives inter- agency funding for the implementation of joint output deliverables and this is recognised as third-party revenue under Other revenue in the Prospective Statement of Comprehensive Revenue and Expense. There has been no funding confirmation beyond 2013/14 and, therefore, a reduction in revenue for this category is being forecast for outyears.

## Expenditure

NZQA's expenditure is based on the assumption that NZQA will continue to realise efficiency and effectiveness savings over the period. NZQA's outputs are assumed to remain stable over the period.

## Key volume forecasts

	FORECASTED OUTTURN VOLUME IN 2013/14	FORECAST VOLUME IN 2014/15	FORECAST VOLUME IN 2015/16	FORECAST VOLUME IN 2016/17
No. of NZQF credits earned by learners	11,565,976	11,515,637	11,515,000	11,515,000
No. of domestic fee paying students sitting NCEA	143,600	143,000	143,000	143,000
No. of international fee paying students sitting NCEA	4,990	5,000	5,000	5,000
No. of PTEs registered with NZQA	577	577	577	577
No. of applications for qualifications recognition	10,880	10,774	10,770	10,770

*Although there will be a minor impact on some revenue received as a result of the above forecasts, total revenue received by NZQA is forecast to remain almost constant over the next three years as a result of compensating changes to other revenue streams (for example, EER and risk and compliance services provided).*

## Output expense allocations

All revenue except interest revenue is allocated directly to output expenses.

NZQA allocates activities to output expenses. Information about expenditure and effort on activities is collected through the general ledger to allow the activities of NZQA to be allocated either directly or indirectly to outputs and output expenses.

Indirect expenditure is allocated to outputs and output expenses by first allocating these costs to the activities that contribute directly to outputs. NZQA's allocation policies are described in the Statement of Accounting Policies contained within this Statement of Performance Expectations.

NZQA's output allocation methodology is assumed to be unchanged during the forecast period.

NZQA aims to provide the best service in the most cost-effective way. NZQA operates a hybrid of a historical and a zero-based budgeting system in the delivery of outputs, while maintaining a stable price to users of its services. NZQA recognises the ongoing need for quality improvement under a constant pricing regime in order to achieve efficiency gains.





## Key costing and pricing policies

The key costing and pricing policies of NZQA are as follows:

- Core business output and non-output expense products and services are assessed at their full cost, including overhead costs.
- With the exception of NCEA and Scholarship examination fees, charges to learners (including qualifications credit and registration fees) are based on full cost-recovery, which includes quality assurance and development costs including overhead costs. NCEA and Scholarship examination fees are partly funded by Crown revenue and remissions fees.
- Core business outputs are expected to provide for the research, development and capital costs of the maintenance of those outputs (excluding the cost of the Future State programme which is being funded from accumulated comprehensive revenue and expense).

## Going concern

NZQA recognises that taxpayers' net assets/equity and NZQA's liquidity must remain at levels sufficient to sustain impetus and to ensure that NZQA is viable as a going concern.

In order to ensure this the Board of NZQA will:

- maintain net assets/equity at a level sufficient to sustain the organisation
- consult with the Responsible Minister on the use of taxpayers' equity resulting from any surpluses to ensure it is in line with the Government's direction (other than use for the acquisition of capital items and for funding of operating deficit derived from the delivery of third-party funded activities).

## Financial summary

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
Crown revenue	41,029	41,029	41,029
Other revenue	39,385	39,685	39,685
Interest	701	701	701
<b>Total revenue</b>	<b>81,115</b>	<b>81,415</b>	<b>81,415</b>
Expenses	82,807	81,792	81,415
<b>Net (deficit)/surplus</b>	<b>(1,692)</b>	<b>(377)</b>	<b>–</b>

## Financial targets

PERFORMANCE MEASURE	UNIT	BUDGET 2014/15	BUDGET 2015/16	BUDGET 2016/17
<b>Working capital</b>				
Net current assets	\$000	4,309	3,645	3,709
Current ratio	ratio	1.35	1.28	1.29
<b>Resource utilisation</b>				
Total non-current assets	\$000	13,584	13,871	13,807
Total non-current assets as % of total assets	%	45	46	46
Additions as % of total non-current assets	%	40	37	35
Total non-current assets per employee	\$000	30	31	31
<b>Net assets/Public equity</b>				
Level at year-end	\$000	17,273	16,896	16,896
Level per employee	\$000	39	38	38
<b>Forecast net cash flows</b>				
Surplus/(deficit) from operating activities	\$000	2,950	4,850	4,800
(Deficit)/surplus from investing activities	\$000	(3,450)	(4,850)	(4,800)
Surplus/(deficit) from financing activities	\$000	–	–	–
Net (decrease)/increase in cash held	\$000	(500)	–	–
<b>Human resources</b>				
Total staff – full-time equivalents	No.	447	447	447

## Prospective Statement of Comprehensive Income

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>REVENUE</b>			
Crown revenue	41,029	41,029	41,029
Other revenue	39,385	39,685	39,685
Interest	701	701	701
<b>Total revenue</b>	<b>81,115</b>	<b>81,415</b>	<b>81,415</b>
<b>EXPENSES</b>			
Personnel and Board	42,903	43,198	42,921
Specialist workforce	9,752	9,752	9,752
Professional services	7,322	6,012	5,912
Publication, printing and distribution	4,247	4,247	4,247
Audit fees	82	82	82
Other operating costs	13,638	13,638	13,637
Depreciation and amortisation	4,863	4,863	4,864
<b>Total expenses</b>	<b>82,807</b>	<b>81,792</b>	<b>81,415</b>
<b>NET (DEFICIT)/SURPLUS</b>	<b>(1,692)</b>	<b>(377)</b>	<b>–</b>
Other comprehensive revenue or expenses	–	–	–
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(1,692)</b>	<b>(377)</b>	<b>–</b>

Since NZQA is a wholly owned Crown entity, the entire net surplus and total comprehensive revenue and expense are attributable to net assets/public equity.

The projected net deficit for the next two financial years represents discretionary allocation of funding of \$1.692 million (2014/15) and \$0.377 million (2015/16) to self-fund NZQA's Future State programme. These costs are attributed to additional resources required to fund the project costs for the implementation of this Future State programme. The net deficit or surplus is forecast to return to an approximately neutral position from 2016/17 onwards.

## Prospective Statement of Financial Position

(As at 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,985	1,985	1,985
Debtors and other receivables	5,785	5,785	5,785
Investments	9,000	8,700	8,700
<b>Total current assets</b>	<b>16,770</b>	<b>16,470</b>	<b>16,470</b>
<b>Non-current assets</b>			
Property, plant and equipment	2,112	1,930	2,047
Intangible assets	11,472	11,941	11,760
<b>Total non-current assets</b>	<b>13,584</b>	<b>13,871</b>	<b>13,807</b>
<b>TOTAL ASSETS</b>	<b>30,354</b>	<b>30,341</b>	<b>30,277</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors and other payables	7,840	8,204	8,140
Employee entitlements	3,391	3,391	3,391
Deferred revenue	723	723	723
GST payable	507	507	507
<b>Total current liabilities</b>	<b>12,461</b>	<b>12,825</b>	<b>12,761</b>
<b>Non-current liabilities</b>			
Provisions	46	46	46
Employee entitlements	574	574	574
<b>Total non-current liabilities</b>	<b>620</b>	<b>620</b>	<b>620</b>
<b>TOTAL LIABILITIES</b>	<b>13,081</b>	<b>13,445</b>	<b>13,381</b>
<b>NET ASSETS/PUBLIC EQUITY</b>	<b>17,273</b>	<b>16,896</b>	<b>16,896</b>

## Prospective Statement of Changes in Net Assets/Public Equity

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Net Assets/Public Equity brought forward</b>	<b>18,965</b>	<b>17,273</b>	<b>16,896</b>
Net (deficit)/surplus	(1,692)	(377)	–
<b>Total comprehensive revenue and expense</b>	<b>(1,692)</b>	<b>(377)</b>	<b>–</b>
Crown capital contribution	–	–	–
<b>Net Assets/Public Equity as at 30 June</b>	<b>17,273</b>	<b>16,896</b>	<b>16,896</b>
<b>Comprising:</b>			
Contributed capital	13,890	13,890	13,890
Accumulated comprehensive revenue and expense	3,383	3,006	3,006
<b>Net Assets/Public Equity as at 30 June</b>	<b>17,273</b>	<b>16,896</b>	<b>16,896</b>

## Prospective Details of Fixed and Intangible Assets

(As at 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Property, plant and equipment</b>			
Computer equipment	1,538	1,456	1,573
Other	574	474	474
<b>Total property, plant and equipment</b>	<b>2,112</b>	<b>1,930</b>	<b>2,047</b>
<b>Intangible assets</b>			
Software	9,472	9,941	9,760
Work in progress	2,000	2,000	2,000
<b>Total intangible assets</b>	<b>11,472</b>	<b>11,941</b>	<b>11,760</b>

## Prospective Cash Flow Statement

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Cash flows from operating activities</b>			
Cash provided from:			
Crown revenue	41,029	41,029	41,029
Revenue from customer services	39,385	39,685	39,685
Interest revenue	701	701	701
	81,115	81,415	81,415
Cash applied to:			
Employees and Board	(42,903)	(43,198)	(42,921)
Suppliers	(35,262)	(33,367)	(33,694)
	(78,165)	(76,565)	(76,615)
<b>Net cash flows – operating activities</b>	<b>2,950</b>	<b>4,850</b>	<b>4,800</b>
<b>Cash flows from investing activities</b>			
Cash applied to:			
Purchase of property, plant and equipment	(750)	(550)	(850)
Purchase of intangible assets	(4,700)	(4,600)	(3,950)
Purchase of investments	(30,000)	(29,000)	(29,600)
Receipts from sale of investments	32,000	29,300	29,600
<b>Net cash flows – investing activities</b>	<b>(3,450)</b>	<b>(4,850)</b>	<b>(4,800)</b>
<b>Net cash flow from financing activities</b>			
Cash provided from:			
Crown – capital contribution	–	–	–
<b>Net cash flows – financing activities</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL CASH FLOWS</b>	<b>(500)</b>	<b>–</b>	<b>–</b>
Opening cash	2,485	1,985	1,985
Net (decrease)/increase in cash held	(500)	–	–
<b>Closing total cash balance projected at 30 June</b>	<b>1,985</b>	<b>1,985</b>	<b>1,985</b>
<b>Statement of financial position</b>			
Cash and cash equivalents	1,985	1,985	1,985
<b>Closing cash balance</b>	<b>1,985</b>	<b>1,985</b>	<b>1,985</b>

## Reconciliation to Net Surplus from the Prospective Statement of Comprehensive Revenue and Expense

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Statement of Comprehensive Revenue and Expense</b>			
(Deficit)/surplus	(1,692)	(377)	–
Depreciation	732	732	732
Amortisation	4,131	4,131	4,132
<b>Total</b>	<b>3,171</b>	<b>4,486</b>	<b>4,864</b>
<b>Add/(less) movements in working capital items</b>			
(Decrease)/increase in debtors and receivables	–	–	–
(Decrease)/increase in creditors and payables	(221)	364	(64)
Increase/(decrease) in deferred revenue	–	–	–
Increase/(decrease) in employee entitlements	–	–	–
Increase/(decrease) in provisions	–	–	–
Increase/(decrease) in GST payable	–	–	–
<b>Net cash flow from operating activities</b>	<b>2,950</b>	<b>4,850</b>	<b>4,800</b>

## Prospective Statement of Commitments

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Operating leases</b>			
Not later than one year	3,206	3,076	3,064
Later than one year and not later than five years	10,735	7,659	4,596
More than five years	–	–	–
<b>Total estimated commitments</b>	<b>13,941</b>	<b>10,735</b>	<b>7,660</b>

For 2014/15, the above statement is an unaudited estimate of non-cancellable annual expenditures falling due to which NZQA is currently contractually committed, but which will have not yet fallen due. For 2015/16 onwards, the figures are based on the best estimate of commitments that are likely to be in place at the start of the respective financial year. NZQA has long-term leases on its premises in Wellington and Auckland and lease payments are subject to varying reviews. The amounts disclosed above are based on current rental rates and only reflect amounts due on existing leases until their earliest termination date.

## Prospective Statement of Capital Expenditure

(For the year ended 30 June)

	BUDGET 2014/15 \$000	BUDGET 2015/16 \$000	BUDGET 2016/17 \$000
<b>Property, plant and equipment</b>			
Computer equipment	500	350	500
Other	250	200	350
<b>Total property, plant and equipment</b>	<b>750</b>	<b>550</b>	<b>850</b>
<b>Intangible assets</b>			
Computer software	4,700	4,600	3,950
<b>Total intangible assets</b>	<b>4,700</b>	<b>4,600</b>	<b>3,950</b>

## Statement of accounting policies

### Reporting entity

NZQA is a Crown entity as defined by the Crown Entities Act 2004. NZQA ensures that New Zealand qualifications are valued as credible and robust both nationally and internationally. NZQA is accountable for managing the New Zealand Qualifications Framework, administering the secondary school assessment system, independent quality assurance of non-university education providers, qualifications recognition and standard setting for some specified unit standards.

The Prospective Financial Statements have been prepared as per the statutory requirement of sections 141 and 142 of the Crown Entities Act 2004.

For the purposes of financial reporting, NZQA is a Tier 1 public benefit entity whose primary objective is to provide goods and services for community and social benefit rather than for a financial return. These Prospective Financial Statements have been prepared in accordance with Tier 1 PBE Standards in so far as they apply to Prospective Financial Statements.

### Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Prospective Financial Statements. The following accounting policies, which materially affect the measurement of results and financial position, have been applied.



### Statement of compliance

The reporting period for the Prospective Financial Statements is the year ended 30 June.

The Prospective Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with PBE FRS 42 Prospective Financial Statements and other applicable standards as appropriate for Tier I public benefit entities.

### Judgements and estimations

The preparation of financial statements in conformity with Tier I PBE Standards 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 revision and future periods if the revision affects both current and future periods. The most significant areas of estimate and judgement relate to assessing and reviewing useful lives and residual values for property, plant and equipment and intangible assets.

### Measurement base

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

The accrual basis of accounting has been used unless otherwise stated. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of the business net of discounts and Goods and Services Tax.

NZQA derives revenue from the provision of outputs to the Crown, provision of services to third parties, sale of publications and interest on its deposits.

Revenue is recognised when earned and reported in the financial period to which it relates. Interest income is recognised using the effective interest method.

### Financial assets

Financial assets can be classified to four categories: financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables, and available for sale financial assets. Management, depending on the purpose of the financial asset, determines the classification.

Loans and receivables include NZQA's term deposits with a maturity of less than three months and trade receivables. Receivables issued with a duration of less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest and impairment deficits are recognised in the Statement of Comprehensive Revenue and Expense.



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## Debtors and other receivables

Debtors and other receivables are initially measured at fair value less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that NZQA will not be able to collect all amounts due according to the original terms of the receivable.

## Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits and other short-term, highly liquid investments with original maturities of less than three months.

## Leases

An operating lease is a lease that does not substantially transfer the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised over the lease term as an integral part of the total lease expense.

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the property lease or the estimated useful life of the improvements, whichever is shorter.

## Investments

Investments represent term deposits held with banks with original maturities of three months or more.

## Property, plant and equipment

The initial cost of property, plant and equipment is the value of the cost to acquire or create the asset, and any directly attributable costs of bringing the asset to working condition for its intended use. Property, plant and equipment, which include office equipment and furniture and fittings, are recorded at cost less accumulated depreciation and any accumulated impairment deficits.

Surplus or deficit on disposal is determined by comparing the proceeds with the carrying amounts of the asset. Surplus or deficit on disposal is included in the Statement of Comprehensive Revenue and Expense.

## Intangible assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment deficits.

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

- software (purchased) five years (20%)
- specialised software (internally generated) amortised over estimated useful lives of between three and five years.



Realised surplus or deficit arising from disposal of intangible assets are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment.

Deficits resulting from impairment are reported in the Statement of Comprehensive Revenue and Expense.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) 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:

Furniture and fittings*	10 years (10%)
Office equipment*	4–5 years (20%–25%)
Computer equipment (desktops and notebooks)	4 years (25%)
Computer equipment (networks and servers)	3–5 years (20%–33%)
Leasehold improvements*	Lesser of unexpired period of the lease or remaining useful life of improvements

\* Classified as other

## Impairment

Assets 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 deficit 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 depreciated replacement cost.

Depreciated replacement cost for an asset is 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 entity 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 assets not carried at a revalued amount, the total impairment deficit is recognised in the Statement of Comprehensive Revenue and Expense.

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## Employee entitlements

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### Short-term benefits

Employee benefits that NZQA expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

NZQA recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that NZQA anticipates it will be used by staff to cover those future absences.

### Long-term benefits

#### Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and the contractual entitlement information; and
- the present value of the estimated future cash flow calculated using an appropriate discount rate and adjusting for inflation.

### Superannuation schemes

NZQA contributes to a number of defined contribution schemes. Obligations for contributions are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

### Provisions

NZQA recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that expenditure 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 expenditure expected to settle the obligation.

### Accounting policies and changes in the estimates

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

### Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impractical to do so.

### Contingent liabilities and assets

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

### Related party transactions

Compensation paid to key management personnel of NZQA is classified as a related party transaction. Compensation includes short-term, long-term and retirement employee benefits.

Key management personnel are those having the authority and responsibility of planning, directing and controlling the activities of the organisation directly or indirectly.

Funding from government agencies is carried out on a commercial and arm's length basis.

### Taxation

Section 254E of the Education Act 1989 exempts NZQA from tax, except for Goods and Services Tax (GST) and Fringe Benefit Tax (FBT).

### Goods and Services Tax

All items in the financial statements are stated exclusive of GST except for receivables and payables, which are stated 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.

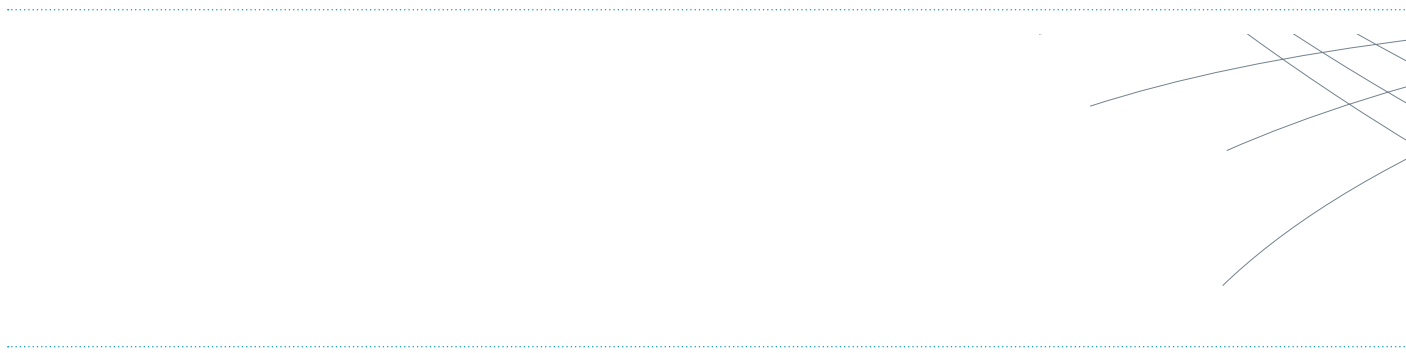
The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivable or payables in the Statement of Financial Position.

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 Cash Flow Statement.

Commitments and contingencies are disclosed exclusive of GST.

### Cost allocation

Direct costs are those costs directly attributed to a significant output. Indirect costs are those costs that cannot be identified in an economically feasible manner, to a specific significant output. Direct costs, including depreciation, are charged directly to outputs. Indirect costs are charged to outputs using appropriate cost drivers such as actual usage, staff numbers or floor area.







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