

Accreditation Council 2016 Annual Report

*Presented to the House of Representatives
pursuant to section 150(3) of the Crown Entities Act 2004
and to section 44 of the Public Finance Act 19*

Accreditation Council – Highlights F2016

Effective

862 Active accreditations
1,975 NZQC training days
1,074 Telarc certified organisations

Efficient

Accreditation fees increases consistently less than inflation.
Benchmarking shows IANZ fees are amongst the lowest of all global accreditation bodies

Sustainable

Reserves at four months' operating costs
Active recycling programmes
Moving towards a paperless environment

Human Capital

The Council is made up of its people – both full-time staff, and thousands of volunteer technical experts. Without the enormous effort and dedication of these teams, the Council could not function

Internationally Recognised

Accreditation authorities in 97 economies recognise IANZ accreditation as equivalent to their own

Annual Surplus

<u>FY 16</u>	<u>FY 15</u>
\$1,541k	\$1,110k

Our Vision

To be a world-class provider of accreditation, certification and related services, providing value-added assurance of competence and compliance, in a financially sustainable manner.

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1 The Year in Review

1.1 Delivering for New Zealand

As the Accreditation Council is New Zealand's accreditation authority, and majority shareholder in our largest certification business, our core business is delivering competency assessment (IANZ) and compliance with standards (Telarc) that adds value to business and provides the assurance that Government, industry and the public at large can rely upon.

This year IANZ has accredited 862 laboratories, inspection bodies, building consent authorities and radiology services, as well as specialist providers supporting these services [Section 2]. Telarc has provided 1,074 certificates covering quality management systems, environmental management systems, health and safety management and food safety, as well as other specialist certificates [Section 3].

The New Zealand Quality College, which provides specialist training for all the above activities delivered 66 courses to 1,975 students, including two courses delivered overseas.

The services offered by the Council cover test reports (such as medical, food or drinking water), inspection of engineering plant (such as cranes and pressure equipment), building consents (code compliance), and certificates to give assurance of compliance with relevant standards. This assurance provides confidence to consumers, as well as underpinning exports.



1.2 Enhancing Safety

The Council is committed to providing and promoting a safe and healthy workplace for all staff, contractors and visitors and to providing the information, training and supervision needed to achieve this. If any hazardous systems are identified, resources will be applied to address these (eliminate, isolate or minimise). Awareness is a key focus. The past year has seen the Council actively drive a shift in cultural behaviour through staff engagement and participation programmes. This will continue in the new financial year.



1.3 Supporting Regulators

IANZ is an integral interface with regulators to ensure accreditation solutions are suited to needs, providing the necessary rigour and assurance within the constraints of international standards.

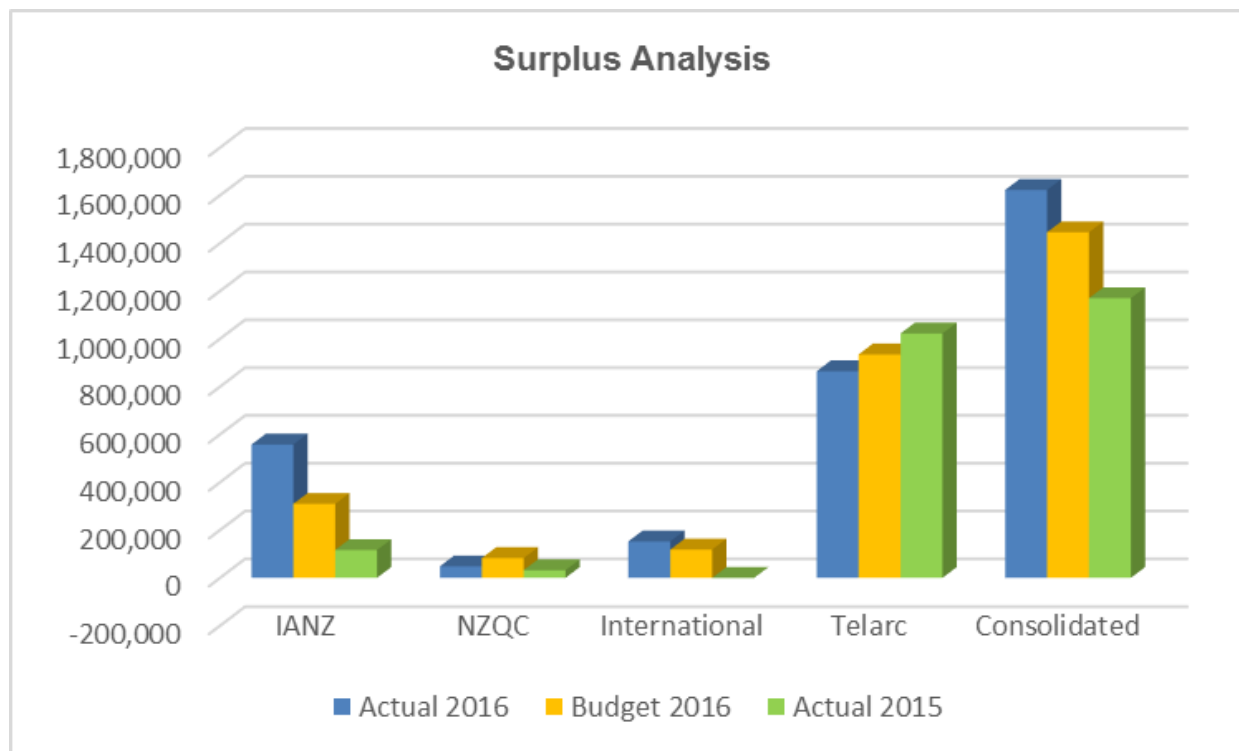
The past year has seen IANZ working with Ministry for Primary Industries (MPI) to ensure dairy testing, meat testing and testing of other animal products meet new overseas market access requirements, Ministry of Business Innovation and Employment (MBIE) on Building Consent Accreditation, Ministry of Health (MoH) on medical laboratory accreditation matters, and MBIE and Ministry of Foreign Affairs and Trade (MFAT) on current Free Trade Agreements (FTA) negotiations [(Trans Pacific Partnership – now concluded (TPP), Regional Comprehensive Economic Partnership (RCEP)] to reduce technical barriers to trade.

Telarc has further enhanced its business improvement activities, providing support to regulators participating in health and safety systems certification for a range of industries.

1.4 Financial Sustainability

The Council finished the year with a surplus of \$1,541,188 (\$1,387,484 budget, \$1,110,092 prior year), including a contribution of \$864,450 from its subsidiary. The net assets of the Council now total \$7,422,322 (\$5,981,134 prior year) and investment is underway in a number of areas

including staff development; targeted promotion activities; increased support for international trade facilities; as well as developing accreditation programmes in new sectors to support critical infrastructure.



The increased surplus for IANZ was largely a result of increased numbers of laboratories seeking accreditation, coupled with a slight reduction in staff numbers. The Telarc result reflects a slight downturn in QMS certifications, coupled with increased use of subcontractors, and increased staff training costs.

1.5 Globally Recognised

IANZ is a signatory to the ILAC Mutual Recognition Arrangement, which means results from laboratories and inspection bodies accredited by IANZ are now accepted by 96 accreditation bodies in 97 economies. A full peer evaluation of IANZ takes place every four years (next evaluation in 2019).

The requirement by regulators for products to be tested (or inspected) by accredited laboratories means IANZ accreditation plays a major role in facilitating New Zealand's export trade.

Most exported products (including dairy, meat, shellfish, honey, wool, steel, aluminium, electrical and electronic products) are required to be tested in laboratories accredited by ILAC Arrangement signatories as a prerequisite to being accepted by their respective markets.



1.6 Tributes

The Council wishes to thank retiring Council members, Dr Cam Kyle (31 October 2015), Susan Paterson (30 September 2015), Dr John Hay (31 October 2015) and Elizabeth Hopkins (31 July 2016), for their valuable contribution to the governance and initiatives of the Council and management. All members had served their full term of office.

The Council acknowledges both local and overseas volunteers, who give their time freely to serve on our professional advisory committees and as technical expert assessors to provide the essential peer review. This significant contribution to the effectiveness of IANZ accreditation domestically and internationally is much appreciated.

The Council also recognises the dedication and intellectual support from its management and staff, who all play a part in ensuring New Zealand commerce and industry perform to international quality and technical management standards and practices, and that New Zealand's voice is heard in international conformity assessment forums.

We are pleased to submit this Annual Report and the Financial Statements for the year ended 30 June 2016.



Paul Connell
Chairman



Dr Llewellyn Richards
Chief Executive

2 Council Members' Profiles



Paul Connell (CA CFInstD)

Chairman

Paul is an independent director with experience as a Chartered Accountant, consultant, director and CEO in a variety of industries. He has been a director of public companies and a number of private companies for 16 years. He is presently chair of the Accreditation Council, director of

Unison Networks Ltd, Unison Fibre Ltd, ETEL Ltd, Hall's Refrigerated Transport Ltd and Telarc SAI Ltd. He is founding independent chairman of the Hamilton City Council audit and risk committee and Chair of Bobux International Limited.



Lindsey Lawton (ICAEW, MEd, BA Hons)

Chair Audit and Risk Committee

Lindsey Lawton is Chair of the IANZ Council's Audit and Risk Committee. She is a Chartered Accountant with over 20 years' experience in management consulting. Lindsey has also

held several leadership positions, including Chief Executive, Chief Financial Officer and Chief Operating Officer roles, in the health and ICT sectors. Lindsey's previous governance roles have been in healthcare and not-for-profit organisations.



John Boshier FIPENZ, BE (Hons), ME, MBA

John Boshier is a company director based in Wellington. John is a Member of the Standards Approval Board; a statutory board which independently approves New Zealand Standards. In 2016 he was appointed to the board of Electra Ltd, the lines company serving the Horowhenua region with energy trading, alarm monitoring and other subsidiaries. He is

a Director of the Harkness Fellowships Trust Board, and a Trustee of the Engineering Foundation of Engineers New Zealand (IPENZ). Previously John was Executive Director of the National Generators Forum, the representative body for Australia's electricity generators. For five years he was Chief Executive of Engineers Australia, the professional institution for all engineers.



Howard Duff (CMIInstD)

Howard is a qualified mechanical engineer with experience in the inspection and testing associated with large scale chemical plant construction. This includes Materials Testing, Non Destructive Testing and Quality

Assurance systems. He is a specialist in the implementation of lean operations management disciplines into manufacturing, service industries and business services such as ICT. Prior to joining the Council Howard was a NZ Government appointed member of the JAS-ANZ Board.



Andrea Grant (MinstD, PhD)

Dr Grant has over 16 years of international, executive leadership experience in the pharmaceutical, biotech and healthcare sectors in UK, Europe, USA and NZ, combined with 10 years of governance experience as an appointed Director on commercial and not-for-profit boards. Her executive and director roles have involved

ensuring products, services and facilities were compliant with international standards and accreditations and she has a particular expertise and interest in the strategic growth of science based organisations to create additional economic and social benefit from their activities. Dr Grant is currently a Director of the Institute of Environmental Science and Research and Youthtown Inc.

3. Telarc SAI Limited Directors' Profiles



David Bone (BEng Hons).

Chairman

David has an Honours Degree in Engineering from Bristol University, and after pursuing a corporate career with BP and as an executive director with Winstone Ltd, he became an external director with a number of companies. He served as a director of New Zealand Rail Ltd,

was foundation chairman of the CRI Industrial Research Ltd, has represented the Prime Minister's Department on the boards of a number of Crown Entities, and was Managing Director of software company Smartmove NZ Ltd. He is currently chairman of Hall's Group Ltd, Telarc SAI Ltd, Pacific Aerials Ltd, SIMTICS Ltd and Madill and Smeed Ltd.



Vikki Brannagan (MinstD B.A. (Japanese) B.Com (Bus))

Vikki is an experienced CEO and professional director, with governance and leadership experience across a wide variety of industries in the commercial, public and not-for-profit sectors.

She holds independent board positions with Cafe Brands Ltd (franchisor of the Columbus Coffee chain); the Apprenticeship Training Trust (a major employer in the PGDR & Electrical sectors); and on the Council of the Auckland District Law Society.



Paul Connell (CA CFInstD)

Paul is an independent director with experience as a Chartered Accountant, consultant, director and CEO in a variety of industries. He has been a director of public companies and a number of private companies for 16 years. He is presently chair of the Accreditation Council, director of Unison Networks Ltd, Unison Fibre Ltd, ETEL

Ltd, Hall's Refrigerated Transport Ltd and Telarc SAI Ltd. He is founding independent chairman of the Hamilton City Council audit and risk committee and Chair of Bobux International Limited.



Geoff Richardson) (B.Com ACA)

Geoff qualified as a Chartered Accountant with Price Waterhouse in the UK prior to moving to Australia in 1986. He left Price Waterhouse in 1990 to join HSBC in Australia and subsequently worked at AIDC Limited and AMP, where he was the Group Financial Controller during the demutualisation of the AMP Society. Since joining SAI Global Limited,

an ASX200 company, in 2004 as Chief Financial Officer Geoff has played major roles in acquisition due diligence, both domestically and internationally, and the raising of debt and equity capital to fund SAI's growth. Geoff has a Bachelor of Commerce from the University of Birmingham in the UK, and is a member of the Institutes of Chartered Accountants in England and Wales, and Australia.

4 Management Profiles



Llewellyn Richards (MSc (Hons), PhD)

Chief Executive Officer

Dr Richards has been Chief Executive of the Council since 1 December 1996. He is also the chair of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) Mutual Recognition Arrangement (MRA) Council and serves on the APLAC Board of Management,

as well as chairing the International Laboratory Accreditation Council (ILAC) Financial Audit Committee. He has previously served as a Director of Industrial Research Ltd (predecessor to Callaghan Innovation). Dr Richards has an MSc (Hons) in Physics, and a PhD in Engineering.



Philip Barnes (MSc FIMLS)

General Manager Accreditation Services

Phil Barnes re-joined IANZ in November 2014 as General Manager of Accreditation Services, having been a member of the executive leadership team at Waitemata District Health Board for the previous 6 years. Originally from the UK, Phil migrated to New Zealand in 1999 and joined IANZ as Programme Manager for Medical Testing, Radiology and Pharmacy. In

2006 he joined Waitemata DHB as Laboratory Services Manager and in 2008 was appointed Director of Allied Health, Scientific and Technical Staffs and subsequently Group Manager - Hospital Operations. Trained in the UK as a Medical Laboratory Scientist, he is a Fellow of the UK Institute of Medical Laboratory Science and also holds a Master's degree in Instrumental Chemical Analysis.



Marc Ferguson (NDIP Cost Acc, MBA)

Commercial and Health and Safety Manager and Company Secretary

Marc, who originally qualified as a cost accountant in South Africa, graduated from the Auckland University of Technology with an MBA (Merit), majoring in Operations and Management in 2008. He has gained vast financial experience spanning over 30 years in both the private and Public Sector and

held leadership roles at both the Financial Manager and Director levels. Marc immigrated to New Zealand in 2002 where he joined Fletcher Building and spent 6 ½ years immersed in change through the acquisition of the Laminex Group as well as divisional and product variations within the wider Fletcher Group before joining IANZ in 2009.



Greg Williams (BBS, PGDipSci, DipArts, PhD)

New Zealand Quality College General Manager

After graduating from the University of Auckland, Dr Williams worked for 11 years as Technical and Quality manager in a plastics manufacturing company before becoming the NZ Manager for the certification body SAI Global. During this

time, he completed many management systems audits throughout NZ, Australia and Fiji, and also provided training in the fields of management systems auditing and international standards. Dr Williams has a BBS in Accounting/Finance, a PGDip Sci in Environmental Management, a DipArts in Economics and a PhD in Chemistry.



Philip Cryer (BBS)

Chief Executive Officer (Telarc)

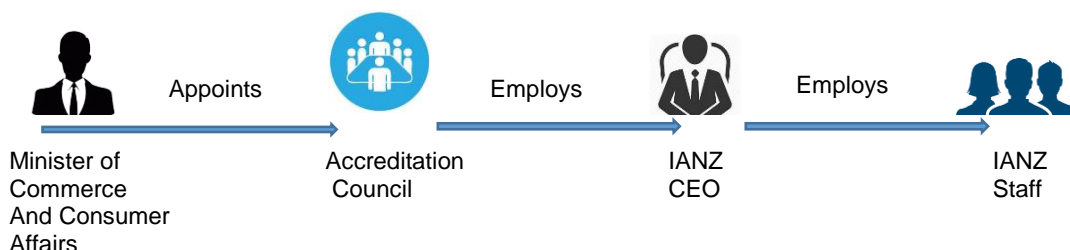
Philip Cryer has worked in a wide variety of roles across a diverse range of industry sectors. Over the last 13 years he held a number of management roles with Spark N.Z. Philip managed teams with

accountabilities for customer service, technology design and delivery through to business operations support. Prior to his time at Spark Philip worked in a variety of roles in Strategy development, Supply chain and logistics, Treasury, Accounting, International Business management, Marketing and Retailing. Philip has a degree from Massey University in Business Studies.

5 Governance and Structure

The Accreditation Council is an Autonomous Crown Entity under the Crown Entities Act 2004.

The Members are appointed by the Minister of Commerce and Consumer Affairs (the responsible Minister) in accordance with the Standards and Accreditation Act 2015. The Council is monitored by MBIE.



Organisational responsibility is delegated to the Chief Executive using a formal delegations framework. The Council comprises five independent non-executive members (there are currently two vacancies). Their profiles and disclosures of interest are published on page 7.

5.1 Legislative Framework

The Accreditation Council is established under the Standards and Accreditation Act 2015, but is a continuation of the Testing Laboratory Registration Council, established under the Testing Laboratory Registration Act 1972. The Council was also established as an Autonomous Crown Entity under the Crown Entities Act 2004.

The Council's functions as set out in the Standards and Accreditation Act are:

- to promote the development and maintenance of good practice in conformity assessment; and
- to establish and maintain accreditation schemes for conformity assessment bodies engaged in testing and inspection activities; and
- to develop and maintain international recognition and acceptance of the Council's accreditation scheme; and
- to maintain appropriate international relationships consistent with the Council's functions under this section; and
- to act as New Zealand's good laboratory practice compliance monitoring authority; and
- if the Council chooses, to provide certification services; and
- to perform any other functions that the Minister directs the Council to perform in accordance with section 112 of the Crown Entities Act 2004.

The Council's Organisational structure can be found in Appendix 3

The Council has traded under the name IANZ (International Accreditation New Zealand) since 1 July 1997. On this date, the

Council created Telarc Limited (now Telarc SAI Limited) as a separate legal entity wholly owned by the Council. On 1 April 2007, SAI Global merged their New Zealand certification business with Telarc Limited, forming Telarc SAI Limited. SAI Global hold a 25% ownership interest in the merged company. Telarc SAI Limited has its own Board of Directors, and operates independently from IANZ.

The Council is required under the Crown Entities Act 2004 to have regard to Government policy as directed by the responsible Minister, the Minister of Commerce and Consumer Affairs. The collective duties of the Accreditation Council under the Crown Entities Act include ensuring IANZ acts consistently with its objectives, functions, Statement of Intent and Annual Statement of Performance Expectation; performs its functions efficiently, effectively and consistently; and operates in a financially responsible manner.

Council members also have individual duties to: comply with the Act (including with respect to disclosure of interests); act with honesty and integrity; act in good faith and not at the expense of the Council's interests; and act with reasonable care, diligence and skill.

The Council is entirely funded by client fees and receives no Crown funding.

5.2 Goals of the Council

The goals of both IANZ and Telarc are set as part of the process of developing the Statement of Intent (SOI), and are articulated in the Statement of Performance Expectations (SPE), after consultation with the MBIE and as approved by the Council. The process follows receipt of the Minister's letter of expectation, which includes general priorities of the Government, and specific priorities for the Council. Both the SOI and the SPE are publicly available on the IANZ website. www.ianz.govt.nz.

Of special importance are the Professional Advisory Committees (PACs) which provide technical guidance and support in each field of activity undertaken by IANZ. This includes reviewing and making recommendations on every new accreditation. The Chairs of the PACs form the Accreditation Advisory Committee (AAC) which formally advises Council on

any technical issues. The Chair of the AAC also makes a formal recommendation to the CEO to grant accreditation.

The Council's business is linked directly to ensuring the health and safety of products and services provided in New Zealand, and providing assurance of competence and compliance with standards. These functions are increasingly a requirement for doing business, and play a major role in facilitating New Zealand's export activities.

5.3 Performance Reporting and Consultation

The financial and organisational performance of the Council is reported annually to Parliament.

An annual Letter of Expectations from the Minister of Commerce and Consumer Affairs to the Council identifies relationship expectations and reporting requirements. It also acknowledges the required independence of the Council in carrying out its accreditation and certification functions. Through a comprehensive review process, the Council ensures the content of the SOI complies with the Crown Entities Act 2004 (CEA) section 141. Furthermore, the Council also reports all outcomes included in this SOI as part of its requirements under the CEA.

The Council is the primary monitor of organisational performance and meets bi-monthly in this regard.

MBIE receives a quarterly analysis and performance overview. Comment on other significant issues is included where necessary.

The Council also regularly communicates on all on-going operations with its monitor, MBIE.

Both the CEO and Chairman continue to have regular meetings with MBIE officials as well as briefing discussions as needed.

The Council would consult the Minister of Commerce and Consumer Affairs before making any significant change to its business units or structure.

The Council also undertakes an annual review of its own performance.

5.4 External Audit

The Auditor-General is the auditor of the Council's financial statements and has appointed Audit New Zealand to undertake the external audit work.

Every four years IANZ receives a full evaluation from its APLAC MRA partners. This evaluation is a requirement of continuing membership of the ILAC MRA. The last evaluation was completed in March 2015.

5.5 Audit and Risk Committee

The Audit and Risk Committee helps the Council fulfil its financial reporting responsibilities and provides assurance regarding compliance with internal controls, policies and procedures. Its responsibilities are established in a charter

which is reviewed annually. The Committee meets with the external auditors (both with and without management present). It has no delegated authority but makes recommendations to the Council.

5.6 Health and Safety Committee

Ensuring the health and safety of all staff and contractors is a fundamental responsibility of the Council. Extensive policies are in place to ensure best practice in accordance with Institute of Directors' guidelines. The Council has also undertaken a full AS/NZS 4801 compliance audit, to ensure all policies meet international best practice.

Representation from all levels of staff and management comprise the Health and Safety Committee, which meets on a bi-monthly basis.

Council members regularly participate in assessments to gain their own understanding of good practice when staff are at clients' premises.

5.7 Board Observer Programme

During the 2015-2016 year, the Council agreed to participate in the future Directors Programme, which is designed to give aspiring directors boardroom knowledge. The Council is working with the Institute of Directors to finalise an appointment.

6 Adding Value

The Council is focused on adding value to New Zealand businesses by providing the following ongoing deliverables and milestones.

IANZ - Adding value to NZ business by providing assurance of their technical competence including through compliance with standards

Deliverables	Progress	Milestones	Progress
Develop accreditation programmes to provide recognition of competence in all cases required by regulators	Working with MPI and MBIE on new accreditation programmes	For one New Zealand regulator to be using accreditation in a new sector by 2017	Work underway with accreditation of food safety inspection under new Food Act
IANZ will work with regulators in the development of new accreditation programmes to ensure they meet regulatory requirements as well as achieving ILAC requirements for independent recognition of competence	Working with MoH and MBIE on a range of new accreditation programmes	For a point of care testing and a near patient diagnostic testing programme to be implemented during 2016	Point of care testing accreditation is still under discussion with MoH. Other new initiatives include working on the development of a standard for methamphetamine testing of houses, as well as the development of an accreditation standard for testing of seismic reinforcing mesh.
Develop and provide new accreditation programmes for near patient testing and food safety inspection in accordance with specific requirements	Discussions being held with the respective parties		
Provide a web-based client access portal	Web portal launched in April 2016		
Maintain ongoing financial viability	Surplus of \$1,541,189 achieved		

Telarc - Adding value to NZ business by providing certification of their technical compliance with standards

Deliverables	Progress	Milestones	Progress
Growth in the number of certified clients	1,600+ across Food, Safety, ACC, Dairy Accord, WorkSafe, SAI-Global and NZTA	Improve the Telarc brand through better market positioning and an improved service delivery focussed on value-added auditing in all sectors	Number of Certification organisations on JAS-ANZ register grew 4% year on year. Focus will remain on continued growth in the Food and Health and Safety sectors. Infrastructure enhancement and staff up-skilling have aided in access to new markets and value added service delivery
To maintain auditor productivity	Current auditor productivity is above the low end SOI target of 70%	Grow the number of health and safety and food safety certificates	Achieved - Health and Safety and Food Safety grew by 6% and 41% year on year respectively
To ensure we can audit new customers in an efficient manner	Successful trial and roll-out of a cloud-based audit tool in the Food and Wine assessment sector. This was supplemented by a business-wide roll-out of a new notebook technology		
To achieve customer satisfaction at the CEO and Management Representative levels	Telarc re-invigorated its customer survey this year to better understand how customers value its services. The result is measured via a Net Promoter score which showed there is room for improvement. To that end, a Sales Administrator was employed to free up the Business Development manager to visit more customers.		
Reduction in avoidable annual registration losses	Continues to be negated as reflected by the growth in registrations across H&S, QMS and EMS as captured by internal monthly reporting		

NZQC - Adding value to NZ business by providing the knowledge to achieve through training

Deliverables	Progress	Milestones	Progress
NZQC is working with IANZ Programme Managers to develop revised training courses as new/revised Standards become available	Looking at a new quality auditor course in polymerase chain reaction (PCR)	The enduring target is two new/revised courses per year	Courses delivered for changes made to SO9001 and ISO14001 standards Lead Auditor Verifier courses presented to Auckland Council

International - Adding value to NZ business by providing international recognition

Deliverables	Progress	Milestones	Progress
To provide an accreditation service that meets all new Overseas Market Access Requirements	IANZ continues to work with Regulators to ensure testing from New Zealand is acceptable to overseas regulators. IANZ implements New Overseas Market Access Requirements (OMARs) related to testing, once advised of these by MPI	For at least two new regulators in New Zealand's major trading partners to use the ILAC MRA as the basis of regulatory approvals by 2017, thus benefitting New Zealand trade.	IANZ is continuing to work with APLAC and ILAC teams to grow the use of accreditation by overseas regulators. This growth is particularly encouraging in the USA. US FCC has agreed to recognise test reports from accredited New Zealand Laboratories. Formal mutual recognition agreement under development.
To provide an accreditation programme that facilitates Technical Innovation	IANZ continually provides extension assessments for laboratories seeking accreditation for new testing methodologies	For at least one new Government trade agreement, or extension (into new product categories) to an existing trade agreement, to be under negotiation by 2016, using accreditation of conformity assessment as the basis of acceptance	IANZ is working with MBIE and MFAT on a number of trade negotiations, where accreditation of laboratories is part of the mechanism to overcome technical barriers to trade.
To grow the use of accreditation by Regulators and Specifiers	New requirement for seismic steel mesh to be tested in accredited laboratories		
To maintain full membership and signatory status of the ILAC MRA	Full membership of the APLAC and ILAC MRAs has been maintained. IANZ will next be evaluated in 2019		

7 Statement of Performance

The Accreditation Council is subject to a Ministerial direction regarding the New Zealand Business Number (NZBN). System capability has been assessed and plans are underway to have 75% implementation complete by June 2016.

7.1 Accreditation

IANZ accreditation provides independent recognition of competence for a range of technical service providers (laboratories, inspection bodies, radiology practices, building consent authorities). This enables businesses, consumers and

regulators to have confidence in test and inspection reports, and make decisions based on reliable results. IANZ provides this value-adding service in an effective and cost-efficient manner.

Financial Performance ¹

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue	6,198,476	6,343,476	5,966,283
Less cost	(5,751,990)	(6,109,920)	(5,936,313)
Net surplus	446,486	233,556	29,970

¹ Refer to note 2 Net Revenue and Cost analysis on page 39

Output	2016 Target	2016 Actual	2015 Actual
1. Building a more productive and more competitive economy	1. Work with MPI and the agricultural sector to ensure dairy testing, meat testing and testing of other animal products meets new Overseas Market Access Requirements (thus facilitating growth in exports).	a. Out of 71 laboratories to be assessed for the new MPI Recognised Laboratory Programme (RLP), the following have occurred: <ul style="list-style-type: none"> i. 34 new accreditations granted ii. 20 in progress iii. 20 in the application phase iv. 5 withdrawals from the former MPI Laboratory Approval Scheme due to RLP 	
	2. Assist infrastructure organisations through providing new accreditations (Waikato expressway; Christchurch roading projects). New infrastructure projects will contribute toward a more competitive economy.	a. Information pack sent to a civil materials laboratory in Fiji and a water pipe testing lab in Hamilton.	
	3. Work with MBIE and MFAT on current FTA negotiations (TPP, RCEP) to reduce technical barriers to trade (again assisting export growth)	a. FTA meetings held with MBIE to discuss: <ul style="list-style-type: none"> 1. WTO TBT, ASEAN and APEC engagement plan for involvement with trade agenda developed between MBIE and IANZ, TPP (now concluded) and other trade activity. 2. Attended ASEAN-CER integration forum. 	
	4. Maintain signatory status to the APLAC and ILAC MRA's to facilitate easier access for New Zealand exports to international markets.	a. MRA approval of IANZ at APLAC June 15. b. Discussions held with MBIE and MFAT regarding trading issues with China and Taiwan	a. Maintained
	Goal: 1. Achieve and maintain recognition by other national accreditation authorities in 77 countries	1. Authorities in 97 economies now recognise IANZ accreditation as equivalent to their own.	1. Authorities in 78 economies recognised IANZ accreditation as equivalent to their own.

Output	2016 Target	2016 Actual	2015 Actual
2. Managing the Government's Finances	1. Ensure a sound investment strategy is in place to optimise returns (within Public Finance Act constraints) on all Council Assets.	a. Consolidated funds are held with the major banks in line with investment policy – no more than 50% to be held in any one bank at any time.	a. Consolidated funds are held with the major banks in line with investment policy – no more than 50% to be held in any one bank at any time.
	1. Benchmark fees against other professional service providers, and overseas accreditation bodies.	a. A benchmarking exercise was completed with NATA in July 2015.	
	3. Invest surplus funds in new accreditation and certification activities.	a. Radiology - Dialogue has commenced with the Waikato DHB. b. Point of Care Testing in pharmacies - Still under discussions with MoH	
	Goal: 1. Achieve this year an investment reserve of \$4.9m and surplus of \$1.4m	1. An investment reserve of \$5.1 mil and surplus of \$1.5 mil has been achieved.	1. An investment reserve of \$4.3 mil and surplus of \$1.1 mil was achieved

Output	2016 Target	2016 Actual	2015 Actual
3. Delivering better public services within tight fiscal constraints	1. Undertake client surveys to ensure service delivery is well-targeted, and to improve the value of both accreditation and certification services.	a. Regular quarterly internal surveys show general satisfaction in the services provided. b. The external client survey through TNS is undertaken every two years, with the next scheduled for March 2017.	
	2. Provide a secure web-based portal for clients to provide information and access assessment reports directly online.	a. The portal has been fully commissioned and will be extensively marketed to clients in the new financial year.	
	3. Continue to ensure price increases remain below inflation levels.	a. The price increase in July 2015 was just below 0.5%.	
	4. Provide accreditation for new innovative testing (e.g. urine testing for bladder cancer; new molecular PCR testing; next generation DNA sequencing).	a. On request from laboratories. New innovative testing is generally an extension of scope for existing laboratories e.g. new Polymerase Chain Reaction (PCR) testing and next generation sequencing and is a perpetually moving target.	
	5. Provide inspection body accreditation in new areas of demand (e.g. pre-purchase inspection of houses; P-Lab remediation inspection of houses).	a. Working with Standards NZ on developing a new standard for P-Lab remediation inspection of houses. One interested client – IANZ expect an application for accreditation before the end of 2016. there is a time lag before concept through to accreditation, whereby an appropriate standard has to be developed to accommodate this	
	6. Provide new accreditation assessments on request:	a) Medical testing i) New Wellington regional medical testing laboratory assessed in November 2015 b) Workplace drug testing i) Three accreditations completed and six applications in progress. d) Steel mesh testing i) Three applications in progress	
	Goal: 1. Goal: Deliver 811 Accreditations	1. Achieved 862	1. Achieved 820

Accreditation Programme	Active Accreditations		
Output 3 Goal 1	2016 ACTUAL	2016 TARGET	2015 ACTUAL
Testing Laboratories (excluding medical)	514	466	476
Metrology and Calibration Laboratories	55	55	55
Medical Testing Laboratories	70	66	66
Radiology Services	57	60	58
Inspection Bodies	68	66	67
Building Consent Authorities	73	73	73
Proficiency Testing Laboratories	2	2	2
OECD GLP Compliant Laboratories	10	10	10
Conformity Assessment Bodies	2	2	2
NSU BSA	8	8	8
Reference Material Producers	3	3	3
Total	862	811	820

The additional Testing Laboratories against target is primarily a result of the transition of Dairy, MPI LAS & MPI ELP accreditations to the MPI RLP. Medical Testing Laboratories has realised a slight growth against target due to the increased interest in workplace drug testing. The marginal reduction in Radiology Services against target is a consequence of mergers/takeovers.

Output	2016 Target	2016 Actual	2015 Actual
4. Rebuilding Christchurch	<ol style="list-style-type: none"> In December 2014, IANZ accredited the Building Consent Authority (BCA) of Christchurch City Council, following an earlier revoking of its accreditation. IANZ will continue to assess this BCA against statutory requirements. 	<ol style="list-style-type: none"> Accreditation granted in 2015 Re-assessment completed in August 2015 	<ol style="list-style-type: none"> BCA Accreditation of Christchurch City Council granted in December 2014
	Goal: <ol style="list-style-type: none"> IANZ will undertake a full reassessment of Christchurch City Council BCA in August 2015 	<ol style="list-style-type: none"> Christchurch City Council was assessed in August 2015. All CARs were cleared in April 2016. 	

7.1.1 Performance Highlights

The Council has carried out accreditation assessments in accordance with its schedules for the current year, including a small number of new assessments in the medical testing and radiology programmes. IANZ also receives regular requests for accreditation scope extension assessments from existing clients. IANZ adds value to clients by sharing best practice and providing recognition of their services which is a necessary prerequisite to grow their business into new areas, either to meet regulatory requirements or market needs.

Workplace Drug Testing

Strong interest in workplace drug testing (WDT) accreditation continues, with several enquiries per week requesting advisory visits. Currently, WDT accreditations are split between the Medical Testing and Chemical Testing programmes under ISO/IEC 17025 or ISO 15189. This is an unnecessary complication for potential clients, many of whom are very small scale operators with limited knowledge and experience in the arcane arena of ISO technical and quality management standards. The two programmes are now working together to develop a specific criteria document combining relevant parts of each primary standard and explaining to clients how they need to be applied.

Client Focus

Our quarterly surveys of customers continue. No issues of significance have been identified. The two-yearly extensive market survey by TNS is next scheduled for March 2017.

Accreditation of PET-CT

Pacific Radiology and Mercy Radiology have both achieved accreditation for PET-CT.

Wellington Regional Medical Laboratory Merger

Healthscope assumed full responsibility for all hospital and community medical testing services in the Wellington region on 1 November 2015. The organisation agreed to a focussed special assessment on 7-9 December 2015 to assess the new laboratory's performance with regard to the requirements and expectations of accreditation. As the organisation at that time essentially comprised the existing Capital & Coast DHB staff, accommodation, equipment and scope of testing it was agreed that the CCDHB accreditation status could continue under the Wellington SCL banner on condition that full peer review assessments took place at each stage of the organisation's expansion into the newly refurbished accommodation on the Wellington Hospital site. The first of these assessments took place on 1-5 August 2016 with another planned for November 2016. No significant issues have been identified during the assessments completed to date.

DHB Radiology Services' Accreditation

IANZ is working with the largest unaccredited DHB Radiology Service (Waikato DHB) towards gaining accreditation.

BCA Review

Consultations between IANZ and MBIE are progressing well towards a revised accreditation process. IANZ is continuing with the existing programme in the interim.



7.2 Certification

Telarc certification provides an independent assurance of compliance that management system standards have been met. Certificates offered include quality management; environmental

management; health and safety management as well as other services including food safety and adventure tourism safety.

Financial Performance²

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue	7,516,602	7,435,302	7,144,299
Less cost	(6,754,578)	(6,573,800)	(6,199,502)
Net surplus	762,024	861,502	944,797

Output	2016 Target	2016 Actual	2015 Actual
1. Building a more productive and more competitive economy	1. Deliver Quality Management and related certification to New Zealand businesses, thus providing assurance of their compliance with the international ISO 9001 standard, and increasing their competitive advantage in the market place.	a. Telarc has delivered 701 Quality Management Systems Audits in New Zealand out of a total market of 1,199.	711 out of 1202
	2. Monitoring JAS-ANZ accreditation for 9001, 14001 and Health and Safety products.	ISO 17021 has a minor NC against it which Telarc is progressing to completion. a. Approvals received for the following; 1. ISO 9001:2015 2. ISO 14001:2015 3. ISO 22003:2013 4. AS/NZS 4801:2001 5. OHSAS 18001:2007 6. JAZ-ANZ Procedure 2 parts 1 and 2 7. NZS 8100:2015 8. IAF MD1:2007 9. IAF MD2:2007 10. IAF MD 5:2015 11. IAF MD11:2013 12. ISO 17021:2011 13. ISO 17021-2:2012 14. ISO 17021-3:2013 15. Adventure Tourism 16. MPI approved Food Control plan audit body	a. Approvals received for the following; 1. ISO 9001:2008 2. ISO 14001:2004 3. ISO 22003:2007 4. AS/NZS 4801:2001 5. OHSAS 18001:2007 6. JAZ-ANZ Procedure 2 parts 1 and 2 7. NZS 8100:2007 8. IAF MD1:2007 9. IAF MD2:2007 10. IAF MD 5:2009 11. IAF MD11:2013 12. ISO 17021:2011 13. ISO 17021- 2:2012 14. ISO 17021-3:2013 15. MPI approved Food Control plan audit body 16. CCC Product certification.

² Refer to note 2 Net Revenue and Cost analysis on page 39

Output	2016 Target	2016 Actual	2015 Actual
2. Managing the Government's Finances	1. Telarc to continue investments focussing on public health and safety, environmental sustainability, the quality of goods and services and export growth opportunities.	a. No. of 4801 certificates 93 (total NZ market =152) b. No. of 14001 certificates in NZ 148 (Total NZ market = 295)	a. 75 b 149
3. Delivering better public services within tight fiscal constraints	1. Telarc will also regularly survey its clients to ensure service delivery is well targeted, and to improve the value of certification services.	a. Telarc re-invigorated its customer survey this year to better understand how its customers value the services it provides. The new survey was conducted through Survey Monkey utilising a Net Promoter Score (measure of customer loyalty and based on a single question - How likely is it that you'll recommend this product to a friend or colleague?) which resulted in a response rate of 23% and a final score of +14. This identified areas with room for improvement. To that end a Sales Administrator was employed to free up the Business Development manager to visit more customers.	a. N/A – a different base was utilised for the outcomeA
	2. Further investment in IT software is under consideration, but no capital investment has been included in the 2015-2016 financial year.	a. Successful trial and roll -out of a cloud-based audit tool in the Food and Wine assessment sector.	a. Assessments being conducted via notebooks and then transferred into report templates inside the ELK i.e. manual
	Goal: 1. Deliver 1,030 Certification organisations on the JAS-ANZ register	1. Achieved 1,074.	1. Achieved 1,034.
	Goal: 2. 55% market share of certified management systems in new Zealand	1. Achieved 57%	1. Achieved 57%

Output	2016 Target	2016 Actual	2015 Actual
4. Rebuilding Christchurch	1. Telarc will provide locally based certification services to support businesses rebuilding Christchurch.	a. 141 certifications have been recorded for the year in support of the Christchurch city re-build.	138

7.2.1 Performance Highlights

7.2.1.1 Programme Overview

Telarc has maintained its share of the JAS-ANZ registered standards.

Growth in revenue occurred in Food Safety (up 41% year on year) and Health and Safety (up 6%).

In the other two major areas which contribute to Telarc's top line revenue, ISO 9001 revenue declined 6.25% year on year, while ISO 14001 revenue grew by 13.5%.

The growth in Health and Safety was driven by increased cyclical demand in the NZS 7901 space plus the ramping up of Telarc's Good Governance HG&S Gap analysis.

Food Safety delivered a great result, driven entirely by organic growth, and will continue to be promoted in F2017.

Environmental Management systems revenue grew, mostly through increased demand, combined with increased revenue driven by the Sustainable Dairy Water Accord.

Quality Management systems revenue, whilst reflecting a drop throughout the year, remains the largest contributor to Telarc's revenues.

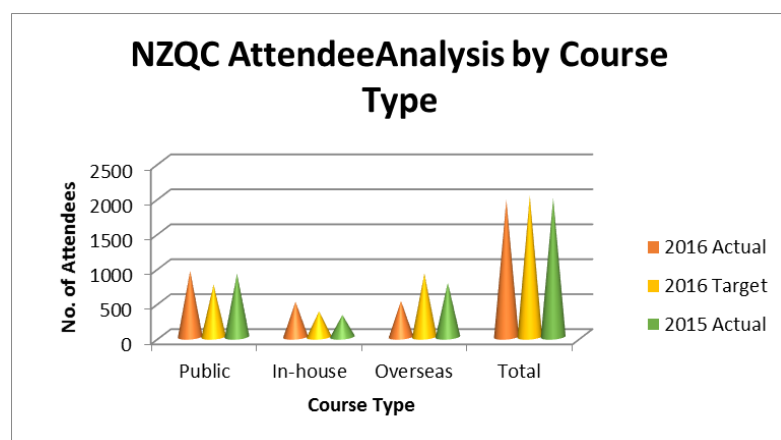
7.3 Training

NZQC provides training in both laboratory quality systems and management systems certification activity. Training courses are aimed at auditor level and client improvement.

Financial Performance³

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue			
IANZ	726,914	684,119	672,075
Telarc	241,818	141,602	186,875
Total Revenue	968,732	825,721	858,950
Cost			
IANZ	(760,363)	(659,262)	(699,684)
Telarc	(160,410)	(83,670)	(127,275)
Total Cost	(920,773)	(742,932)	(826,959)
Net surplus / (deficit)			
IANZ	(33,449)	24,857	(27,609)
Telarc	81,408	57,932	59,600
Total Net Surplus /Deficit	47,959	82,789	31,991

Specific Target	2016 ACTUAL	2016 TARGET	2015 ACTUAL
Overall Person days of Training delivered	1,975	2,020	1,992



7.3.1 Performance Highlights

The highlights for the year included the Auckland Council EHO/Lead Auditor training and the associated verifier short courses which were additional to the usual programme.

The regular Internal Auditing Course produced near-to-full courses throughout the year. The other good performers were the LQM courses and three of the five Lead Auditor training courses with the highest attendances in the May-June period. Overall, NZQC suffered a drop-off in two of the five-day lead auditor courses and this affected the trainee-day measure, which was only partially recovered through the delivery of a

number of half-day courses on the changes to ISO 9001 and ISO 14001.

The new website is in the final stages of regression testing. Once it is active, NZQC will be able to focus on its client base, aiming at greater engagement and better dissemination of course information, ultimately increasing visibility and revenue.

³ Refer to note 2 Net Revenue and Cost analysis on page 39. Consolidated training results include margins earned by Telarc.

7.4 International Recognition

IANZ: IANZ accreditation is recognised by authorities in 97 countries as equivalent to their own accreditation. This

recognition is a major factor in trade facilitation, affecting more than \$20 billion in New Zealand exports.

Financial Performance⁴

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Revenue	477,774	478,349	367,573
Less cost	(325,393)	(360,043)	(368,296)
Net deficit	152,381	118,306	(723)

Specific Target	2016 ACTUAL	2016 TARGET	2015 ACTUAL
IANZ accreditation recognised by national accreditation authorities in over 77 countries	97	77	78

7.4.1 Performance Highlights

7.4.1.1 International involvement

Exports are essential to the New Zealand economy, particularly agricultural (e.g. meat and dairy) products, as well as manufactured goods, including steel and aluminium. The growing global demand for testing in accredited laboratories has seen IANZ play a key role in facilitating international trade. Affiliation with MRA partners assists acceptance of New Zealand products in overseas markets without additional testing or inspection. The recognition of the ILAC MRA by overseas regulators gives manufacturers and suppliers certainty of access into export markets. Currently, 91 accreditation bodies in 92 economies, including all our major trading partners, are signatories to such arrangements. In addition, another five accreditation authorities in the European Union recognise IANZ designation under the auspices of the New Zealand – European Union Government to Government MRA.

IANZ continues its core role as the New Zealand member of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).

Work continues to progress with IANZ's involvement, either by membership of ISO Working Groups or by correspondence, in a number of new standards under development, including the core accreditation body standard (ISO/IEC 17011), the core laboratory standard (ISO/IEC 17025) and the Reference Material Producer standard (ISO 17034).

In October 2015 the Metrology Society of Australasia (MSA) held its first biennial conference in New Zealand, supported by IANZ. The IANZ CEO was one of the conference co-chairs and spoke at one of the sessions.

The Trans-Pacific Partnership (TPP) trade treaty has now been concluded. What is important for IANZ is the note in the TBT section (Section 7) of the treaty regarding a common regulatory process for (low risk) products, based on suppliers' declaration of conformity (SDoC). This process generally requires the manufacturer to undertake testing in an accredited laboratory, often to an international standard, to verify compliance. Such practice is already in place for items such as electrical products and for products that emit electronic frequencies. New Zealand does not have specific regulations for cosmetics, or medical devices, but other countries do. Thus, the agreement will increase the demand for accredited testing, and possibly also for product certification (Telarc). Common regulatory practice invariably means common conformity assessment processes and standards.

The Chair and CEO have met with MBIE staff to discuss how MBIE and IANZ can work together to enhance the use of accreditation and conformity assessment in regulatory systems in New Zealand and international trade. MBIE supports an increased role at APLAC for IANZ as this feeds directly into the APEC and ASEAN agendas.

An ASEAN-CER integration partnership forum in Melbourne gave ASEAN participants an overview of how CER had worked for New Zealand and Australia, even with very different-sized economies, and different regulatory structures and requirements. The IANZ CEO spoke on how the relationship between IANZ and NATA has assisted CER.

The ILAC mid-term meeting in Frankfurt was useful, both for the formal talks and the opportunity for informal discussions with China (steel testing and a new deregulated special economic

⁴ Refer to note 2 Net Revenue and Cost analysis on page 39

zone around Shanghai) and Europe (implications of Britain's possible exit from the European Union). The formal discussions focussed on the new ISO/IEC 17011 standard, MRA evaluations taking into account the needs of regulators, and a consolidation of the ILAC requirements on MRA signatory accreditation bodies.

The IANZ CEO has been elected to the Board of management for APLAC.

On invitation, the CEO gave a presentation to Singapore regulators on "Regulatory Use of Accreditation in New Zealand".

IANZ has been working with EMC testing laboratories to regain acceptance of New Zealand test reports by the United States Federal Communications Commission. The New Zealand Government intends to formally join the APEC Telecommunications MRA (for EMC testing only), and this will enable test reports to be accepted in the USA. Under this agreement, IANZ will be the Designating Authority and the Accreditation Body.

7.4.1.2 Trade Negotiations

IANZ continues to help regulators with free trade discussions. These have included the TPP (largely USA and Japan); RCEP (India and China), and the Gulf Co-operation Council. A comprehensive negotiation with the European Union is also proposed. Where overseas travel is required, this is funded by MFAT or MBIE.

7.4.1.3 Trans-Tasman MRA

IANZ continues to work co-operatively with its counterpart Australian organisation, NATA, to provide seamless recognition of laboratory results and inspection reports for regulators on both sides of the Tasman. Annual benchmarking assists in identifying improvement opportunities. Both organisations ensure accreditation practices provide similar outcomes, including the use of common technical experts where necessary.

7.5 Promoting Conformity Assessment

7.5.1 Publications

Updates to IANZ criteria in technical and information publications can be viewed at www.ianz.govt.nz and copies are sent to the Legal Deposit Office at the National Library of New Zealand. IANZ continues with its promotional campaign, with a number of mainstream media and specialist trade publications publishing articles on IANZ accreditation. IANZ also produces several editorial papers for a number of publications.

7.5.2 Websites

The Council maintains three websites:
ianz.govt.nz; telarc.co.nz; nzqc.co.nz

Each details Council activities, including full product and assessment process information, the register of accredited organisations and how to become IANZ-accredited or Telarc-

certified. News articles of interest and contact details are also provided.

7.6 Organisational Health and Capabilities

7.6.1 Quality Improvement

Inherent in the operating standards adhered to by IANZ and Telarc is the implementation of sound quality management practices based on ISO 9001. To ensure full compliance is maintained, six-monthly internal assessments are conducted. Any corrective actions are addressed and remedied prior to the next assessment.

7.6.2 Assurance of Performance

The Baldrige Criteria for business excellence have been adopted by IANZ to help improve operational performance. A target of 500 (silver status) was set for 30 June 2011 and achieved. A long-term target of 700 (gold award) in the Business Excellence programme has been set, covering all aspects of the operation (leadership, strategy, systems, customer satisfaction and staff).

Adherence to the Baldrige Criteria allows the Council to develop and maintain a high level of excellence in the workplace.

Performance assurance is driven by Telarc having well-documented and communicated processes across all of its spheres of audit operation. Processes are maintained within a recognised process mapping tool, which allows interactive comments to be made on effectiveness, or not, of processes across all aspects of Telarc's business operations. All suggestions to improve are noted and acted upon, ensuring the auditing procedures conducted by Telarc remain relevant to the areas it is required to operate in.

8 Valued Employer

8.1 Health and Safety

The health and safety of employees is of paramount importance to the Council. Comprehensive policies have been implemented to ensure workplace safety. These are annually reviewed by the Council, and audited externally to show compliance with IOD/MBIE guidelines for a safe workplace. Updates on Health and Safety are provided at every Council meeting. A new Health and Safety Management system manual is being drafted which is aligned with the requirements of the AS/NZ 4801 standard. This will be signed off by the Health and Safety Committee and the Council in the New Year and be subject to internal and external audit review.

The Telarc Board and its employees also regard health and safety to be of vital importance. Comprehensive policies and procedures have been documented, implemented and communicated to ensure workplace safety. The Management system that supports Health and Safety is audited by an external party each year against AS/NZS 4801.

8.2 Employer of Choice

Following sound human resource management principles and using the core values embedded in the Baldrige Criteria to monitor progress, the Council aims to be an Employer of Choice. A low staff turnover goal of 7% or under per year is the Council's target. Clear strategies are in place to implement the vision of Council, and a full review of all activities is held quarterly with staff.

As part of Telarc's Strategic review it was recognised that being an Employer of Choice required Telarc to create, communicate and deliver an employee value proposition to retain and attract talent. It is Telarc's goal to create a sustainable business supported and run by professional, ethical and relevant people. To achieve this, Telarc is committed to building up a strong employee value proposition on an ongoing basis to retain and grow its position as an Employer of Choice.

8.3 Equal Employment Opportunities

Sound employment policies are in place to ensure all staff and job applicants are treated equally, regardless of status. Firm guidelines in the recruitment process highlight the need to appoint new staff on ability and merit. IANZ does not discriminate on the basis of race, gender, orientation or other grounds. The Council ensures gender neutrality in its appointment processes. Full job descriptions are provided for each position with key performance indicators set each year in conjunction with managers. Formal performance reviews are conducted annually, with informal assessments at six months. These ensure there is no discrimination in the appointment process, or in the workplace.

8.4 Staffing

Recruiting suitably qualified people for training as IANZ assessors and Telarc auditors remains difficult. The movement of a few staff, and scope expansion in some programmes, has necessitated the need to assess ongoing needs.

Telarc is currently reviewing its staff requirements to meet forecasted growth expected for 2016-2017. Telarc also employs a number of contract auditors and has scope for growth in

environmental management systems certification. These are not included in FTE staff numbers

8.5 Good Employer Policies and Practices

Good employer practice is promulgated through formal policies covering:

- Health and safety
- Environmental
- Staffing
- Training and development
- Induction

Good employment practices are explained further in the Staff Manual and individual employment contracts, which clearly set out the code of practice for personal grievances if staff are disadvantaged in their employment, discriminated against, bullied in any way, or sexually or racially harassed in the workplace. Details have been discussed individually with all staff. Workplaces are designed to accommodate people with physical differences and regular building emergency evacuation drills allow for the management of such persons in emergencies.

Workplace stress is closely monitored, with additional counselling support for staff as required. Workplace flexibility is also paramount, including the taking of leave, flexible hours and autonomy in undertaking assessments.

Over the past 12 months:

Gender balance has further improved with women comprising 45% of total Council staff. Currently, 39% of the management team are women. This balance is benchmarked against other agencies.

All staff continue to be paid on merit and ability, without bias.

No employee requested working hours outside the norm.

No grievances or cases of discrimination were reported.

The Council's proactive Health and Safety Policy is designed to ensure the ongoing safety of all employees. No serious harm incidents occurred during the year ended 30 June 2016 (also nil in 2015). A number of health and safety initiatives were also undertaken by staff to cover Council office procedures, as well as hazards at client premises.

A staff wellness survey was undertaken during the year with a specific focus on stress. There was a good participation rate of 91% and a follow-through exercise was undertaken by the independent consultant overseeing the survey.

8.6 Performance Appraisals

All Council staff underwent annual performance appraisals in August 2015, which were repeated in August and September this year, to evaluate individual achievement against key performance indicators and to identify opportunities for personal development and training. The new remuneration structure implemented last year has proved beneficial in creating clear development pathways for all staff.

8.7 Staff Training

Specific training initiatives have been developed to meet individual staff development goals.

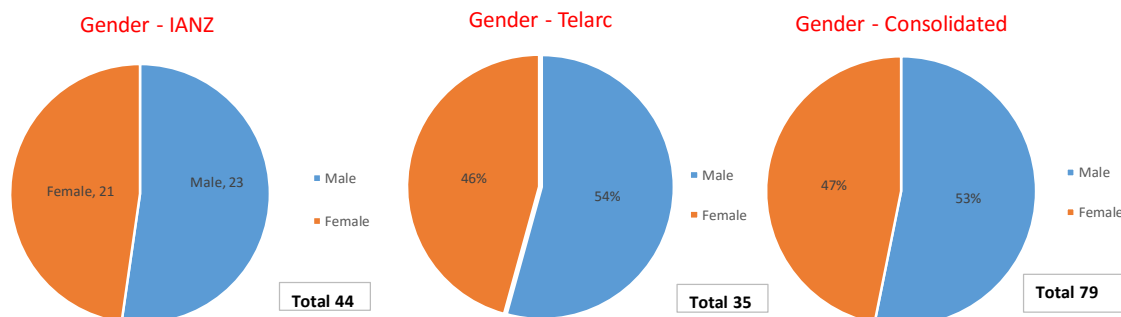
8.8 Technical experts

IANZ uses approximately 2,000 technical experts on a voluntary basis to support the accreditation assessments of clients. Their efforts are critical to the operation of IANZ. During these assessments, the volunteers are part of the IANZ workforce, complying with Health and Safety policies, covered by IANZ insurance and working with IANZ staff as full team members.

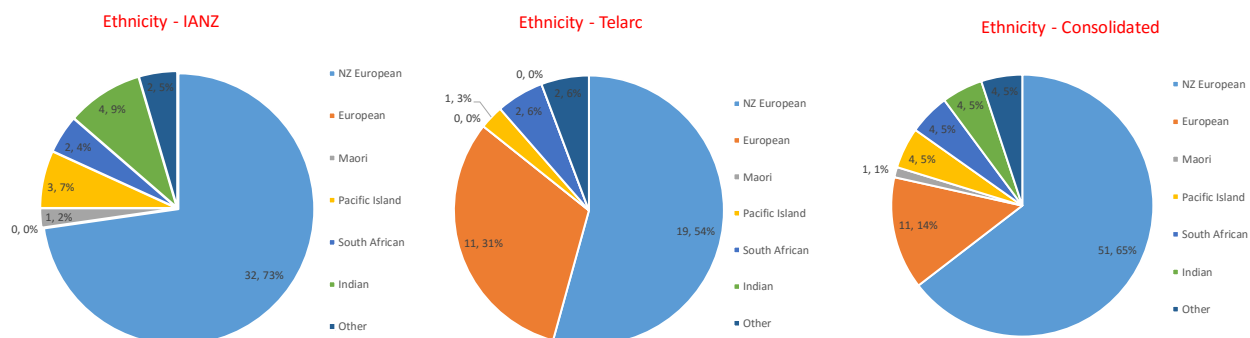
8.9 Human Resource Statistics

As at 30 June 2016

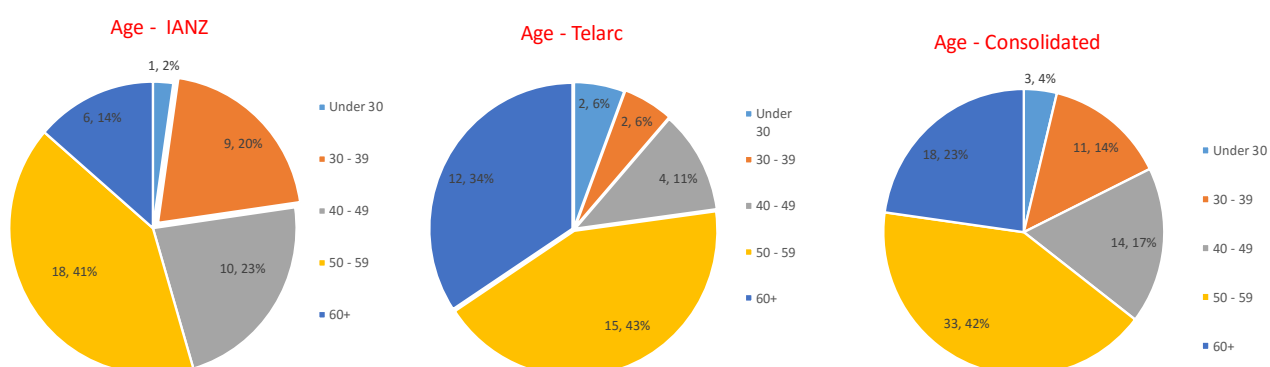
8.9.1 Gender



8.9.2 Ethnicity/Nationality



8.9.3 Age



9 Statement of Responsibility

The Council and management of IANZ accepts responsibility for:

- The preparation of the financial statements, statement of performance and the judgments made in them.
- End-of-year performance information provided by IANZ under section 19A of the Public Finance Act.
- Establishing and maintaining a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of IANZ, the financial statements and statement of performance fairly reflect the financial position and operations of the Council for the year ended 30 June 2016.



Paul Connell
Chair of Council
14 October 2016



Lindsey Lawton
Chair of Audit and Risk Committee
14 October 2016



Dr Llewellyn Richards
Chief Executive
14 October 2016



Marc Ferguson
Commercial Manager
14 October 2016

Independent Auditor's Report

To the readers of The Accreditation Council group's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of the Accreditation Council Group (the Group). The Auditor-General has appointed me, Athol Graham, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information of the group consisting of the Accreditation Council and its subsidiary, on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 33 to 49, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 12 to 26.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information:
 - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2016, including for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 14 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the appropriateness of the reported performance information within the Council and Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Council

The Council is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the Group's financial position, financial performance and cash flows; and
- present fairly the Group's performance.

The Council's responsibilities arise from the Crown Entities Act 2004.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Group.



Athol Graham
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

11. Statement of Accounting Policies

11.1 Reporting entity

The Accreditation Council (Council) has designated itself as a public benefit entity (PBE) for financial reporting purposes. The Council trades under the name International Accreditation New Zealand (IANZ), and majority owns its Crown Entity subsidiary, Telarc SAI Limited (Telarc) which performs its certification function. IANZ is disclosed as the Parent in the financial statements with Telarc included in the consolidated figures.

The financial statements for the Accreditation Council are for the year ended 30 June 2016 and were approved by the Council on 14 October 2016.

11.2 Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

11.3 Statement of compliance

The financial statements of the Accreditation Council have been prepared in accordance with the Crown Entities Act 2004, which include the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

These financial statements comply with PBE Accounting Standards.

11.4 Presentation currency and rounding

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

11.5 Basis of consolidation – purchase method

The consolidated financial statements include the parent Council and its subsidiary. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

All significant inter-entity transactions are eliminated on consolidation.

11.6 Budget figures

Budget figures (those approved by the Council at the start of the financial year) have been prepared in accordance with generally accepted accounting practice, consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

11.7 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.

11.8 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 SAI Limited (Telarc) 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 regarding the tax

status of some Crown Entity subsidiaries, particularly subsidiaries of Autonomous and Independent Crown Entities. Consequently, the Council is currently in communication with the IRD to ascertain Telarc's tax status. Initial outcomes from correspondence have reflected that any decision by the IRD will not be retrospective and will only apply from the F2017 financial year onwards.

11.9 Goodwill

Goodwill represents the difference between the consideration paid and the identifiable assets acquired. A policy is in place whereby goodwill is assessed annually for impairment.

11.10 Leases

In 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.

11.11 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 income.

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

11.12 Changes in accounting policies

No changes to accounting policies have been made during the financial year.

11.13 Critical accounting estimates and assumptions

In preparing these financial statements, the Council has made estimates and assumptions for the future, which may differ from subsequent actual results. Such estimates are continually evaluated, based on historical experience and reasonable expectations. Estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment – useful lives and residual values:

At each balance date, the Council reviews the useful lives and residual values of its property, plant and equipment. Such assessments require consideration of a number of factors, such as the physical condition and expected period of use of the asset by the Council, as well as expected proceeds from its future sale. An incorrect estimate will impact on the depreciable amount of an asset, impacting in turn on the depreciation expense in the statement of comprehensive income and carrying amount of the asset in the statement of financial position.

The Council minimises such risk by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets;
and
- analysis of prior asset sales.

The Council has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Note 6.

The Council assesses goodwill for impairment at the end of each reporting period and, if required, recognises an impairment loss at that date in accordance with PBE IPSAS 26 (Impairment of cash-generating assets). VNZ has been fully integrated into Telarc's business and for the purposes of the impairment test the cash generating unit is Telarc. The fair value of Telarc is greater than the value of its net assets including goodwill. The holding value of Telarc in IANZ's balance sheet and the goodwill in the consolidated balance sheet is not impaired.

12 Annual Financial Statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2016

		CONSOLIDATED			PARENT		
	Notes	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
REVENUE							
Funding from clients		15,161,584	15,082,848	14,337,105	7,403,164	7,505,944	7,005,931
Other revenue		132,338	91,331	104,057	411,321	426,535	461,534
Total revenue	2	15,293,922	15,174,179	14,441,162	7,814,485	7,932,479	7,467,465
EXPENDITURE							
Personnel costs	3	7,902,419	7,841,749	7,764,198	4,426,806	4,405,549	4,438,370
Depreciation and amortisation expense	6,8	163,648	268,917	142,977	107,097	186,599	93,779
Finance Costs	22	27,492	-	29,469	-	-	-
Other expenses	1	5,659,175	5,676,029	5,394,426	2,303,844	2,537,077	2,472,144
Total expenditure		13,752,734	13,786,695	13,331,070	6,837,747	7,129,225	7,004,293
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		1,541,188	1,387,484	1,110,092	976,738	803,254	463,172
Attributable to:-							
Owners of the parent		1,325,075	1,153,792	854,612	976,738	803,254	463,172
Non-controlling interest		216,113	233,692	255,480			
		1,541,188	1,387,484	1,110,092	976,738	803,254	463,172

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Notes	CONSOLIDATED			PARENT	
		2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2015 Actual \$
Balance at 1 July		5,981,134	6,112,285	4,996,042	3,398,514	2,935,342
Total comprehensive revenue and expense for the year		1,541,188	1,387,484	1,110,092	976,738	463,172
Less dividend declared		(100,000)	(116,846)	(125,000)	-	-
Balance at 30 June	17	7,422,322	7,382,923	5,981,134	4,375,252	3,398,514
Equity attributable to owners of the parent	17	6,548,053	6,501,939	5,222,978	4,375,252	3,398,514
Brought forward		758,156	764,138	627,676	-	-
Share Capital		-	-	-	-	-
Less dividend declared		(100,000)	(116,846)	(125,000)	-	-
Share of surplus		216,113	233,692	255,480	-	-
Non-controlling interest	17	874,269	880,984	758,156	-	-
Total equity	17	7,422,322	7,382,923	5,981,134	4,375,252	3,398,514

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

		CONSOLIDATED				PARENT	
	Notes	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
Equity							
<u>Equity attributable to owners of the parent</u>							
Accumulated Surplus / (Deficit)	17	6,548,053	6,501,939	5,222,978	4,375,252	4,334,327	3,398,514
<u>Non-controlling interest</u>							
Accumulated Surplus / (Deficit)	17	874,269	880,984	758,156	-	-	-
Total equity	17	7,422,322	7,382,923	5,981,134	4,375,252	4,334,327	3,398,514
Represented by:							
ASSETS							
Current assets							
Cash and cash equivalents	15	1,911,483	4,813,913	2,501,715	988,622	3,335,471	1,523,606
Investment	5	3,200,000	127,500	1,800,000	2,900,000	127,500	1,500,000
Trade and other receivables	4	3,002,275	2,616,443	2,480,769	1,768,479	1,614,426	1,582,646
Other assets: prepayments		231,696	120,283	144,559	132,998	33,963	101,634
Total current assets		8,345,454	7,678,139	6,927,043	5,790,099	5,111,360	4,707,886
Non current assets							
Investments	5	-	-	-	450,000	450,000	450,000
Property, Plant and Equipment	6	288,467	355,090	248,688	191,130	258,999	165,647
Goodwill	7	2,500,000	2,500,000	2,500,000	-	-	-
Intangible Assets	8	172,737	214,174	174,098	110,046	161,752	148,437
Total non current assets		2,961,204	3,069,264	2,922,786	751,176	870,751	764,084
Total assets		11,306,658	10,747,403	9,849,829	6,541,275	5,982,111	5,471,970
LIABILITIES							
Current liabilities							
Trade and other payables	9	2,731,763	2,697,028	2,616,998	1,709,126	1,279,556	1,662,372
Borrowings	11	-	-	-	-	-	-
Dividend payable to non-controlling interest	12	100,000	116,846	125,000	-	-	-
Provision for employee entitlements	10	652,573	550,606	576,697	456,897	368,228	411,084
Total current liabilities		3,484,336	3,364,480	3,318,695	2,166,023	1,647,784	2,073,456
Non current liabilities							
Borrowings	11	400,000	-	550,000	-	-	-
Total non current liabilities		400,000	-	550,000	-	-	-
Total liabilities		3,884,336	3,364,480	3,868,695	2,166,023	1,647,784	2,073,456
NET ASSETS		7,422,322	7,382,923	5,981,134	4,375,252	4,334,327	3,398,514

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

		CONSOLIDATED			PARENT	
Notes	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Revenues from services provided	14,612,215	14,482,323	14,194,428	7,114,355	6,911,795	7,036,606
Interest received	61,693	91,331	83,600	43,186	75,996	71,107
Dividends received	-	-	-	375,000	-	412,500
	<u>14,673,908</u>	<u>14,573,654</u>	<u>14,278,028</u>	<u>7,532,541</u>	<u>6,987,791</u>	<u>7,520,213</u>
Cash was applied to:						
Payments to employees	7,579,657	7,619,313	7,477,977	4,246,849	4,272,638	4,234,580
Payments to suppliers	5,791,731	6,178,780	5,842,154	2,342,916	2,537,646	2,472,209
Interest Paid	27,492	-	29,469	-	-	-
Net Goods and Services Tax	(16,281)	(33,210)	(203)	(20,904)	(33,017)	7,334
	<u>13,382,599</u>	<u>13,764,883</u>	<u>13,349,397</u>	<u>6,568,861</u>	<u>6,777,267</u>	<u>6,714,123</u>
Net cash flows from operating activities	1,291,309	808,771	928,631	963,680	210,524	806,090
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from sale of Property, Plant & Equipment	9,956		60,995	7435	-	51329
Acquisition of Investment	(1,400,000)	-	(1,800,000)	(1,400,000)	-	(1,500,000)
	<u>(1,390,044)</u>		<u>(1,739,005)</u>	<u>(1,392,565)</u>	<u>-</u>	<u>(1,448,671)</u>
Cash was applied to:						
Purchase of Property, Plant & Equipment	148,487	137,500	117,414	99,019	51,000	73,427
Purchase of Intangible assets (computer software)	68,010	105,000	130,765	7,080	55,000	122,845
	<u>216,497</u>	<u>242,500</u>	<u>248,179</u>	<u>106,099</u>	<u>106,000</u>	<u>196,272</u>
Net cash flows from investing activities	(1,606,541)	(242,500)	(1,987,184)	(1,498,664)	(106,000)	(1,644,943)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend to non-controlling interest	(125,000)	(130,128)	(137,500)	-	-	-
Repayment of Loan	(150,000)	(550,000)	-	-	-	-
Net cash flows from financing activities	(275,000)	(680,128)	(137,500)	-	-	-
Net increase (decrease) in cash held	(590,232)	(113,857)	(1,196,053)	(534,984)	104524	(838,853)
Cash and cash equivalents at beginning of the year	2,501,715	4,927,770	3,697,768	1,523,606	3,230,947	2,362,459
Cash and cash equivalents at the end of the year	15 1,911,483	4,813,913	2,501,715	988,622	3,335,471	1,523,606

The accompanying accounting policies and notes form an integral part of these financial statements.

13 Notes to the Financial Statements

For the year ended 30 June 2016

Note 1: Other Expenses

	CONSOLIDATED			PARENT		
	2016	2016	2015	2016	2016	2015
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
The net surplus (deficit) is after charging for:						
Fees to Audit New Zealand for audit of financial statement	66,586	71,832	63,911	35,535	42,119	33,860
Marketing Costs	160,687	277,563	220,740	54,893	101,063	76,095
Staff expenses	427,457	388,447	222,099	79,226	59,198	57,153
International Expenses	284,686	249,607	274,126	172,088	134,608	163,010
Communication	177,116	200,937	201,811	80,135	94,539	90,172
Accommodation	561,842	656,489	601,243	361,546	442,667	419,271
Information Technology	194,192	203,719	178,752	93,658	102,692	81,873
Office Expenses	151,115	160,113	150,527	80,405	88,665	83,885
Assessment Expenses	2,884,922	2,686,825	2,716,277	1,284,415	1,401,935	1,405,667
Other Expenses	750,572	780,497	764,940	61,943	69,592	61,159
Total Other Expenses	5,659,175	5,676,029	5,394,426	2,303,844	2,537,077	2,472,144

Operating leases as lessee

The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
No later than one year	487,799	199,834	348,674	93,923
Later than one year but not later than five years	1,775,453	1,834,734	1,537,085	1,501,487
Later than five years	-	384,271	-	384,271
Total non- cancellable operating leases	2,263,252	2,418,839	1,885,758	1,979,681

The Accreditation Council of New Zealand leases one Auckland office property. The lease was renewed in April 2015 for a further term of six years.

Telarc SAI Limited leases three office properties. The Auckland lease was renewed in July 2015 for a term of four years and the Christchurch lease was renewed in March 2015 for a term of two years. The Tauranga Lease was renewed in October 2015 for a further term of three years.

No restrictions are placed on the Accreditation Council Council or Telarc SAI Limited by any of their existing agreements.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 2 : Revenue

Accounting Policy

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.

	CONSOLIDATED			PARENT		
	2016	2016	2015	2016	2016	2015
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Note 2: Net revenue/(cost) analysis						
Accreditation services						
Revenue	6,198,476	6,343,476	5,966,283	6,198,476	6,343,476	5,966,283
Less cost	(5,751,990)	(6,109,920)	(5,936,313)	(5,751,990)	(6,109,920)	(5,936,313)
Net surplus	446,486	233,556	29,970	446,486	233,556	29,970
Certification services						
Revenue	7,516,602	7,435,302	7,144,299	-	-	-
Less cost	(6,754,578)	(6,573,800)	(6,199,502)	-	-	-
Net surplus	762,024	861,502	944,797	-	-	-
Training and other services						
Revenue	968,732	825,721	858,950	726,914	684,119	672,075
Less cost	(920,773)	(742,932)	(826,959)	(760,363)	(659,262)	(699,684)
Net surplus / (deficit)	47,959	82,789	31,991	(33,449)	24,857	(27,609)
International recognition services						
Revenue	477,774	478,349	367,573	477,774	478,349	367,573
Less cost	(325,393)	(360,043)	(368,296)	(325,393)	(360,043)	(368,296)
Net deficit	152,381	118,306	(723)	152,381	118,306	(723)
Other Revenue						
Interest	115,816	91,331	100,086	96,408	75,996	84,302
Net gain on sale of property, plant, and equipment ¹	16,522	-	3,971	14,913	-	2,232
Dividend	-	-	-	300,000	350,539	375,000
Total	132,338	91,331	104,057	411,321	426,535	461,534
Total revenue						
Total revenue	15,293,922	15,174,179	14,441,162	7,814,485	7,932,479	7,467,465
Less total cost	(13,752,734)	(13,786,695)	(13,331,070)	(6,837,747)	(7,129,225)	(7,004,293)
Total comprehensive income	1,541,188	1,387,484	1,110,092	976,738	803,254	463,172

Telarc SAI Limited paid the Parent \$529,000 as a contribution towards overheads (2015, \$529,000), which has been off-set against cost of service in the Parent accounts.

¹Asset Disposals

During the year, two motor vehicles were disposed of, one of which reached its predetermined age, the other was acquired by a staff member.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 3 : Personnel Costs excluding Council and Directors' fees

Accounting Policy

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred

	CONSOLIDATED			PARENT	
	2016	2016	2015	2016	2015
	Actual	Budget	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Salaries and wages	7,655,533	7,646,198	7,540,939	4,292,662	4,293,242
Defined contribution plan employer contribution	171,011	163,309	160,297	88,331	86,466
Increase/ (decrease) in employee entitlements	75,875	32242	62,962	45,812	58,662
Total Personnel Costs	7,902,419	7,841,749	7,764,198	4,426,806	4,438,370

Personnel costs have increased on prior year mainly due to staff movement.

Employee Remuneration

During the year the number of Council and Group employees (other than members and directors) receiving remuneration and other benefits in excess of \$100,000 were:

	Number of Employees	
	2016	2015
	Actual	Actual
Remuneration		
\$280,000 - \$290,000	1	-
\$250,000 - \$260,000	-	1
\$200,000 - \$210,000	1	-
\$180,000 - \$190,000	1	1
\$170,000 - \$180,000	1	1
\$150,000 - \$160,000	1	-
\$140,000 - \$150,000	1	1
\$130,000 - \$140,000	2	4
\$120,000 - \$130,000	6	1
\$110,000 - \$120,000	4	9
\$100,000 - \$110,000	15	12

During the year ended 30 June 2016, 1 (2015, 2) employee received compensation and other benefits in relation to cessation totalling \$27,075 (2015 \$60,072).

Council and Board member remuneration

The total value of remuneration paid or payable to each Council and Board member during the year was:

	2016	2015
Council members		
Paul Connell, Chairman (From 1 July 2014)	25,333	25,000
Elizabeth Hopkins	12,667	12,500
John Boshier (From 1 Jul 2014)	12,667	12,500
Howard Duff	12,667	12,500
Dr John Hay (Until 31 Oct 2015)	4,167	12,500
Dr Richard Janes, (Until 31 Aug 2014)	-	2,083
Dr Cam Kyle (Until 31 October 2015)	4,167	12,500
Lindsey Lawton (From 1 Jul 2014)	12,788	12,500
Susan Paterson (Until 30 Sep 2015)	3,125	12,500
Andrea Grant (From 1 June 2016)	1,208	-
Total Council Fees	88,788	114,583
Telarc SAI Limited Directors		
David Bone, Chairman	25,250	25,000
Paul Connell	12,625	12,500
Dr Richard Janes (Until 31 Dec 2015)	6,250	12,500
Paul Butcher (Until 17 Dec 2014)	-	5,729
Geoff Richardson (From 17 Dec 2014)	12,625	6,771
Vikki Branagan (From 11 Feb 2016)	5,333	-
Total Directors Fees	62,083	62,500
Total Council and Directors fees	150,871	177,083

The Council has effected Professional Indemnity and Directors & Officers Liability insurance cover for directors and employees.

No Board members received compensation or other benefits in relation to cessation (2015 \$nil).

Notes to the Financial Statements

For the year ended 30 June 2016

Note 4: Trade and other receivables

Accounting Policy

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.

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Trade receivables	2,675,798	2,252,339	1,246,919	1,035,177
Less: Provision for impairment	(20,828)	(15,795)	-	(1,266)
Net trade receivables	2654970	2,236,544	1246919	1,033,911
Other receivables				
- Work in progress	347,305	244,225	221,560	173,735
- Dividends received	-	-	300,000	375,000
Total trade and other receivables	3,002,275	2,480,769	1,768,479	1,582,646

Total receivables comprises the sale of services (exchange transactions)

Note 5: Investments

Accounting Policy

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

The Investment in subsidiary is carried at the lower of cost or fair value. The investment is impaired if there is a significant or prolonged decline in the fair value of the investment below its cost.

	CONSOLIDATED				PARENT	
	2016	2016	2015	2016	2016	2015
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Current Portion						
Term deposits	3,200,000	127,500	1,800,000	2,900,000	127,500	1,500,000
Total Current Portion	3,200,000	127,500	1,800,000	2,900,000	127,500	1,500,000
Non-Current Portion						
Equity Investments	-	-	-	450,000	450,000	450,000
Total Non-Current Portion	-	-	-	450,000	450,000	450,000
Total Investments	3,200,000	127,500	1,800,000	3,350,000	577,500	1,950,000

There is no impairment provision for investments.

Equity Investments are measured at cost. The Council owns 75% of the share capital of Telarc SAI Limited. The share capital investment of Telarc SAI Limited is 600,000 Ordinary Shares.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 6: Property, Plant and Equipment

Accounting policy

All are 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 net in the in the surplus or deficit.

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.

Depreciation

Property, plant and equipment are depreciated at rates that will write off the cost on a straight-line basis of the assets to the estimated residual value over their useful life. 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

Parent

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

Cost	Leasehold Improvements \$	Furniture and Office Equipment \$	Computer Hardware \$	Motor Vehicles \$	Total \$
Balance as at 1 July 2014	455,858	353,998	151,935	207,532	1,169,323
Additions	-	1,198	42,715	29,514	73,427
Disposals	(10,355)	-	-	(75,470)	(85,825)
Balance at 30 June 2015	445,503	355,196	194,650	161,576	1,156,925
Balance at 30 June 2015	445,503	355,196	194,650	161,576	1,156,925
Balance as at 1 July 2015	445,503	355,196	194,650	161,576	1,156,925
Additions	-	10,611	66,373	22,035	99,019
Disposals	-	-	(25,929)	(48,611)	(74,540)
Balance at 30 June 2016	445,503	365,807	235,093	135,000	1,181,404
Accumulated Depreciation					
Balance as at 1 July 2014	424,659	305,349	128,878	97,932	956,818
Depreciation expense	7,909	11,526	17,449	32,072	68,956
Eliminate on disposal	(2,084)	-	-	(32,412)	(34,496)
Balance at 30 June 2015	430,484	316,875	146,327	97,592	991,278
Balance as at 1 July 2015	430,484	316,875	146,327	97,592	991,278
Depreciation expense	5,005	12,270	28,544	20,282	66,101
Eliminate on disposal	-	-	(25,929)	(41,176)	(67,105)
Balance at 30 June 2016	435,489	329,145	148,942	76,698	990,274
Carrying Amounts					
At 30 June 2015	15,019	38,321	48,323	63,984	165,647
At 30 June 2016	10,014	36,662	86,151	58,302	191,130

Notes to the Financial Statements

For the year ended 30 June 2016

Consolidated

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

Cost	Leasehold Improvements \$	Furniture and Office Equipment \$	Computer Hardware \$	Motor Vehicles \$	Total \$
Balance as at 1 July 2014	493,700	517,484	210,238	257,966	1,479,388
Additions		1,951	52,619	62,844	117,414
Disposals	(10,355)	-	-	(100,687)	(111,042)
Balance at 30 June 2015	483,345	519,435	262,857	220,123	1,485,760
Balance as at 1 July 2015	483,345	519,435	262,857	220,123	1,485,760
Additions	-	13,539	112,912	22,035	148,486
Disposals	-	-	(45,768)	(73,828)	(119,596)
Balance at 30 June 2016	483,345	532,974	330,001	168,330	1,514,650
Accumulated Depreciation					
Balance as at 1 July 2014	457,727	437,666	173,978	123,989	1,193,360
Depreciation expense	8,683	15,319	25,675	44,081	93,758
Eliminate on disposal	(2)	-	-	(47,962)	(50,046)
Balance at 30 June 2015	464,326	452,985	199,653	120,108	1,237,072
Balance as at 1 July 2015	464,326	452,985	199,653	120,108	1,237,072
Depreciation expense	5,635	16,287	45,259	31,571	98,752
Eliminate on disposal	-	-	(45,768)	(63,871)	(109,639)
Balance at 30 June 2016	469,961	469,272	199,144	87,808	1,226,185
Carrying Amounts					
At 30 June 2015	19,019	66,450	63,204	100,015	248,688
At 30 June 2016	13,384	63,702	130,857	80,523	288,467

Note 7: Goodwill

Goodwill on the acquisition of Verification New Zealand (VNZ) is recognised as an asset and is separately identified. Goodwill is not amortised, but tested for impairment annually and whenever there is an indication that goodwill may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

	CONSOLIDATED		PARENT	
	2016 Actual \$	2015 Actual \$	2016 Actual \$	2015 Actual \$
Gross Carrying Amount				
Opening balance	2,500,000	2,500,000	-	-
Acquired through business combination	-	-	-	-
Closing balance	2,500,000	2,500,000	-	-
Accumulated Impairment				
Opening balance	-	-	-	-
Impairment loss for the year	-	-	-	-
Closing balance	-	-	-	-
Goodwill carrying amount	2,500,000	2,500,000	-	-

Impairment Testing for Telarc SAI Limited (Telarc), the Cash Generating Unit (CGU) containing Goodwill

For the purposes of impairment testing, goodwill is allocated to Telarc, the Group's CGU which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Recoverable Value

The recoverable value was based on a Value In Use (VIU) calculation using the Discounted Cash Flow (DCF) methodology. The recoverable value was in excess of the carrying value of the CGU and therefore no impairment has been recognised (2015:Nil). Four scenarios were modelled to show movements in free cash flow which still produce an NPV equal to the enterprise value. These are as follows:

- cash flows were projected for six years on a static earnings basis utilising the F2017 budget numbers as a base.
- cash flows were projected for six years assuming the budgeted cash flow for F2017 and a 3.84% decline thereafter.
- cash flows were projected for six years assuming a flat, free cash flow growth from F2017.
- cash flows were projected for six years assuming a steady, free cash flow increase of 5% from F2016.
- A weighted average cost of capital of 9.61% (assuming a risk free rate of 2.25%; market risk premium rate of 7.5%, a beta rate of 1% and cost of debt rate of 7%) per annum, based on Telarc's tax status has been applied to the cash flows.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 8: Intangible Assets

Accounting Policy

Computer software is recorded at historical cost.

Client lists purchased are recorded at historical cost.

Programme and course development costs:

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

Amortisation

Computer software and capitalised course and programme development costs are amortised at rates that will write off the cost on a straight-line basis to the estimated residual value over their useful life. 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.

While work is still in progress with regard to certain capitalised course and programme development costs, the useful life of completed projects will be established at project completion

Movements for each class of intangible asset are as follows:

Total Cost	CONSOLIDATED				PARENT			
	Product Development	Acquired Computer Software	Acquired Client Lists	Total	Product Development	Acquired Computer Software	Acquired Client Lists	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2014	41,702	1,713,045	369,435	2,124,182	41,702	889,062	-	930,764
Balance at 30 June 2015	42,304	1,843,208	369,435	2,254,947	42,304	1,011,305	-	1,053,609
Balance as at 1 July 2015	42,304	1,843,208	369,435	2,254,947	42,304	1,011,305	-	1,053,609
Additions	-	68,010	-	68,010	-	7,080	-	7,080
Disposals	(4,475)	-	-	(4,475)	(4,475)	-	-	(4,475)
Balance at 30 June 2016	37,829 ^a	1,911,218 ^b	369,435	2,318,482	37,829 ^a	1,018,385	-	1,056,214
Amortisation								
Balance as at 1 July 2014	17,088	1,645,107	369,435	2,031,630	17,088	863,261	-	880,349
Balance at 30 June 2015	23,490	1,687,923	369,435	2,080,849	23,490	881,682	-	905,172
Balance as at 1 July 2015	23,490	1,687,923	369,435	2,080,849	23,490	881,682	-	905,172
Amortisation expense	3,029	61,867	-	64,896	3,029	37,967	-	40,996
Eliminate on disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2016	26,519	1,749,790	369,435	2,145,745	26,519	919,649	-	946,168
Carrying Amounts								
At 30 June 2015	18,814	155,285	-	174,098	18,814	129,623	-	148,437
At 30 June 2016	11,310	161,428	-	172,737	11,310	98,736	-	110,046

^a Includes WIP on programme development costs - \$9,380

Capital Commitments

The amount of contractual commitments for the acquisition of intangible assets is \$19.5k (2015 \$nil).

Notes to the Financial Statements

For the year ended 30 June 2016

Note 9: Payables

	CONSOLIDATED			PARENT		
	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
Payables under exchange transactions						
Trade payables	421,100	715,452	339,507	243,063	430,618	193,008
Accrued expenses	647,569	511,125	595,305	415,493	-	290,982
Revenue in advance	1,276,992	1,195,730	1,318,434	852,652	807,738	955,975
Total payables under exchange transactions	2,345,661	2,422,307	2,253,246	1,511,208	1,238,356	1,439,965
Payables under non-exchange transactions						
Taxes Payable (GST, PAYE, FBT)	386,102	274,721	363,752	197,918	41,200	222,407
	386,102	274,721	363,752	197,918	41,200	222,407
Total payables under non-exchange transactions						
Total Payables	2,731,763	2,697,028	2,616,998	1,709,126	1,279,556	1,662,372

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of trade creditors and other payables approximates their fair value.

Note 10: Employee entitlements

Accounting policy

Provision is made for the Council and 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

	CONSOLIDATED			PARENT		
	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
Annual leave	580,717	550,606	522,144	390,609	368,228	356,531
Long service leave	71,856	-	54,553	66,288	-	54,553
Total	652,573	550,606	576,697	456,897	368,228	411,084

The present value of long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the Treasury. The discount rates used have maturities that match, as closely as possible, the estimated future cash flows. The salary inflation factor has been determined after considering historical salary inflation patterns and utilising actuarial rates as advised by the Treasury. Discount rates for year 1: 2.12% ; year 2: 1.95% and year 3 plus: 3.13% (2015 year 1: 2.93% ; year 2: 2.81% ; year 3 plus: 4.93%) and an inflation factor of 2.5%. If the discount rate were to differ by 1% from that used, with all other factors held constant, the carrying amount of the long service leave liability would be an estimated \$1,560 higher/lower.

If the salary inflation figure were to differ by 1% from that used, with all other factors held constant, the carrying amount of the long service leave liability would be an estimated \$1,887 higher/lower.

The long-term portion is not considered significant.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 11: Borrowings

Accounting Policy

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

	CONSOLIDATED			PARENT		
	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2016 Budget \$	2015 Actual \$
Secured loan	400,000	-	550,000	-	-	-
Total	400,000	-	550,000	-	-	-

Secured loan

The loan is secured by a registered charge in all Telarc SAI Limited's personal property in accordance with the Personal Property Securities Act 1999.

Secured loan covenants

Telarc is required to ensure that the following financial covenant ratios for the secured loan are achieved during the year:

Interest cover ratio - Earnings for each financial quarter are not less than 2.5 times its funding costs for that quarter.

This covenant will be tested on a twelve (12) month rolling basis.

Total leverage ratio - Total leverage ratio for each financial year to be maintained at less than 2.5 times.

The secured loan becomes repayable on demand in the event these covenants are breached or if interest and principal payments are not made when they fall due. Telarc SAI Limited has complied with all covenants and loan repayment obligations during the financial year.

Fair value

Due to interest rates on floating rate debt resetting to the market rate every month, the carrying amount of the secured loan approximates its fair value.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 12: Related party information

The Accreditation Council is an Autonomous Crown Entity. All related party transactions have been entered into on an arm's-length basis.

Telarc SAI Limited

The Council owns 75% of the share capital of Telarc SAI Limited.

The share capital investment of Telarc SAI Limited is 600,000 Ordinary Shares.

The principal activity of Telarc SAI Limited is the business of providing management system assessments and recognition services.

Telarc SAI Limited balance date: 30 June.

SAI Global Limited

SAI Global Limited owns 25% of the share capital of Telarc SAI Limited.

Dividend declared and payable to SAI Global	\$100,000	(2015 \$125,000)
Audit services provided by SAI Global	\$192,120	(2015 \$126,057)
Audit services provided to SAI Global	\$246,473	(2015 \$337,748)
Balance of liability owing to SAI Global	Nil	(2015 Nil)
Balance of liability owing to Telarc SAI Limited	\$58,533	(2015 \$32,552)

Accreditation Council and Telarc SAI Limited

During the year, the total transactions charged by the Accreditation Council of New Zealand to Telarc SAI Limited were \$892,236, \$529,000 being overhead contribution fees with the balance for goods and services. Transactions charged to the Council were \$363,326 (2015 transactions charged by the Council were \$795,935, \$529,000 being overhead contribution fees with the balance for goods and services, and transactions charged to the Council for goods and services were \$266,935). There are no other related party transactions.

At year end Telarc SAI Limited owed the Council:

Current account advances	Nil	Nil
Payables	\$61,349	(2015 \$53,373)
Dividends	\$300,000	(2015 \$375,000)

At year end Council owed Telarc SAI Limited:

Payables	\$37,945	(2015 \$26,175)
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Key management personnel compensation

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Council and Board Members				
Remuneration	150,871	177,083	88,788	114,583
Full time equivalent members	0.7	0.8	0.3	0.5
Leadership Team				
Salaries and other short-term employee benefits	2,822,788	3,136,448	2,229,819	2,325,288
Other long-term benefits	47,209	40,200	47,209	40,200
Termination benefits	54,150	120,144	54,150	120,144
Total remuneration	2,924,147	3,296,792	2,331,178	2,485,632
Full time equivalent members	19.0	24.0	15.0	17.0
Total key management personnel remuneration	3,075,017	3,473,875	2,419,965	2,600,215
Total full time equivalent personnel	19.7	24.8	15.3	17.5

The full time equivalent for Council and Board members has been based on the frequency and length of Council and Board meetings and the estimated time for the Council and Board members to prepare for meetings.

Note 13: Major Budget Variations

IANZ's surplus of \$677k for year-end was the highest on record, exceeding plan and that of prior year by \$224k and \$589k respectively.

Accreditation Services achieved a 9% (\$260k) increase in margin against target (up on prior year by 26%) on the back of 1% (\$82k) reduced revenue (ahead of prior year by 6%). Overall performance, was affected in the main by staffing levels in the Medical and Diagnostics Programme (non-replacement of staff against budget, staff replacement and consequent training). Resultant impact on margin ratios has realised a 5% improvement against target.

International Recognition revenue was aligned with plan for the year, with work undertaken overseas in ISO standard workshops being the major driver for the \$27k reduction in margin against plan.

General overheads were marginally adverse to plan (\$3k) after the absorption of training costs for new staff in Accreditation Services and provisioning for staff incentives. Improvement in real terms against budget was circa \$250k.

Telarc realised a net profit before dividend of \$864k, down on plan by \$71k (8%).

Exceptional performance in the Food Programme, coupled with the Electrical Workers Registration Board (EWRB) initiative, have been the main contributors to overall revenue levels exceeding plan by \$186k (2%). Margin has been impacted by the increased utilisation of subcontractors, the movement and availability of direct staff, associated training costs, and skill development across the board.

Whilst operating costs have been managed well across the board, the main drivers for the \$150k improvement against budget have been in corporate expenses (salaries and staff expenses).

Note 14: Post balance date events

There were no significant events after the balance date.

Note 15: Cash and cash equivalents

Accounting Policy

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

	CONSOLIDATED		PARENT	
	2016 Actual	2015 Actual	2016 Actual	2015 Actual
	\$	\$	\$	\$
Cash on hand and at bank	1,376,233	1,921,445	861,122	1396106.2
Cash equivalents - short-term investments	535,250	580,270	127,500	127,500
Total Cash and Cash Equivalents	1,911,483	2,501,715	988,622	1,523,606

Note 16 : Contingent Liabilities as at 30 June 2016

Rental Agreement

IANZ has a contingent liability relating to a claim from the landlord of its Auckland tenancy, over a misinterpretation of the current lease agreement. IANZ will be endeavouring to resolve the matter through mediation. (2015 Nil).

Notes to the Financial Statements

For the year ended 30 June 2016

Note 17: Equity

Accounting policy

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

	CONSOLIDATED			PARENT	
	2016 Actual \$	2016 Budget \$	2015 Actual \$	2016 Actual \$	2015 Actual \$
Equity attributable to owners of the parent					
Accumulated Surplus / (deficit)					
Balance at 1 July	5,222,978	5,348,147	4,368,366	3,398,514	2,935,342
Surplus / (deficit) for the year	1,325,075	1,153,792	854,612	976,738	463,172
Balance at 30 June	6,548,053	6,501,939	5,222,978	4,375,252	3,398,514
Non-controlling interests					
Accumulated Surplus / (deficit)					
Balance at 1 July	758,156	764,138	627,676	-	-
Surplus / (deficit) for the year	216,113	233,692	255,480	-	-
Dividend declared	(100,000)	(116,846)	(125,000)	-	-
Balance at 30 June	874,269	880,984	758,156	-	-
Total Equity	7,422,322	7,382,923	5,981,134	4,375,252	3,398,514

Note 18: Finance Costs

Accounting Policy

Borrowing costs are expensed in the in the financial year in which they are incurred.

	CONSOLIDATED		PARENT	
	2016 Actual \$	2015 Actual \$	2016 Actual \$	2015 Actual \$
Interest on secured loan	27,492	29,469	-	-

Appendix 1

Council Function, Overall Objectives, and Operational Standards

1 Function

The Council is required to act independently of Government in carrying out its functions and exercising its statutory powers. The specific functions of the Council, as provided in the Act, are:

- a) To promote the development and maintenance of good practice in conformity assessment; and to establish and maintain an accreditation scheme for conformity assessment bodies (except certification bodies) that comply with that practice; and
- b) To develop and maintain international recognition and acceptance of the Council's accreditation scheme; and to maintain appropriate international relationships consistent with the Council's functions under this section; and
- c) To provide certification services if the Council chooses; and
- d) To perform any other functions as directed by the Minister in accordance with section 112 of the Crown Entities Act 2004.

The Council performs functions (a), (b) and (d) operating as IANZ, with its subsidiary Telarc undertaking function (c).

2 Overall objectives

The Council's main objective is to improve the overall quality of operation for accredited organisations.

As a result of the independent assurance of competence provided by IANZ accreditation, regulators and businesses are able to ensure:

- a) Facilitation of international trade;
- b) Facilitation of domestic economic development; and
- c) Management of health, safety and environmental risks.

Telarc certification also provides recognition of compliance with core management system standards.

3 Operational standards

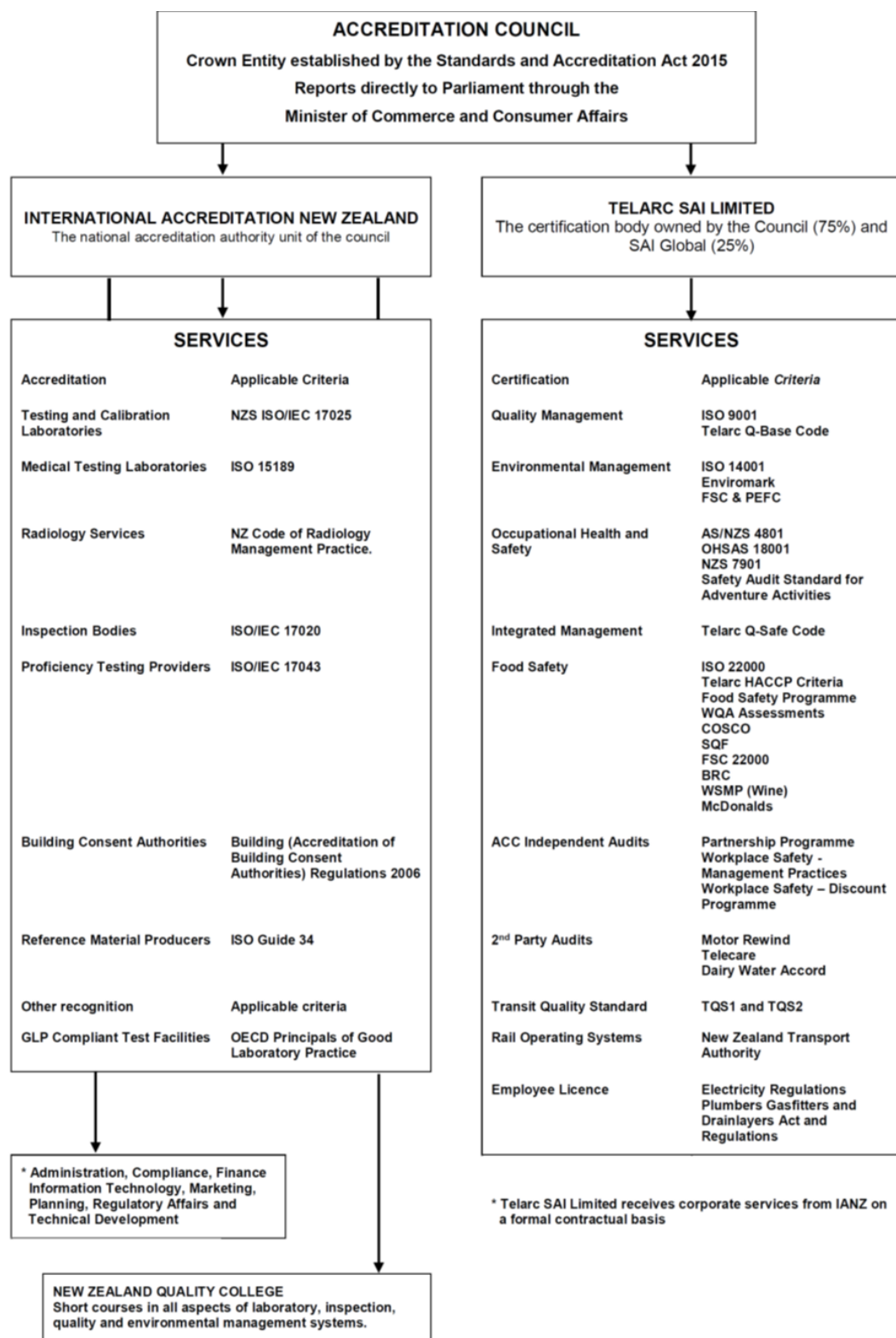
International standards are the cornerstone of the credibility of accreditations and certifications provided by IANZ and Telarc. Each organisation is regularly evaluated against specific standards for their type of operation. To operate as an accreditation authority, IANZ complies with the ISO/IEC 17011 (*Conformity Assessment – General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies standard*).

To operate as a certification body, Telarc complies with ISO/IEC 17021 (*Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems*).

Annual assessments of Telarc against this standard are undertaken by the Trans-Tasman accreditation authority, JAS-ANZ. These external evaluations are combined with twice-yearly management reviews and internal audits to provide Government, regulators and industry with confidence to adopt the outputs provided by the Council for their purposes.

Appendix 2

Council Structure



Appendix 3

Accreditation and Certification Explained

Accreditation

Accreditation requires organisations to meet exacting conditions of technical competence in seven areas of their operations, facilities and procedures.

Personnel

The agency must be managed and staffed by personnel with appropriate technical qualifications, significant experience in inspection and testing, a thorough understanding of the relevant underlying scientific principles and sound operational and managerial skills. Evaluation of laboratory staff is a major component of the IANZ accreditation process.

Accommodation and environment

Many measurement and test procedures must be carried out under tightly controlled environmental conditions or in sterile or electromagnetically screened accommodation. Accreditation of an organisation is dependent upon the appropriate accommodation and environmental controls within the workplace.

Inspection, test and measurement procedures

Accreditation uses only validated inspection and test methods known to produce reliable results. An IANZ-accredited organisation must not only implement rigorous quality control procedures to demonstrate the ongoing validity of its test and inspection methods, but also properly determine its uncertainties of measurement and limits of detection.

Test equipment

An accredited laboratory or inspection body must use test and measuring equipment as specified in its validated methods, which must be well-maintained and regularly calibrated. Such calibrations must, where appropriate, be traceable to the New Zealand national standards of measurement maintained by the Measurement Standards Laboratory under the authority of the Measurement Standards Act 1992.

Reference standards and materials

An accredited organisation must be equipped with an appropriate range of reference measurement standards and materials sufficient to demonstrate the accuracy of its tests and measurements. Such quality control materials must have demonstrated traceability to appropriate international standards.

Records and reports

An accredited laboratory or inspection body must maintain complete records of its inspections and tests, and issue reports in formats in line with international standards.

Quality management

An accredited laboratory or inspection body must implement a quality management system that is essentially in compliance with the requirements of ISO 9001: 2008.

An Accredited Organisation

Any organisation providing inspection, testing or measurement services may apply for accreditation under the Standards and Accreditation Act 2015. That organisation is then subjected to a searching assessment of its expertise, facilities, resources,

operations, procedures and quality systems by a team of independent technical experts accompanied by an IANZ accreditation assessor. Selected for their prowess in specific fields, such experts are drawn from industry, academic institutions, research associations, government and private-sector bodies in both Australia and New Zealand.

Full compliance with the criteria results in formal accreditation by IANZ and the subsequent referencing, as appropriate, of Accredited Laboratory, Accredited Radiology Service, Accredited Inspection Body or Accredited Calibration Laboratory.

Accredited organisations are subject to annual assessments to ensure continued compliance. More frequent reassessments are carried out if necessary.

It should be noted accreditation does not constitute a blanket endorsement of all activities. Accreditation is granted only for specific types of work in which the organisation has demonstrated its expertise. Such work is defined in the organisation's Scope of Accreditation as published on the IANZ website: www.ianz.govt.nz/directory. It also forms part of the certificate of accreditation and should be available from the relevant accredited organisations.

Summary of Operations

Laboratory Accreditation

IANZ accredits testing and calibration laboratories against the requirements of the international standard NZS ISO/IEC 17025:2005 (*General requirements for the competence of testing and calibration laboratories*) and in the case of diagnostic medical laboratories ISO 15189 (*Medical laboratories – Requirements for quality and competence*). The laboratory accreditation programme is available to all such laboratories, and given their diversity, the programme is broken down into the following fields to recognise the different technologies and/or industry sectors.

Chemical Testing and Biological Testing Laboratory Accreditation

Accreditation may be granted for any testing of a chemical and/or biological nature on any sample type. There is a significant diversity of laboratory types accredited under these programmes, but the major areas include food, water and environmental chemistry and microbiology, metal alloys and ores, paint, coal and petroleum products, cement, soils and plants, air and gases, drugs of abuse, and veterinary and plant pathology.

A number of separately administered programmes have been established for chemical and biological testing laboratories in particular industry sectors to meet the needs of key stakeholders.

MPI Recognised Laboratory Programme (incorporating the Dairy Testing Laboratory Accreditation Programme and the MPI Laboratory Approval Scheme) - These programmes support the regulatory recognition of laboratories by MPI for testing in the dairy industry and meat, seafood, and honey industries respectively. Where testing is in support of MPI's official assurances to overseas markets for these exports, the laboratories require regulatory approval, and IANZ accreditation is a prerequisite for that approval. Assessments of laboratories in these programmes include both ISO/IEC 17025 and specific MPI requirements for regulatory approval.

Drinking Water Testing Laboratory Accreditation Programme

Similar to MPI above, the MoH operates an approval programme of laboratories to test drinking water supplies in New Zealand, and a prerequisite to that approval is accreditation by IANZ. IANZ maintains the MoH register of approved laboratories. Assessments of laboratories in this programme include both ISO/IEC 17025 and specific MoH requirements. For particularly small laboratories in remote locations, IANZ assesses them against a lower level standard than ISO/IEC 17025, and grants recognition (leading to MoH approval) but does not accredit these laboratories.

Medical Testing Laboratory Accreditation

Laboratories providing diagnostic testing and pathology services to community and hospital patients and clinicians are accredited against ISO 15189 (*Medical laboratories – Requirements for quality and competence*). Accreditation is required for all privately operated laboratories in order to receive payment for services from the local District Health Board. Essentially all general diagnostic testing and pathology services carried out in New Zealand are covered by IANZ accreditation.

Mechanical Testing Laboratory Accreditation

Engineering laboratories conducting tests of a mechanical nature seek accreditation under the IANZ Mechanical Testing Laboratory Accreditation programme and include a diverse scope of testing types. Major sectors covered by the programme include civil and roading materials, building products and materials, pressure valves, and non-destructive testing. Testing in an IANZ-accredited Mechanical Testing Laboratory is often a contractual requirement for contractors in the construction sector e.g. roading.

Gas Cylinder Testing Laboratory Accreditation

This special programme is essentially a subset of the Mechanical Testing Laboratory Accreditation Programme and accredits gas cylinder test stations (including fuel, industrial and SCUBA cylinders) to meet the regulatory approval requirements of the Hazardous Substances (Compressed Gases) Regulations 2004.

Wool Testing Laboratory Accreditation

New Zealand has two independent laboratories testing wool for grading purposes prior to auction against strict international standards. In accordance with international requirements, both laboratories are accredited by IANZ to ensure accurate grading, which ultimately determines the price paid for New Zealand wool at auction.

Applied Physics Testing Laboratory Accreditation

This specialised programme of testing involves the application of physics principles for performance testing of appliances such as:

refrigerators and wood-fired stoves, controlled environments testing, fire and fire systems, and optical properties.

Electrical Testing Laboratory Accreditation

This programme is also of a specialised nature and includes testing for electrical safety, electromagnetic compatibility and telecommunications testing.

Designated Conformity Assessment Body Programme

In support of the New Zealand Government's trade liberalisation agreements with many of its major trading partners, determination of conformity of traded goods in some sectors is established through Mutual Recognition Agreements with our trading partners. New Zealand uses accreditation to underpin these Agreements, which at this time is predominantly in the electrical and electronic goods sectors.

Metrology and Calibration Laboratory Accreditation

Calibration laboratories test and measure instruments used in industry and other accredited laboratories. Such calibration services underpin all critical measurements made, ensuring they are traceable to international standards of measurements and thereby comparable to all other similar measurement made throughout the world.

Inspection Body Accreditation

IANZ accredits inspection bodies against the requirements of the international standard ISO/IEC 17020: 2012 (*Conformity assessment – Requirements of the operation of various types of*

bodies performing inspection). The IANZ programme has a diverse range of inspection body types accredited, with the majority accredited to meet regulatory or other specifier requirements to conduct particular inspection types. Examples include engineering safety inspection to meet the requirements of the Health and Safety in Employment (Pressure Equipment, Cranes and Passenger Ropeways) Regulations 1999, fire safety systems to meet New Zealand Standards requirements, drinking water supplies risk management programmes to meet MoH requirements, imported used vehicle biosecurity inspection to meet New Zealand's biosecurity and quarantine requirements, food safety management systems inspections to meet MPI requirements, imported vehicle safety inspections, and non-destructive testing and inspection.

Building Consent Authority Accreditation.

The Building Act 2004 requires all local body Councils are accredited by IANZ to process building consents, inspect building construction and issue compliance certificates associated with the consent. Building consent authorities are accredited in accordance with the Building (Accreditation of Building Consent Authorities) Regulations 2006.

Radiology Service Accreditation

Diagnostic radiology services in both the private and public (hospital) sectors may seek accreditation against the New Zealand Code of Radiology Management Practice to demonstrate their competence to provide particular radiology services such as X-ray, ultrasound, CT, MRI and the like. Purchasers of these services, such as the Accident Compensation Corporation (ACC), are increasingly requiring them to be accredited.

Good Laboratory Practice (GLP) Compliance Monitoring Programme

IANZ is the National GLP Compliance Monitoring Authority under the Organisation for Economic Cooperation and Development's (OECD) programme for the Mutual Acceptance of Data. Test facilities conducting health and environmental safety studies intended for regulatory submission in support of the safety of regulated chemicals (such as pharmaceuticals, agricultural chemicals, veterinary medicines, industrial chemicals and the like) for the purposes of registration are inspected against the requirements of the OECD Principles of Good Laboratory Practice.

Reference Material Producer Accreditation

Like the calibration of measuring instruments performed by IANZ-accredited calibration laboratories, producers of reference materials used to calibrate and control testing systems in testing laboratories may seek accreditation against the international standard ISO Guide 34:2009 (*General requirements for the competence of reference material producers*).

Proficiency Testing Provider Accreditation

One of the fundamental requirements for the demonstration of competence of testing and calibration laboratories is for them to participate in inter-laboratory comparisons to show they can achieve comparable results. Providers of proficiency testing services may seek accreditation from IANZ for this against the international assessment (*General requirements for proficiency testing*).

Certification

Certification/registration occurs when an independent and competent third party certifies a product, service, system, process or material conforms to specific requirements.

The certification of quality and environmental management systems as conforming, respectively, to ISO 9000 and ISO 14001 standards, are the most well-known examples. The quality management systems of more than 1,110,000 businesses in 180 countries are certified to comply with ISO 9001, with a further 267,000 in 158 countries certified with environmental management systems complying with ISO 14001.

The terms certification and registration are used interchangeably in the ISO 9001 and ISO 14001 contexts, depending on the country concerned. Likewise, bodies issuing ISO certificates can be referred to as certification bodies, registration bodies or registrars.

As the publisher of standards, the International Organisation for Standardisation (ISO) does not issue certificates of conformity to any standard. Such certificates are issued by more than 740 certification/registration bodies worldwide, all independent of ISO and of the businesses they certify.

The world association of conformity assessment accreditation bodies, the International Accreditation Forum (IAF), requires members to comply with the international standard ISO/IEC 17021, designed to ensure the competence and independent status of each certification/registration body.

Quality and environmental management system certification assures users and customers of compliance with ISO 9001 or ISO 14001 standards, irrespective of the business and its work. To maintain compliance, standards are monitored by regular surveillance.

Restricted to a particular item produced by a particular business, product certification assures users and regulators of compliance with specified standard(s). Such certification may be limited to compliance with one or more standards, even though the product may be subject to many others.

Appendix 4

Glossary of Acronyms

ACC	Accident Compensation Corporation
APLAC	Asia Pacific Laboratory Accreditation Cooperation
AS	Australian Standard
BCA	Building Consent Authority
CBD	Chem//Bio/Dairy Programme
CARs	Corrective Action Requests
CCC	China Compulsory Certification
CE	European Conformity
CEA	Crown Entities Act 2004
EA	European Cooperation for Accreditation
EEO	Equal Employment Opportunities
GLP	Good Laboratory Practice
GMAS	General Manager Accreditation Services
GST	Goods and Services Tax
HACCP	Hazard Analysis and Critical Control Point
HSNO	Hazardous Substances and New Organisms
IAF	International Accreditation Forum
IANZ	International Accreditation New Zealand
IEC	International Electro-Technical Commission
IFRS	International Financial Reporting Standards
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organisation for Standardisation
JAS-ANZ	Joint Accreditation System of Australia and New Zealand
MBIE	Ministry of Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade
MoH	Ministry of Health
MoU	Memorandum of Understanding
MPI	Ministry for Primary Industry
MRA	Mutual Recognition Arrangement
NATA	National Association of Testing Authorities
NSU	National Screening Unit
NZBN	New Zealand Business Number
NZQC	New Zealand Quality College
NZS	New Zealand Standard
OECD	Organisation for Economic Cooperation and Development
PBE	Public Benefit Entity
QC	Queen's Counsel
SSC	State Services Commission
TBT	Technical Barriers to Trade
TPP	Trans-Pacific Partnerships
TQS	Transit New Zealand Quality Standard
WSMP	Workplace Safety Management Practices
WTO	World Trade Organisation

Appendix 5 Directory

Head Offices

International Accreditation New Zealand

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Audit New Zealand

(On behalf of the Controller and Auditor-General)
280 Queen St, Auckland 1010, New Zealand

Bankers

ANZ

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Westpac New Zealand Limited

Great South Rd, Penrose, Auckland 1061, New Zealand
ASB Bank Limited
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Solicitors

Meredith Connell

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