



# STATEMENT OF PERFORMANCE EXPECTATIONS

2017/2018



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

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

*Qualify for the Future World*  
Kia noho takatū ki tō āmua ao

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

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

NZQA is a Crown entity as defined in the Crown Entities Act 2004.

## Board Statement

The Board certifies that the information contained in this Statement of Performance Expectations reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the New Zealand Qualifications Authority for the period 1 July 2017 to 30 June 2018.

In signing this statement, we acknowledge our responsibility for the prospective financial statements contained in this Statement of Performance Expectations.

Signed on: 23 June 2017



**Sue Suckling**  
BOARD CHAIR



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# Introduction

The *2017/18 Statement of Performance Expectations (SPE)* has been prepared in accordance with the requirements of section 149 of the Crown Entities Act 2004.

It sets out the performance expectations of NZQA for the year ending 30 June 2018, covering both service performance and the prospective financial statements as agreed with the Minister of Education.

Progress against our performance expectations will be reported in NZQA's 2017/18 Annual Report.

## NZQA's contribution to the education system

NZQA is part of the seven education system agencies who work closely together to jointly address key areas in the education system and the wider government sector where there is the most need for, and the most potential impact from a collaborative approach. We recognise that through working together we can more effectively help create the acceleration in student achievement and system performance we seek.

NZQA works towards achieving the Government's Better Public Services targets, the Tertiary Education Strategy and the goals of the Business Growth Agenda.

We also work together towards lifting the achievement of priority learners. NZQA programmes and our own strategies – *Te Rautaki Māori* and *Pasifika*

*Strategy* – contribute to *Ka Hikitia Accelerating Success 2013–2017*, *Tau Mai Te Reo – the Māori language in Education Strategy 2013–17*, *International Education Strategy* and the *Pasifika Education Plan 2013–2017*.

We collaborate with other agencies to achieve aims critical to New Zealand's success, including:

- › 85 percent of 18-year-olds achieving NCEA Level 2 or an equivalent qualification in 2017
- › 60 percent of 25 to 34-year-olds having a qualification at Level 4 or above in 2018
- › an average of 70 percent of New Zealanders' most common transactions with government will be completed in a digital environment by 2017
- › growing international education for the building of export markets
- › delivering services more effectively for Māori, Pasifika and people from lower socio-economic backgrounds
- › enabling improvement across the tertiary education sector
- › using technology to deliver better services
- › improving transitions between levels of study and from study to employment.

## Overview of our role and intentions

NZQA's role is to ensure New Zealand qualifications are valued as credible and robust, both nationally and internationally. We do this through our work to improve the qualifications system, strengthen educational quality assurance of non-university tertiary education and enhance senior secondary school level assessment.

NZQA's vision '*Qualify for the Future World: Kia noho takatū ki tō āmua ao*', encapsulates NZQA's role and ambition for learners and for New Zealand. The performance of NZQA depends on our contribution to making the New Zealand education sector a world-leading education system that meets the needs of learners and employers. We have three goals to 2020 to help us achieve our vision:

- › NCEA examinations online, where appropriate, by 2020
- › Qualification recognition arrangements with at least 50 countries by 2020
- › Partner with education system agencies to support a 50 percent lift of Māori and Pasifika student achievement at NCEA Level 3 in one or more standards in STEM subject related areas by 2020.

We are working towards achieving these goals through our Future State programme. Over the past four years, this programme has been funded through the utilisation of retained earnings. A deficit of \$1.988m has been budgeted for 2017/18, which is attributable to the costs to continue investment in Future State.

Further information on our strategic intentions, functions and operations is contained in our *2016/17– 2019/20 Statement of Intent (SOI)*.





# Part one: Performance Expectations

The SOI and this document describe the strategic objectives we are seeking to achieve, how we will undertake our functions and operations to achieve those intentions, and how it will assess its performance.

The information outlined in this SPE enables the public, Ministers, Parliament and external monitoring agencies to track NZQA's progress towards achieving the objectives set out in the *SOI 2016/17–2019/20*.

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

#### **Output Class 1: Provision of information and advisory services:**

This includes community consultation and communication and ministerial support.

This output class contributes to the three achievement areas in NZQA's SOI:

- › New Zealand's qualifications meet the needs of learners and employers, and enhance New Zealand's social and economic outcomes
- › Trust and confidence in education outcomes for the non-university tertiary education sector
- › Trust and confidence in robust secondary school level assessment.

#### **Output Class 2: Quality assurance:**

This includes the delivery of quality assurance processes, the management of risk in the tertiary education sector (non-university) and the Administration of the Education (Pastoral Care of International Students) Code of Practice 2016.

This output class contributes to the SOI achievement area: Trust and confidence in education outcomes for the non-university tertiary education sector.

#### **Output Class 3: Qualifications support structures:**

This includes the development and maintenance of the New Zealand Qualifications Framework (NZQF) and

ensuring the credibility of standards and qualifications, overseas qualifications assessment and recognition, and international liaison.

This output class contributes to the SOI achievement area: New Zealand's qualifications meet the needs of learners and employers, and enhance New Zealand's social and economic outcomes.

#### **Output Class 4: Secondary school assessments:**

This includes secondary school external assessments and moderation of internal assessments, New Zealand Scholarship examinations and secondary school assessment systems.

This output class contributes to the SOI achievement area: Trust and confidence in robust secondary school level assessment.

There are no non-reportable classes of outputs in the SPE and no output classes are granted exemption by the Minister of Finance.

The following pages describe what we are seeking to achieve in the delivery of our outputs and how our performance is measured.

Revenue from the Crown is based on the information contained in the *2017 Estimates of Appropriation, Vote Education*. Revenue from third parties includes tertiary credit and assessment fees (NZQF credits), secondary examination and assessment fees, charges for qualification recognition services provided to immigrants, charges to Institutes of Technology and Polytechnics for quality assurance, charges for External Evaluations and Reviews (EER), risk and compliance fees and accreditation services provided to education providers.

The four output classes contribute to NZQA's achievement aims (where there is no dot, there still may be contribution).

|   |  | 2016/17–2019/20 ACHIEVEMENT AIMS  |   |  |
|---|--|---|---|--|
| OUTPUT  | SUB-OUTPUT   | Quality Assurance<br>Trust and confidence in education outcomes for non-university tertiary education | Qualifications<br>NZ's qualifications meet the needs of learners and employers, and enhance NZ's social and economic outcomes | Assessment<br>Trust and confidence in robust secondary school level assessment |
| 1. Provision of Information and Advisory Services | 1.1 Community consultation and communication   | ●   | ●   | ●  |
|   | 1.2 Ministerial support  | ●   | ●   | ●  |
| 2. Quality Assurance                              | 2.1 Delivery of quality assurance processes  | ●   |   |  |
|   | 2.2 Managing risk in the tertiary education sector (non-university)  | ●   |   |  |
|   | 2.3 Administration of the Education Code of Practice 2016  | ●   |   |  |
| 3. Qualifications Support Structures              | 3.1 The development and maintenance of the NZQF and ensuring the credibility of standards and qualifications |   | ●   |  |
|   | 3.2 Overseas qualifications assessment and recognition   |   | ●   |  |
|   | 3.3 International liaison  |   | ●   |  |
| 4. Secondary School Assessment                    | 4.1 Secondary school external assessment   |   |   | ●  |
|   | 4.2 Moderation of secondary school internal assessment   |   |   | ●  |
|   | 4.3 New Zealand Scholarship examinations   |   |   | ●  |
|   | 4.4 Secondary school assessment systems  |   |   | ●  |





# Output Class I: Provision of Information and Advisory Services

## Scope

This appropriation is limited to the provision of information and advisory services related to education policies and programmes that are the responsibility of the New Zealand Qualifications Authority to support Ministers to discharge their portfolio responsibilities (other than policy decision-making), and services and support provided by other education sector bodies to raise student achievement and improve governance and capacity of providers.

## Activities

The activities undertaken in this Output Class include:

- › **(I.1) Community consultation and communication:** NZQA provides information to its key clients (learners, parents, whānau, teachers, education providers, iwi, industry and schools). The quality and timeliness of these communications help people make informed decisions.

- › **(I.2) Ministerial support:** Ministers, Parliament and the public require high-quality and timely information in order to support improvements to the education system.

## What is intended to be achieved

This appropriation is intended to achieve informed learning and decision-making through the provision of information and advisory services to individuals, education providers and organisations.

## How performance will be assessed

People need quality, timely and relevant information to make good decisions. These performance measures provide us with an indication of how well learners, their whānau, schools, education providers and Government are supported in their decision-making.

| PERFORMANCE MEASURE  | Actual Performance in 2015/16 | Performance Standard for 2016/17 | Performance Standard for 2017/18 |
|--|-------------------------------|----------------------------------|----------------------------------|
| <b>I.1: Community consultation and communication</b>   |                               |                                  |                                  |
| I.1(1) The proportion of survey respondents who agree or strongly agree that NZQA's response time met their expectations                   | New Measure                   | New Measure                      | 85%                              |
| I.1(2) The proportion of survey respondents who agree/strongly agree that information they received from NZQA met their needs <sup>1</sup> | New Measure                   | New Measure                      | 75%                              |
| I.1(3) The proportion of survey respondents who agree/strongly agree that the NZQA website is easy to use                                  | New Measure                   | New Measure                      | 70% <sup>2</sup>                 |

- 1 Survey respondents are stakeholders including employers, education providers, students and families. Information received covers the full range of advice, data, communication and instruction that the New Zealand Qualifications Authority provides to its customers to support their relationship, business and interaction with the New Zealand Qualifications Authority.
- 2 The website is a key channel for information provision and engagement with NZQA's external customers. Our longer-term aspiration is to make it easier for clients to access information and engage with NZQA through our website. The 2017/18 performance standard represents our current state, over time we expect to see a lift in the performance standard as improvements are made to the web site.



| PERFORMANCE MEASURE   | Actual<br>Performance in<br>2015/16 | Performance<br>Standard for<br>2016/17 | Performance<br>Standard for<br>2017/18 |
|---|-------------------------------------|--|--|
| <b>I.2: Ministerial support</b>   |                                     |  |  |
| I.2(1) Percentage of Ministerial items <sup>3</sup> accepted by Ministers in terms of technical accuracy <sup>4</sup> | New measure                         | New measure                            | 97%                                    |
| I.2(2) Percentage of Ministerial items <sup>5</sup> that achieve the deadlines agreed with Ministers' offices         | New measure                         | New measure                            | 95%                                    |

## Funding

100% of the total revenue for this output is provided by the Crown. \$834,000 of the revenue is for the administration of capital charge.

| COST AND FUNDING     | 2017/18<br>\$000 |
|----------------------|------------------|
| <b>Revenue</b>       |                  |
| Crown                | 3,448            |
| Other                | –                |
| <b>Total revenue</b> | <b>3,448</b>     |
| Expenses             | 3,516            |
| <b>Net deficit</b>   | <b>(68)</b>      |

3 Ministerial items are Official Information Act requests, submissions to the Minister, oral and written parliamentary questions, Ministerial correspondence, briefings and submissions.

4 Technical accuracy is defined as factually correct, with no errors of significance.

5 ibid

# Output Class 2: Quality Assurance

## Scope

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

## Activities

The activities undertaken in this Output Class include:

- › **(2.1) Delivery of quality assurance processes:** As part of its quality assurance role, NZQA assesses applications for programme and qualification approval, and conducts a rolling programme of EERs of tertiary education providers, the standards learners are assessed against, and their performance against national moderation requirements. NZQA measures its own performance with a focus on incentivising quality improvement within the sector and ensuring risk to learners and the Crown is minimised.
- › **(2.2) Managing risk in the tertiary education sector (non-university):** As the regulator of non-university tertiary education in New Zealand, NZQA has a key role in protecting learners and the Crown from poorly performing providers. NZQA audits provider trust accounts to ensure student fee payments are protected, sanctions providers it is not confident in, and manages complaints to deal with issues.

## › (2.3) Administration of the Education (Pastoral Care of International Students)

**Code of Practice 2016:** As the administrator of the Education (Pastoral Care of International Students) Code of Practice 2016, NZQA has a key role in ensuring international students receive appropriate standards of advice and care. NZQA registers Code signatories<sup>6</sup> to ensure these standards will be met and investigates complaints relating to breaches of the Code.

## What is intended to be achieved

This appropriation is intended to achieve higher levels of trust and confidence in non-university tertiary education providers.

## How performance will be assessed

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

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<sup>6</sup> Please see the following link to the code on NZQA's website <http://www.nzqa.govt.nz/providers-partners/education-code-of-practice/>



| PERFORMANCE MEASURE  | Actual<br>Performance in<br>2015/16  | Performance<br>Standard for<br>2016/17         | Performance<br>Standard for<br>2017/18         |
|--|--------------------------------------|--|--|
| <b>2.1 Delivery of quality assurance processes</b>   |                                      |  |  |
| 2.1(1) The number of external EERs undertaken of Tertiary Education Organisations (non-university) (TEOs)  | 152                                  | 120  | 120  |
| 2.1(2) The percentage of finalised EER reports that, having undergone reconsideration, maintain their original statements of confidence <sup>7</sup> | 100%                                 | 90%  | 90% <sup>8</sup>                               |
| 2.1(3) The percentage of EER reports completed and sent to all types of TEOs within 30 working days of the site visit                                | 95%                                  | 95%  | 90% <sup>9</sup>                               |
| 2.1(4) The number of NZ qualifications to undergo a consistency review <sup>10</sup>   | 22                                   | Approximately 40                               | Approximately 40                               |
| 2.1(5) The percentage of TEOs that seek reconsideration of consistency review results where the original decision is upheld                          | No reconsideration requests received | 80%  | 80%  |
| 2.1(6) The percentage of draft reports following a consistency review completed within 15 working days of the review <sup>11</sup>                   | 100%                                 | 80%  | 85%  |
| 2.1(7) The number of applications <sup>12</sup> received for quality assurance   | 2,350                                | Volume is demand-driven (estimate 2,000–4,000) | Volume is demand-driven (estimate 2,000–4,000) |

7 As detailed in the EER Rules 2013, each EER report contains a statement of confidence against two areas – self assessment and educational performance. Any TEO may formally challenge either of these statements and ask for a reconsideration of the report if it believes that there have been errors of fact, interpretation or conduct in the final report, or the process leading to that report. An independent reviewer is appointed to review the report, and then upholds or sets aside the statements of confidence, in the light of the evidence presented. The Deputy Chief Executive Quality Assurance then considers the report. This measure looks at those instances where a reconsideration has upheld both statements of confidence.

8 This measure is calculated as a proportion of those EERs that opt to go through the reconsideration process. In any given year, the number of applications range between eight and 15.

9 This target has been adjusted down from 2016/17 to reflect the complexity and amount of material being received by TEOs before NZQA is able to issue the draft report.

10 Consistency of graduate outcomes is checked in a consistency review. This provides assurance that all graduates of New Zealand qualifications at Levels 1–6, on the NZQF, meet the outcomes to an equivalent, nationally acceptable standard.

11 Consistency Reviews are a recently introduced requirement to assure that graduates have consistently achieved the outcomes prescribed by the qualification. All TEOs awarding NZ qualifications at Levels 1–6 must participate. The reviews, facilitated by an independent reviewer, consider the quality of the evidence presented by each TEO to decide if it is sufficient and if national consistency of the qualification can be confirmed. The consistency reviews and any follow up will be managed by NZQA.

12 Application types include qualifications, programmes, assessment standards, consents to assess, training schemes, industry training programmes, degrees, Private Training Establishment (PTE) registration, changes of ownership from PTEs, government training establishments, wānanga, institutes of technology and polytechnics, and industry training organisations.

| PERFORMANCE MEASURE   | Actual Performance in 2015/16 | Performance Standard for 2016/17 | Performance Standard for 2017/18 |
|---|-------------------------------|----------------------------------|----------------------------------|
| 2.1(8) The percentage of declined applications that are reconsidered where the original decision is upheld  | 100%                          | 80%                              | 80%                              |
| 2.1(9) The percentage of applications at Levels 1–6 processed to a decision within 45 working days  | New measure                   | New measure                      | 97.5%                            |
| <b>2.2 Managing risk in the tertiary education sector (non-university)</b>  |                               |                                  |                                  |
| 2.2(1) The number of formal complaints received   | 56                            | Volume is demand-driven (50–100) | Volume is demand-driven (50–100) |
| 2.2(2) The percentage of formal complaints regarding TEOs that are managed in accordance with published policies and procedures   | 100%                          | 100%                             | 95% <sup>13</sup>                |
| 2.2(3) The percentage of formal complaints regarding TEOs that are concluded within 65 working days   | 98%                           | 90%                              | 90%                              |
| 2.2(4) The number of investigations that result in a significant NZQA intervention <sup>14</sup> .  | New measure                   | New measure                      | Volume is demand-driven (25–40)  |
| 2.2(5) The number of investigations that result in corrective action <sup>15</sup> that satisfactorily resolves the identified non-compliance or quality issues identified. | New measure                   | New measure                      | Volume is demand-driven (30–45)  |

<sup>13</sup> The reduced performance standard recognises the increasing volume and complexity of complaints being dealt with by NZQA.

<sup>14</sup> A significant NZQA intervention occurs in cases where compliance or quality issues have been ultimately led (directly or indirectly) to the loss of a permission previously granted by NZQA, including:

- cancellation of registration
- withdrawal of programme approval or accreditation
- withdrawal of training scheme approval
- withdrawal of consent to assess against standards.

This category also includes cases where NZQA has had to intervene in relation to the award of qualifications or credits that were found to have been inappropriately awarded.

<sup>15</sup> Investigations that result in a corrective action are cases where it was appropriate to allow the provider the opportunity to take corrective action in relation to identified compliance or quality issues, and where all required corrective action has been satisfactorily completed.



| PERFORMANCE MEASURE   | Actual<br>Performance in<br>2015/16 | Performance<br>Standard for<br>2016/17   | Performance<br>Standard for<br>2017/18   |
|---|-------------------------------------|--|--|
| <b>2.3 Administration of the Education (Pastoral Care for International Students)<br/>Code of Practice 2016</b>   |                                     |  |  |
| 2.3(1) The number of newly registered signatories to the Code of Pastoral Care <sup>16</sup>  | 18                                  | Volume is demand-driven (estimate 30)    | Volume is demand-driven (estimate 30)    |
| 2.3(2) The number of Code signatories <sup>17</sup>   | 1,068                               | Volume is demand-driven (estimate 1,040) | Volume is demand-driven (estimate 1,040) |
| 2.3(3) The percentage of newly registered Code signatories processed within a 45 working day timeframe upon receipt of an application   | New measure                         | New measure                              | 90%                                      |
| 2.3(4) The percentage of declined Code signatory applications that are reconsidered, where the original decision is upheld  | New measure                         | 80%                                      | 80%                                      |
| 2.3(5) The total number of formal complaints received alleging breaches of the Code of Practice   | New measure                         | Volume is demand-driven                  | Volume is demand-driven                  |
| 2.3(6) The percentage of formal complaints alleging Code breaches that are concluded within 65 working days   | New measure                         | 90%                                      | 90%                                      |
| 2.3(7) The percentage of formal complaints alleging breaches of the Education (Pastoral Care of International Students) Code of Practice 2016 that are managed in accordance with published policies and procedures | New measure                         | New measure                              | 95%                                      |
| 2.3(8) The percentage of formal complaints alleging breaches of the Code of Practice that are formally reconsidered, where the original decision is upheld <sup>18</sup>  | New measure                         | 80%                                      | 80%                                      |

<sup>16</sup> Signatory means a provider that has applied to be and has been approved by NZQA as being a signatory to the Education (Pastoral Care of International Students) Code of Practice 2016.

<sup>17</sup> The number of Code signatories covers schools and tertiary education organisations and education agents.

<sup>18</sup> To date there have been no requests received for reconsideration of a formal complaint alleging a breach of the code.

## Funding

Approximately 44 percent of the total revenue for this output is provided by the Crown. The remaining 56 percent is funded through third party revenue, including: Private Training Establishment (PTE) Registration fees; Institutes of Technology/Polytechnic (ITP) Quality Assurance fees; EER charges; Approval and Accreditation charges; and Consistency Review charges.

| COST AND FUNDING     |  | 2017/18<br>\$000 |
|----------------------|--|------------------|
| <b>Revenue</b>       |  |                  |
| Crown                |  | 5,094            |
| Other                |  | 6,432            |
| <b>Total revenue</b> |  | <b>11,526</b>    |
| Expenses             |  | 13,103           |
| <b>Net deficit</b>   |  | <b>(1,577)</b>   |





# Output Class 3:

## Qualification Support Structures

### Scope

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

### Activities

The activities undertaken in this Output Class include:

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

- › **(3.2) Overseas qualifications assessment and recognition:** People who want to live/work/study in New Zealand can apply to have their overseas qualifications evaluated to see if a comparison to a New Zealand qualification can be made. Employers, education providers and Immigration New Zealand need to understand what overseas qualifications mean in a New Zealand context and be assured that they have been robustly assessed.
- › **(3.3) International liaison:** NZQA works closely with the Ministry of Foreign Affairs and Trade to ensure New Zealand's reputation for high quality education supports New Zealand's export education aims.

### What is intended to be achieved

This appropriation is intended to ensure that New Zealand qualifications are credible, robust and meet the needs of learners and employers.

### How performance will be assessed

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

| PERFORMANCE MEASURE  | Actual<br>Performance in<br>2015/16 | Performance<br>Standard for<br>2016/17 | Performance<br>Standard for<br>2017/18 |
|--|-------------------------------------|--|--|
| <b>3.1 The development and maintenance of the NZQF and ensuring the credibility of standards and qualifications</b>  |                                     |  |  |
| 3.1(1) The number of NZQA-owned standards maintained   | 727                                 | Volume is demand-driven                | Volume is demand-driven                |
| 3.1(2) The percentage of NZQA-owned standards maintained by their planned review date  | 99.74%                              | 95%                                    | 95%                                    |
| 3.1(3) The percentage of NZQA-owned standards submitted for quality assurance registered following no more than two quality assurance cycles <sup>19</sup> | 100%                                | 90%                                    | 90%                                    |
| 3.1(4) The number of credits assessed by accredited TEOs and put on to learners' transcripts   | 11,402,222                          | Volume is demand-driven                | Volume is demand-driven                |
| 3.1(5) Average processing time (days) of assessment standards reported by accredited TEOs put onto learners' transcripts                                   | 0.21                                | <1 day                                 | <1 day                                 |
| 3.1(6) The percentage of results for assessment standards reported by accredited TEOs put onto learners' transcripts within two working days               | 99.87%                              | 98%                                    | 98%                                    |
| 3.1(7) The number of qualification certificates issued to learners   | 86,243                              | Volume is demand-driven                | Volume is demand-driven                |
| 3.1(8) Average days to dispatch qualification certificates to learners   | 0.74                                | <2 days                                | <2 days                                |
| 3.1(9) The percentage of qualification certificates dispatched to learners within five working days  | 99.47%                              | 98%                                    | 98%                                    |

<sup>19</sup> The quality assurance process for the Directory of Assessment Standards (DAS) involves an evaluation of the standards against the requirements for listing and a compliance check to ensure that any issues raised in the evaluation have been addressed. This measure is setting a target for 9 out of 10 NZQA-owned standards being registered on the DAS following no more than two such cycles. NZQA's quality assurance process can be found on our website [www.nzqa.govt.nz](http://www.nzqa.govt.nz).



| PERFORMANCE MEASURE  | Actual<br>Performance in<br>2015/16 | Performance<br>Standard for<br>2016/17           | Performance<br>Standard for<br>2017/18           |
|--|-------------------------------------|--|--|
| <b>3.2 Overseas qualifications assessment and recognition</b>  |                                     |  |  |
| 3.2(1) The number of qualifications recognised and then benchmarked against the NZQF   | 20,716                              | Volume is demand-driven (estimate 14,000–18,000) | Volume is demand-driven (estimate 14,000–18,000) |
| 3.2(2) The number of applications processed for International Qualifications Assessment and Recognition  | 16,120                              | Volume is demand-driven (12,000–16,000)          | Volume is demand-driven (12,000–16,000)          |
| 3.2(3) The percentage of qualifications subject to external corroboration from two sources regarding the legitimacy of the qualification   | 100%                                | 100%   | 100%   |
| 3.2(4) The percentage of standard applications evaluated within 35 working days (exclusive of any verification delays)   | 99.7%                               | 96%  | 96%  |
| 3.2(5) The percentage of fast track applications evaluated within 20 working days (exclusive of any verification delays)   | 99.8%                               | 96%  | 96%  |
| <b>3.3 International liaison</b>   |                                     |  |  |
| 3.3(1) Support for the Ministry of Foreign Affairs and Trade in free trade agreement negotiation and implementation meetings   | 52                                  | Volume is demand-driven <sup>20</sup>            | Volume is demand-driven <sup>21</sup>            |
| 3.3(2) The number of free trade agreements for which NZQA has implementation responsibilities  | 4                                   | Volume is demand-driven                          | Volume is demand-driven                          |
| 3.3(3) NZQA implements relevant free trade agreement commitments and provides support for free trade agreement negotiation and implementation to the satisfaction of the Ministry of Foreign Affairs and Trade <sup>22</sup> | 4                                   | 3  | 3  |

<sup>20</sup> The number of free trade agreement negotiation and implementation meetings is determined by the Ministry of Foreign Affairs and Trade's agenda.

<sup>21</sup> *ibid*

<sup>22</sup> Scale 1 to 4: 1 is strongly disagree, 2 is disagree, 3 is agree, 4 is strongly agree.

## Funding

Approximately 20 percent of the total revenue for this output is provided by the Crown. The remaining 80 percent is funded through third party revenue, including Credit Reporting and Qualification Recognition fees.

| COST AND FUNDING     |  | 2017/18<br>\$000 |
|----------------------|--|------------------|
| <b>Revenue</b>       |  |                  |
| Crown                |  | 6,049            |
| Other                |  | 24,283           |
| <b>Total revenue</b> |  | <b>30,332</b>    |
| Expenses             |  | 27,340           |
| <b>Net surplus</b>   |  | <b>2,992</b>     |



# Output Class 4: Secondary School Assessment

## Scope

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

## Activities

The activities undertaken in this Output Class include:

- › **(4.1) Secondary school external assessment:** The successful delivery of external assessment for secondary school students through national examinations for NCEA is dependent upon NZQA administering robust examination processes.
- › **(4.2) Moderation of secondary school internal assessment:** NZQA's moderation of internally (school) assessed student work promotes consistency in assessment decisions.
- › **(4.3) New Zealand Scholarship examinations:** NZQA is responsible for ensuring that provided the published standard is met, scholarships are awarded to the top 3% (plus or minus 0.25%) of candidates in subject cohorts exceeding 250 students. The quality and timeliness of Scholarship administration is closely monitored.

## › (4.4) Secondary school assessment systems:

NZQA conducts Managing National Assessment reviews of secondary schools to promote continuous improvement in schools' assessment practices and to ensure they are accurate, consistent and to the national standard.

## What is intended to be achieved

This appropriation is intended to achieve trust and confidence in robust equitable secondary school level assessment.

## How performance will be assessed

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

| PERFORMANCE MEASURE   | Actual Performance in 2015/16 | Performance Standard for 2016/17           | Performance Standard for 2017/18           |
|---|-------------------------------|--|--|
| <b>4.1 Secondary school external assessment</b>   |                               |  |  |
| 4.1(1) The number of standards examined and assessed as part of the external assessment systems of the NCEA   | 284                           | Volume is demand-driven (estimate 270–330) | Volume is demand-driven (estimate 270–330) |
| 4.1(2) The percentage of marker judgements unaltered following Review or Reconsideration of External Assessment Result process <sup>23</sup>                                    | 99.82%                        | 99%  | 99%  |
| 4.1(3) The percentage of results provided to learners (NCEA) no later than the end of the third full week of January  | 100%                          | 99%  | 99%  |
| 4.1(4) Access time of less than 5 seconds, from the NZQA learner Login page to the learner's results page, on NCEA Results Release day, once results are made available by NZQA | 93.74%                        | 80%  | 80%  |
| <b>4.2 Moderation of secondary school internal assessment</b>   |                               |  |  |
| 4.2(1) The number of samples of student work moderated for secondary moderation   | 105,321                       | Approximately 100,000 <sup>24</sup>        | Approximately 100,000 <sup>25</sup>        |
| 4.2(2) The percentage of moderation reports successfully appealed   | 0.23%                         | <1%  | <1%  |
| <b>4.3 New Zealand Scholarship examinations</b>   |                               |  |  |
| 4.3(1) The number of subjects examined and assessed for New Zealand Scholarship   | 35                            | Volume is demand-driven (estimate 30–40)   | Volume is demand-driven (estimate 30–40)   |
| 4.3(2) The percentage of marker judgements unaltered following Review or Reconsideration of External Assessment Result process <sup>26</sup>                                    | 99.80%                        | 99%  | 99%  |
| 4.3(3) The percentage of validated results provided to learners no later than the end of the second full week of February   | 100%                          | 99%  | 99%  |

<sup>23</sup> This is calculated as a proportion of the total number of marked assessments.

<sup>24</sup> The sample size of approximately 100,000 samples of student work selected for moderation was agreed by Cabinet Social Policy Committee (11) 19/3.

<sup>25</sup> *ibid*

<sup>26</sup> This is calculated as a proportion of the total number of marked assessments.



| PERFORMANCE MEASURE  | Actual<br>Performance in<br>2015/16 | Performance<br>Standard for<br>2016/17 | Performance<br>Standard for<br>2017/18 |
|--|-------------------------------------|--|--|
| <b>4.4 Secondary school assessment systems<sup>27</sup></b>  |                                     |  |  |
| 4.4(1) The number of Managing National Assessment reports completed  | 162                                 | 130–170                                | 130–170                                |
| 4.4(2) The percentage of draft Managing National Assessment reports provided to schools within six weeks from the date of the completion of onsite work                            | 100%                                | 100%                                   | 98%                                    |
| 4.4(3) The percentage of NZQA identified risks to a school's consent to assess <sup>28</sup> that are monitored by an action plan <sup>29</sup> to ensure resolution or escalation | New measure                         | New measure                            | 100%                                   |

## Funding

Approximately 68 percent of the total revenue for this output is provided by the Crown. The remaining 32 percent is funded through third party revenue, including NCEA and Scholarship examination fees.

| COST AND FUNDING     | 2017/18<br>\$000 |
|----------------------|------------------|
| <b>Revenue</b>       |                  |
| Crown                | 26,760           |
| Other                | 12,427           |
| <b>Total revenue</b> | <b>39,187</b>    |
| Expenses             | 42,522           |
| <b>Net deficit</b>   | <b>(3,335)</b>   |

\* The output has a projected deficit largely due to project work that is planned for 2017/18.

27 NZQA reviews School systems for Managing National Assessment (MNA) against Standards listed on the Directory by publication of a MNA report after:

1. review of a School's assessment systems at least once every four years to ensure that assessment is valid, fair, reliable, accurate and consistent nationally with the assessment standard;
2. a check that the requirements for the Consent to Assess Against Standards on the Directory of Assessment Standards Rules 2011 are being met;
3. checks on aspects of assessment systems and data on an annual basis; and
4. annual external moderation of assessment materials and assessor decisions.

28 A school or kura must have been granted a consent to assess by NZQA before they can assess against standards on the Directory of Assessment Standards.

29 NZQA has systems in place which collect the issues data that inform the action plans. Action plans are recorded in MNA reports and in external moderation summary letters.



# Part 2:

## Financial Statements

### Financial Planning Assumptions

#### Overview

There are a number of assumptions used in preparing these Prospective Financial Statements although fundamentally NZQA is assuming that the range and levels of service that it currently provides will not change in 2017/18. These assumptions may vary from what actually happens. In particular, changes to learner demographics, immigration trends and the make-up of the number and type of learning institutions within New Zealand, will all impact NZQA and its forecast results.

Over past years NZQA has accumulated funds from its net operating surpluses to allow the organisation to grow, adjust direction, manage fluctuations in third-party revenue and to be financially sustainable. While 2017/18 is forecast to show a deficit due to the operating costs attributable to funding the Future State programme, NZQA would expect to return to a balanced position in the medium term.

#### Revenue

Revenue from the Crown is based on the information contained in the 2016/17 Estimates of Appropriation, Vote Education.

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

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

#### Key Volume Forecasts

|   | FORECASTED<br>OUTTURN VOLUME<br>IN 2016/17 | FORECAST<br>VOLUME IN<br>2017/18 |
|---|--|----------------------------------|
| No. of NZQF credits earned by learners                | 11,314,000                                 | 11,168,000                       |
| No. of domestic fee paying students sitting NCEA      | 146,589                                    | 145,250                          |
| No. of international fee paying students sitting NCEA | 5,830                                      | 5,800                            |
| No. of PTEs registered with NZQA                      | 488  | 478                              |
| No. of applications for qualifications recognition    | 15,500                                     | 15,022                           |

*Although there will be a minor impact on some revenue received as a result of the above forecasts, total revenue received by NZQA is forecast to remain relatively constant as a result of compensating changes to other revenue streams (e.g. EER and other quality assurance services provided).*

The volume forecast for NZQF credits is based on the 2016/17 forecasted outturn results with adjustments for projected movements in credit volume based on the trends of student numbers in the Tertiary Education Strategy Monitoring Report.

The volume forecast used to predict NCEA revenue is based on the 2016/17 forecasted outturn results and is compared against the projected secondary students' trend for reasonableness. Consideration has then been given to the number of students who may seek financial assistance based on previous years and to how many families will have multiple candidates enrolled, as these variables will have an impact on the total NCEA fee projection. The net result of this analysis provides the estimated full fee paying candidates. This is forecast to be at a similar level to previous years.



The number of PTEs is based on the current number of PTEs plus expected movements going forward.

The volume forecast for qualifications recognition is based on Immigration New Zealand's forecast long-term arrivals. NZQA is contracted to Immigration New Zealand to quality assure the list of qualifications exempt from assessment (LoQEA).

Should there be a 10% increase or decrease in any one of the fee or volume figures for the key revenue streams resulting from NCEA Domestic Exam Fees, Credit Fees, Qualifications Recognition Fees or Quality Assurance Fees, there would be a respective increase or decrease in revenue received from that respective revenue stream of between \$0.2 million and \$1.5 million. This risk is being mitigated by maintaining a prudent level of available cash reserves.

## Expenditure

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

## Output expense allocations

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

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

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

NZQA's output allocation methodology is assumed to be unchanged.

NZQA aims to provide the best service in the most cost-effective way. NZQA operates a hybrid of a historical and a zero-based budgeting system in the

delivery of outputs, while maintaining a stable price to users of its services. NZQA recognises the ongoing need for quality improvement under a steady pricing regime in order to achieve efficiency gains.

## Key costing and pricing policies

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

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

## Going concern

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

In order to ensure this, the Board of NZQA will:

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

## Prospective Financial Statements

The prospective financial statements have been developed for the purpose of fulfilling NZQA's obligations under the Crown Entities Act 2004 to table a Statement of Performance Expectations before Parliament. As such they should not be relied upon by any other party for any alternative purpose without the express written permission of NZQA. Actual results are likely to be different from the prospective financial statements and the variation may be material.

In issuing the financial statements, the Board of NZQA acknowledges its responsibility for the information presented, including the appropriateness of the assumptions used. The Board also acknowledges its responsibility for establishing and maintaining a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of NZQA's performance and financial reporting.

These prospective financial statements are issued as at May 2017 and are based on the information available at the time.



# Prospective Statement of Comprehensive Revenue and Expense

(For the year ended 30 June)

**BUDGET**  
**2017/18**  
**\$'000**

|  |                |
|--|----------------|
| <b>REVENUE</b>                                 |                |
| Crown revenue                                  | 41,351         |
| Other revenue                                  | 43,142         |
| Interest                                       | 630            |
| <b>Total revenue</b>                           | <b>85,123</b>  |
| <b>EXPENSES</b>                                |                |
| Personnel and Board                            | 46,038         |
| Specialist workforce                           | 9,673          |
| Professional services                          | 9,831          |
| Publication, printing and distribution         | 4,384          |
| Audit fees                                     | 100            |
| Other operating costs                          | 13,579         |
| Depreciation and amortisation                  | 3,506          |
| <b>Total expenses</b>                          | <b>87,111</b>  |
| NET (DEFICIT)                                  | (1,988)        |
| Other comprehensive revenue or expenses        | –              |
| <b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b> | <b>(1,988)</b> |

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

The projected net deficit results from additional non funded expenses from NZQA's Future State programme. The net deficit or surplus is forecast to become approximately neutral in the medium term.

# Prospective Statement of Financial Position

(As at 30 June)

**BUDGET**  
**2017/18**  
**\$'000**

|                                      |               |
|--------------------------------------|---------------|
| <b>ASSETS</b>                        |               |
| <b>Current assets</b>                |               |
| Cash and cash equivalents            | 3,095         |
| Debtors and other receivables        | 5,028         |
| Investments                          | 9,500         |
| <b>Total current assets</b>          | <b>17,623</b> |
| <b>Non-current assets</b>            |               |
| Property, plant and equipment        | 1,420         |
| Intangible assets                    | 7,385         |
| <b>Total non-current assets</b>      | <b>8,805</b>  |
| <b>TOTAL ASSETS</b>                  | <b>26,428</b> |
| <b>LIABILITIES</b>                   |               |
| <b>Current liabilities</b>           |               |
| Creditors and other payables         | 6,581         |
| Employee entitlements                | 4,241         |
| Deferred revenue                     | 1,107         |
| GST payable                          | 600           |
| <b>Total current liabilities</b>     | <b>12,529</b> |
| <b>Non-current liabilities</b>       |               |
| Employee entitlements                | 502           |
| <b>Total non-current liabilities</b> | <b>502</b>    |
| <b>TOTAL LIABILITIES</b>             | <b>13,031</b> |
| <b>NET ASSETS/PUBLIC EQUITY</b>      | <b>13,397</b> |



# Prospective Statement of Changes in Net Assets/Public Equity

(For the year ended 30 June)

|   | <b>BUDGET<br/>2017/18<br/>\$000</b> |
|---|-------------------------------------|
| <b>Net Assets/Public Equity brought forward</b> | 15,385                              |
| Net (deficit)                                   | (1,988)                             |
| <b>Total comprehensive revenue and expense</b>  | <b>(1,988)</b>                      |
| Crown capital contribution                      | –                                   |
| <b>Net Assets/Public Equity as at 30 June</b>   | <b>13,397</b>                       |
| <b>Comprising:</b>                              |                                     |
| Contributed capital                             | 13,890                              |
| Accumulated comprehensive revenue and expense   | (493)                               |
| <b>Net Assets/Public Equity as at 30 June</b>   | <b>13,397</b>                       |

# Prospective Statement of Cash Flows

(For the year ended 30 June)

**BUDGET**  
**2017/18**  
**\$'000**

|  |                 |
|--|-----------------|
| <b>Cash flows from operating activities</b>            |                 |
| <b>Cash provided from:</b>                             |                 |
| Crown revenue  | 41,351          |
| Other revenue  | 43,142          |
| Interest revenue                                       | 630             |
|  | <b>85,123</b>   |
| <b>Cash applied to:</b>                                |                 |
| Employees and Board                                    | (46,038)        |
| Suppliers  | (36,889)        |
|  | <b>(82,927)</b> |
| <b>Net cash flows – operating activities</b>           | <b>2,196</b>    |
| <b>Cash flows from investing activities</b>            |                 |
| <b>Cash applied to:</b>                                |                 |
| Purchase of property, plant and equipment              | (325)           |
| Purchase of intangible assets                          | (3,371)         |
| Purchase of investments                                | (28,000)        |
| Receipts from sale of investments                      | 29,500          |
| <b>Net cash flows – investing activities</b>           | <b>(2,196)</b>  |
| <b>Net cash flow from financing activities</b>         |                 |
| <b>Cash provided from:</b>                             |                 |
| Crown – capital contribution                           | –               |
| <b>Net cash flows – financing activities</b>           | <b>–</b>        |
| <b>TOTAL CASH FLOWS</b>                                | <b>–</b>        |
| Opening cash   | 3,095           |
| Net (decrease)/increase in cash held                   | –               |
| <b>Closing total cash balance projected at 30 June</b> | <b>3,095</b>    |
| <b>Statement of financial position</b>                 |                 |
| Cash and cash equivalents                              | 3,095           |
| <b>Closing cash balance</b>                            | <b>3,095</b>    |





# Statement of Accounting Policies

## Reporting entity

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

The Prospective Financial Statements have been prepared as per the statutory requirement of Section 149 of the Crown Entities Act 2004.

For the purposes of financial reporting, NZQA is a Tier 1 public benefit entity whose primary objective is to provide goods and services for community and social benefit rather than for a financial return.

## Accounting policies

The accounting policies set out below have been applied consistently and the following accounting policies, which materially affect the measurement of results and financial position, have been applied.

## Statement of compliance

The reporting period for the Prospective Financial Statements is the year ended 30 June 2018.

The Prospective Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with PBE FRS 42 Prospective Financial Statements and other applicable standards as appropriate for Tier 1 public benefit entities.

## Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the

application of policies and reported amounts of assets and liabilities, revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant areas of estimate and judgement relate to assessing and reviewing useful lives and residual values for property, plant and equipment and intangible assets.

## Measurement base

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

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

## Revenue recognition

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

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

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

## Financial assets

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

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

## Debtors and other receivables

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

## Cash and cash equivalents

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

## Leases

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

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

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the

property lease or the estimated useful life of the improvements, whichever is shorter.

## Investments

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

## Property, plant and equipment

The initial cost of property, plant and equipment is the value of the cost to acquire or create the asset, and any directly attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment, which includes office equipment and furniture and fittings, are recorded at cost less accumulated depreciation and any accumulated impairment deficits.

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

## Intangible assets

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

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

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

Realised surplus or deficit arising from disposal of intangible assets are recognised in the Statement of Comprehensive Revenue and Expense in the period



in which the transaction occurs. Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment.

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

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

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

## Impairment of property, plant & equipment and intangibles

NZQA does not hold any cash-generating assets. Assets are considered cash-generating when their primary objective is to generate a commercial return.

### Non-cash-generating assets

Property, plant and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount

exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either depreciated replacement cost, restoration or service units. The most appropriate approach depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

## Employee entitlements

### Short-term benefits

Employee benefits that NZQA expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

### Long-term benefits

#### Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been

calculated on an actuarial basis. The calculations are based on:

- › likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and the contractual entitlement information; and
- › the present value of the estimated future cash flows.

### Superannuation schemes

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

### Provisions

NZQA recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to settle the obligation.

### Accounting policies and changes in the estimates

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

### Contingent liabilities and assets

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

### Related party transactions

Compensation paid to key management personnel of NZQA is classified as a related party transaction.

Compensation includes short-term, long-term and retirement employee benefits.

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

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

### Taxation

NZQA is a public authority and consequently is exempt from the payment of income tax. Accordingly no provision has been made for income tax.

### Goods and Services Tax

All items in the financial statements are stated exclusive of GST except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position. The net amount of GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

### Cost allocation

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



# Glossary

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| <b>Assessment (external)</b>  | End-of-year external examinations for secondary school students (NCEA) that are set and marked by NZQA.   |
| <b>Assessment (internal)</b>  | Work that is set and marked by individual schools; independent moderators from NZQA ensure that all schools are assessing work to the national standard.  |
| <b>Better Public Services</b>   | <p>The Better Public Services (BPS) Programme is a set of 10 challenging results for the public sector to achieve over the next five years. The 10 results are:</p> <ol style="list-style-type: none"> <li>1. Reducing long-term welfare dependence (Result 1)</li> <li>2. Supporting vulnerable children (Results 2–4)</li> <li>3. Boosting skills and employment (Results 5–6)</li> <li>4. Reducing crime (Results 7–8)</li> <li>5. Improving interaction with government (Results 9–10).</li> </ol> <p>Further information on the BPS programme can be found at <a href="http://www.ssc.govt.nz/better-public-services">www.ssc.govt.nz/better-public-services</a></p> |
| <b>Business Growth Agenda</b>   | The Business Growth Agenda is an ambitious programme of work that will support New Zealand businesses to grow, in order to create jobs and improve New Zealanders' standard of living. The Business Growth Agenda focuses on six key "ingredients" businesses need to grow: export markets, innovation, infrastructure, skilled and safe workplaces, natural resources, and capital. Each of these has its own programme of work.   |
| <b>The Education (Pastoral Care of International Students) Code of Practice 2016 (The Code)</b> | <p>The Code is a document that provides a framework for service delivery by education providers and their agents to international students.</p> <p>It sets out minimum standards of advice and care that can be expected and provides a procedure that students can follow if they have concerns about the treatment they receive from their education provider or agent of a provider.</p>   |
| <b>External Evaluation and Review (EER)</b>   | The purpose of an EER is to provide a judgement of the quality and performance of a TEO. This judgement includes assurance that TEO self-assessment processes achieve, and improve, outcomes for learners and other clients.  |
| <b>Future State</b>   | "Future State" is a term NZQA uses to represent its plan to prepare for New Zealand's changing educational needs.   |
| <b>Government Training Establishment (GTE)</b>  | A state-owned organisation providing education or training (for example, New Zealand Police Training Services, New Zealand Army).   |
| <b>Industry Training Organisation (ITO)</b>   | An industry-specific body, recognised under the Industry Training Act 1992, which sets NZQA accredited skill standards for its industry, and manages arrangements for industry training that enable trainees to attain those standards.   |
| <b>Institutes of technology/ polytechnic (ITP)</b>  | An organisation that delivers technical, vocational and professional education.   |



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| <b>The Leadership Statement for International Education</b>   | The Leadership Statement for International Education sets bold aspirations for growth in international education and aims to double the economic value of international education to \$5 billion over the next 15 years. The Statement can be found here: <a href="http://www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/leadership-statement-for-international-education/">www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/leadership-statement-for-international-education/</a>                                  |
| <b>The Māori Education Strategy: Ka Hikitia</b>               | Ka Hikitia is the Ministry of Education's strategy to rapidly change how the education system performs so that all Māori students gain the skills qualifications and knowledge they need to enjoy and achieve education success as Māori.<br><br><a href="http://www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/the-māori-education-strategy-ka-hikitia-accelerating-success-20132017/">www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/the-māori-education-strategy-ka-hikitia-accelerating-success-20132017/</a> |
| <b>Managing National assessment (MNA)</b>                     | MNA is the term used to describe the processes for achieving valid, fair, accurate and consistent internal assessment in schools. It is a partnership between schools and NZQA, by which NZQA checks, evaluates and reports on schools' processes and systems, to ensure that internal assessment decisions and systems remain effective.   |
| <b>Mātauranga Māori Evaluative Quality Assurance (MM EQA)</b> | The quality assurance approach applied by NZQA to reach evaluative decisions and conclusions regarding qualifications and programmes considered uniquely and distinctly mātauranga Māori.   |
| <b>Moderation</b>   | The process of confirming that an organisation's assessment activities are fair, valid and consistent with the required standard across a number of assessors or assessing organisations.   |
| <b>National Certificate of Educational Achievement (NCEA)</b> | New Zealand's main national qualification for secondary school students. Available at Levels 1–3, it is registered as part of the NZQF.   |
| <b>New Zealand Qualifications Framework (NZQF)</b>            | The NZQF is a comprehensive list of all quality-assured qualifications in New Zealand.  |
| <b>New Zealand Scholarship</b>                                | The New Zealand Scholarship examinations are most often undertaken by students in the final year of secondary school (Year 13). The Scholarship is a competitive monetary award for top-performing students who intend to enter tertiary study; it does not contribute towards a qualification.   |
| <b>Outcome statements</b>                                     | These set out the outcomes achieved from the learning process of a qualification and describe the knowledge, skills and attributes of a graduate.   |
| <b>Outputs</b>  | Outputs are the goods and services produced by an entity to support the achievement of its impacts and outcomes.  |
| <b>Pasifika Education Plan 2013–2017</b>                      | The Pasifika Education Plan 2013–2017 (PEP) is the Ministry of Education's plan aimed at raising Pasifika learners' participation, engagement and achievement from early learning through to tertiary education.  |
| <b>Pasifika Plan 2015–2017</b>                                | The Pasifika Plan 2015–2017 sets out NZQA's contribution to accelerating Pasifika learner achievement. The strategy can be found on our website at <a href="http://www.nzqa.govt.nz/about-us/publications/strategic-documents/">http://www.nzqa.govt.nz/about-us/publications/strategic-documents/</a>  |



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| <b>Private Training Establishment (PTE)</b>   | An establishment that provides post-school education and training, and is registered by NZQA under Part 18 of the Education Act 1989.   |
| <b>Self-assessment</b>  | The processes that providers of post-school education and training services use to establish evidence of their own effectiveness. The results of these processes should inform future planning and lead to actions that bring about improvements.   |
| <b>Standards</b>  | There are two types of national standards on the NZQF: achievement standards and unit standards. Credits from all achievement standards and all unit standards count towards NCEA. Because the standards are nationally agreed, learners' achievements can be recognised in a number of contexts, and their knowledge and skills will be transferable between qualifications and providers.   |
| <b>STEM</b>   | STEM is the acronym of Science, Technology, Engineering, and Mathematics.   |
| <b>Targeted Review of Qualifications (TRoQ)</b>                                       | The TRoQ at Levels 1–6 on New Zealand's 10 level qualifications framework is a programme of work to streamline and simplify New Zealand's qualifications system and ensure qualifications meet the current and future needs of learners, industry and other clients.  |
| <b>Tertiary Education Organisations (TEOs)</b>  | Universities, industry training organisations, institutes of technology and polytechnics, PTEs, government training establishments and other providers.   |
| <b>Tertiary Education Strategy</b>  | <p>The Tertiary Education Strategy 2014–2019 sets out the Government's long-term strategic direction for tertiary education.</p> <p>The Strategy has six priorities:</p> <ol style="list-style-type: none"> <li>1. Delivering skills for industry</li> <li>2. Getting at-risk young people into a career</li> <li>3. Boosting achievement of Māori and Pasifika</li> <li>4. Improving adult literacy and numeracy</li> <li>5. Strengthening research-based institutions</li> <li>6. Growing international linkages.</li> </ol> <p>The strategy can be found at the Ministry of Education website at <a href="http://www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/tertiary-education-strategy">http://www.education.govt.nz/ministry-of-education/overall-strategies-and-policies/tertiary-education-strategy</a></p> |
| <b>Te Rautaki Māori me te Mahere Whakatinana a te Mana Tohu Mātauranga o Aotearoa</b> | NZQA's strategic and implementation plan to advance Māori education and training between 2012 and 2017. The strategy can be found on our website at <a href="http://www.nzqa.govt.nz/maori/te-rautaki-maori/">http://www.nzqa.govt.nz/maori/te-rautaki-maori/</a>   |
| <b>Wānanga</b>  | A body established under section 162(2) of the Education Act 1989 that is characterised by teaching and research that maintains, advances and disseminates knowledge and develops intellectual independence, and assists the application of knowledge regarding āhuatanga Māori (Māori tradition), according to tikanga Māori (Māori custom).   |







NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

**QUALIFY FOR THE FUTURE WORLD**  
**KIA NOHO TAKATŪ KI TŌ ĀMUA AO!**