

Annual Report 2013 ~ 2014



NZQA

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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

As a Crown entity it is governed by an independent board appointed by the Minister of Education. NZQA is an \$80 million organisation, receiving approximately half of its funding from the Crown and the remainder from third parties.

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

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

A quick guide to NZQA's 2013–2014 Annual Report

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The following pages describe NZQA's contribution to New Zealand's education system.

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1

PART
ONE

What NZQA does and why

The education system has to work for learners, whānau, employers, iwi, industry and society. Our role is to ensure a New Zealand qualification is valued as credible and robust nationally and internationally.

Today's and tomorrow's learners are living in a digital age with a changing and challenging global environment. Information, education and skills development are readily accessible for most, but not all people. Understanding and responding to the growing expectations of a diverse client group continues to be NZQA's key focus.

NZQA must be nimble in its approach, to ensure its qualifications assessment and quality assurance processes continue to produce results that have a positive impact on New Zealand's society and economy. In order to do this, NZQA has a Future State programme that aims to ensure NZQA is able to meet the changing expectations of our learners and clients, within a digital and borderless world.

Collaboration across agencies, schools, tertiary education providers, industry and internationally remains a prominent feature in NZQA's work programme prioritisation and implementation.

This report provides an account of NZQA's performance against the commitments it made in its 2013/14 Statement of Intent.

NZQA's 2014/15–2017/18 Statement of Intent¹ sets out our future commitments to contributing to an education system that will deliver:

- a New Zealand qualifications framework that is more relevant and better meets the needs of learners, employers, industry, iwi and providers
- higher-quality education in New Zealand
- higher-quality assessment practices in New Zealand's secondary schools.

NZQA is pleased to present its 2013/14 Annual Report.

Pursuant to section 150 of the Crown Entities Act 2004, this is the Annual Report of the operations of the New Zealand Qualifications Authority (NZQA) and the audited financial statements for the year ended 30 June 2014.



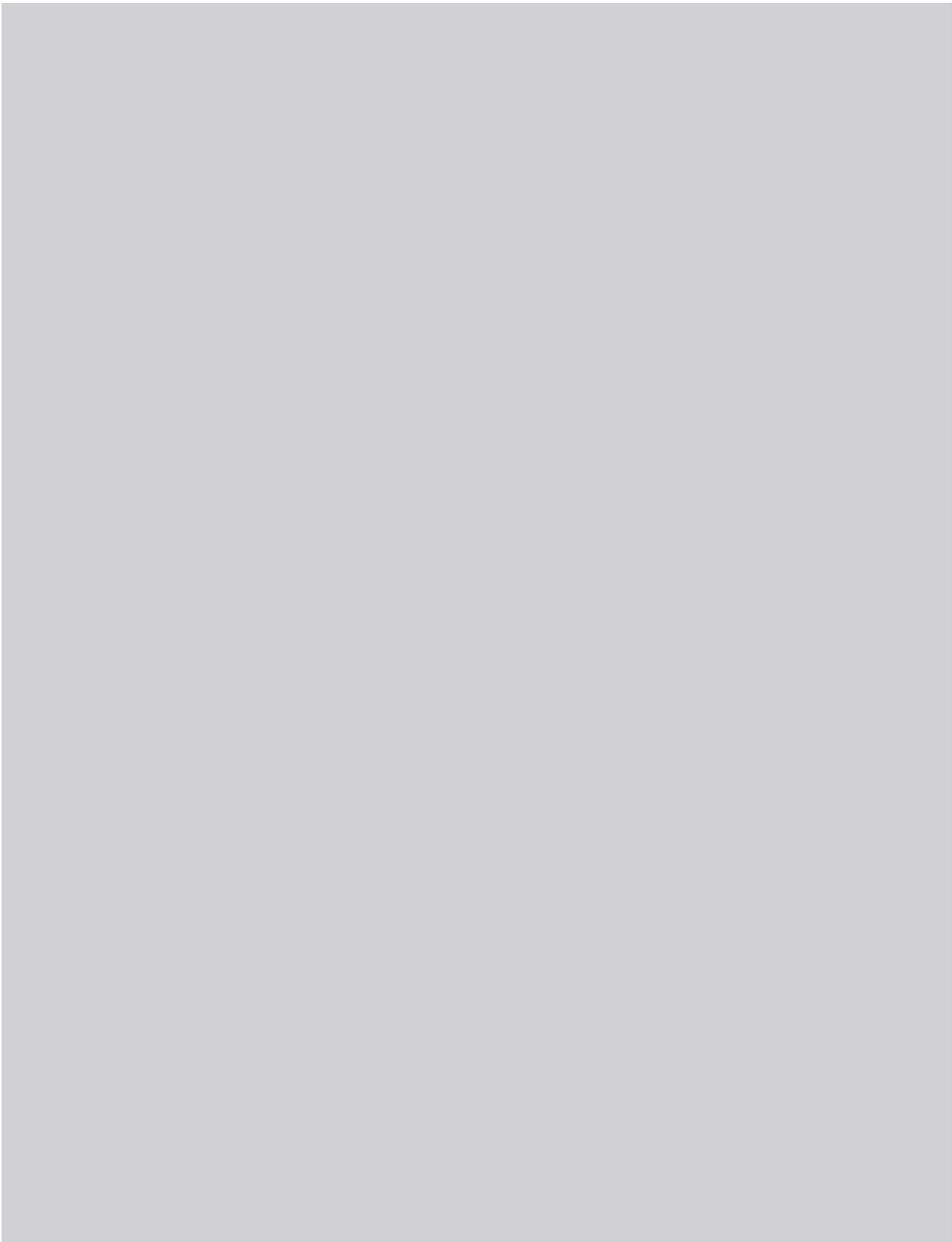
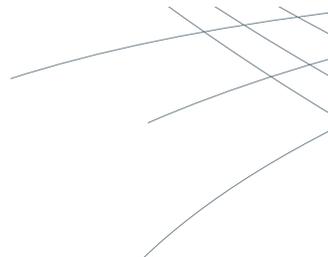
Sue Suckling
BOARD CHAIR



Neil Quigley
BOARD MEMBER



Karen Poutasi
CHIEF EXECUTIVE



PART
TWO

What NZQA achieved in 2013/14

Administered NCEA for over 160,000 senior secondary students

Provided qualification recognition services for over 10,000 people with overseas qualifications who want to come and live, work or study in New Zealand

Quality assured over 600 tertiary education organisations, ensuring learners had the opportunity to receive nationally and internationally recognised qualifications

Implemented Future State initiatives through the launch of the *NCEA Guide* App and scholarship booklets online

Supported learners, whānau and educational organisations through workshops, online tools and information

Maintained and improved the New Zealand Qualifications Framework

Facilitated international recognition of New Zealand qualifications by supporting the implementation of New Zealand's Free Trade Agreements

NZQA did this so that New Zealand qualifications are valued as credible and robust, both nationally and internationally.

NZQA's performance

What NZQA focused on during 2013/14

NZQA's focus during 2013/14 continued to be on ensuring high-quality, globally recognised qualifications that enable learners to succeed in their chosen endeavours and contribute to New Zealand's economy.

NZQA's highlights for the 2013/14 year included the following.

1) Progressing our Future State programme

NZQA is committed to making sure our learners are the best they can be to benefit themselves and New Zealand. The Future State programme is an evolving and accelerating programme of work to ensure that NZQA is able to meet the changing expectations of our learners and clients, within a diverse, digital and borderless world.

The Future State programme builds on NZQA's existing service delivery while ensuring NZQA is responsive to environmental changes. These changes include increased use of technology for teaching and learning programmes, learners who are digital natives, and shifts in the knowledge and skills base needed to grow our economy.

Learning is increasingly becoming personalised to the individual, and qualifications and skills need to be portable within a global marketplace. NZQA has work underway to ensure the ongoing credibility and relevance of the New Zealand Qualifications Framework (NZQF) by:

- referencing the NZQF to other jurisdictional frameworks
- enhancing quality assurance processes for tertiary or industry education organisations
- exploring how we recognise, credit and transfer prior learning
- investigating one universal record of achievement for learners.

A core element of the Future State programme is working towards online exams for the National Certificate of Educational Achievement (NCEA). Moving towards digital assessment processes brings assessment closer to students' learning experience, enables the assessment of higher-order skills, builds 21st century skills sought by employers, and assesses these skills using technologies that are already part of a learner's wider experience of the world.

Improving the accessibility of our services and information to learners and clients is the essence of the Future State programme, through taking a client-centred approach to processes and information, and drawing on the collective knowledge and expertise of users and experts within the education community.

Accessing electronic versions of examination scripts (trial)

In February 2014 New Zealand Scholarship students were able to access marked examination scripts electronically. NZQA partnered with New Zealand Post to trial NZ Scholarship students having digital access to their scripts. Approximately some 2,640 candidates registered and were able to access 4,668 documents. The successful trial provided information for the future design of developing and delivering external examinations digitally.

Developing and releasing the NCEA App to enable easier access for parents and employers

Parents, whānau and employers who received their education before the introduction of NCEA can find it difficult to understand how NCEA works and what it means for their family members or their business. In May 2014 NZQA launched its first App, the NCEA Guide, aimed at providing straightforward and accessible information about NCEA. The content is able to be viewed in English and te reo, and provides links to relevant information on NZQA's website.

Embedding External Evaluation and Review processes for mātauranga Māori

Mātauranga Māori Evaluative Quality Assurance (MM EQA) was launched in 2012. It is the quality assurance approach applied by NZQA to reach evaluative decisions and conclusions regarding those qualifications and programmes considered uniquely and distinctly mātauranga Māori.

Significant work was completed over the 2013/14 year to fully embed MM EQA into business as usual, and ensure a distinctive approach to credibly quality assure mātauranga Māori qualifications, programmes and organisations.

2) Releasing assessment results online for senior school students

In 2013 NZQA administered NCEA for over 160,000 senior secondary students and New Zealand Scholarship examinations that nearly 11,000 students entered.

On 15 January 2014 NCEA results were released, with over 160,000 students able to see their results online through the NZQA website. On NCEA release day almost 30,000 students had logged on by 9 am to view their results. On 11 February 2014 the New Zealand Scholarship results for scholarship students were likewise made available online.

3) Referencing the New Zealand Qualifications Framework (NZQF)

Referencing of the NZQF to other national qualifications frameworks and qualifications systems is critical for ensuring the continued credibility and relevance of the NZQF internationally. Referencing helps drive our Future State programme aspirations to confirm the global reach of the NZQF.

In 2013/14 NZQA progressed referencing of the NZQF with a diverse range of qualification frameworks and systems from other countries. Internationally, NZQA is seen as a leader in using referencing to support qualifications recognition, and in our referencing projects in 2013/14 NZQA continued the work of refining the process used and understanding new models and international practices.

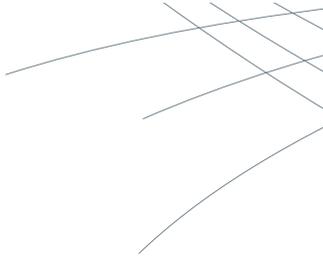
4) Publishing a resource on mātauranga Māori and global indigenous knowledge

In 2014 NZQA produced and launched the publication *Enhancing Mātauranga Māori and Global Indigenous Knowledge* to support the advancement of mātauranga Māori-based qualifications. The launch was part of the International Summit on the Teaching Profession pre-conference programme.

This book is a collaboration between 14 Māori and international scholars and aims to create a forum for the education sector, and Māori and global indigenous educators, to connect and support the advancement of learners' interests in qualifications based on Māori and indigenous knowledge.

5) Engaging families and community through NCEA and the Whānau and NCEA ma le Pasifika workshops

The programme of 'NCEA and the Whānau' and 'NCEA ma le Pasifika' workshops continue to be well supported. During the year 216 'NCEA and the Whānau' workshops were held and over 6,000 individual whānau members engaged and 56 'NCEA ma le Pasifika' workshops were held with 1,730 participants.



6) Further implementing the Targeted Review of Qualifications

The Targeted Review of Qualifications at Levels 1–6 on New Zealand’s 10-level qualifications framework commenced in 2008. The review aimed to ensure that New Zealand qualifications are useful and relevant to current and future learners, employers and other stakeholders.

During the year NZQA focused on initiating the remaining qualification reviews, which are due to be completed in 2015. NZQA has continued to monitor progress and provide assistance, advice and guidance to qualification developers.

7) Administering the Code of Practice for the Pastoral Care of International Students (the Code)

The administration of the Code was transferred to NZQA on 1 August 2013. NZQA’s administration of the Code supports education providers in their responsibility to ensure international students in New Zealand are well informed, safe and properly cared for.

Since August 2013 NZQA has integrated the Code Administrator functions (including processing of applications for Code signatory status, liaison with the sector, monitoring and validation) into its existing quality assurance processes, and for the period to 30 June 2014 had received 42 applications for registration as a Code signatory or for additional approvals.

Focus going forward

The world is in a race for talent and leadership with increasing importance placed on high-quality education. NZQA is committed to making sure our learners are the best they can be, to benefit themselves and New Zealand, both socially and economically.

In a rapidly changing digital world, NZQA’s focus is on taking advantage of opportunities that maximise learning outcomes while maintaining the integrity of New Zealand qualifications and their delivery. To maximise learner outcomes, NZQA will work with clients to identify how it can deliver services anywhere at anytime.

The consistent management of NCEA, the robust quality assurance of the tertiary education system, and the sustained improvements to, and increased international recognition of, the NZQF have provided NZQA with a strong platform to meet increasing demands.

The implementation of NZQA’s Future State programme, Te Rautaki Māori and Pasifika strategies are making NZQA’s services better, more efficient and cost effective. To achieve its aims for learners, their whānau, iwi, employers and industry, NZQA also needs to be easy to work with. Improvements in this area are driven by a comprehensive client engagement programme and internal efficiency projects.

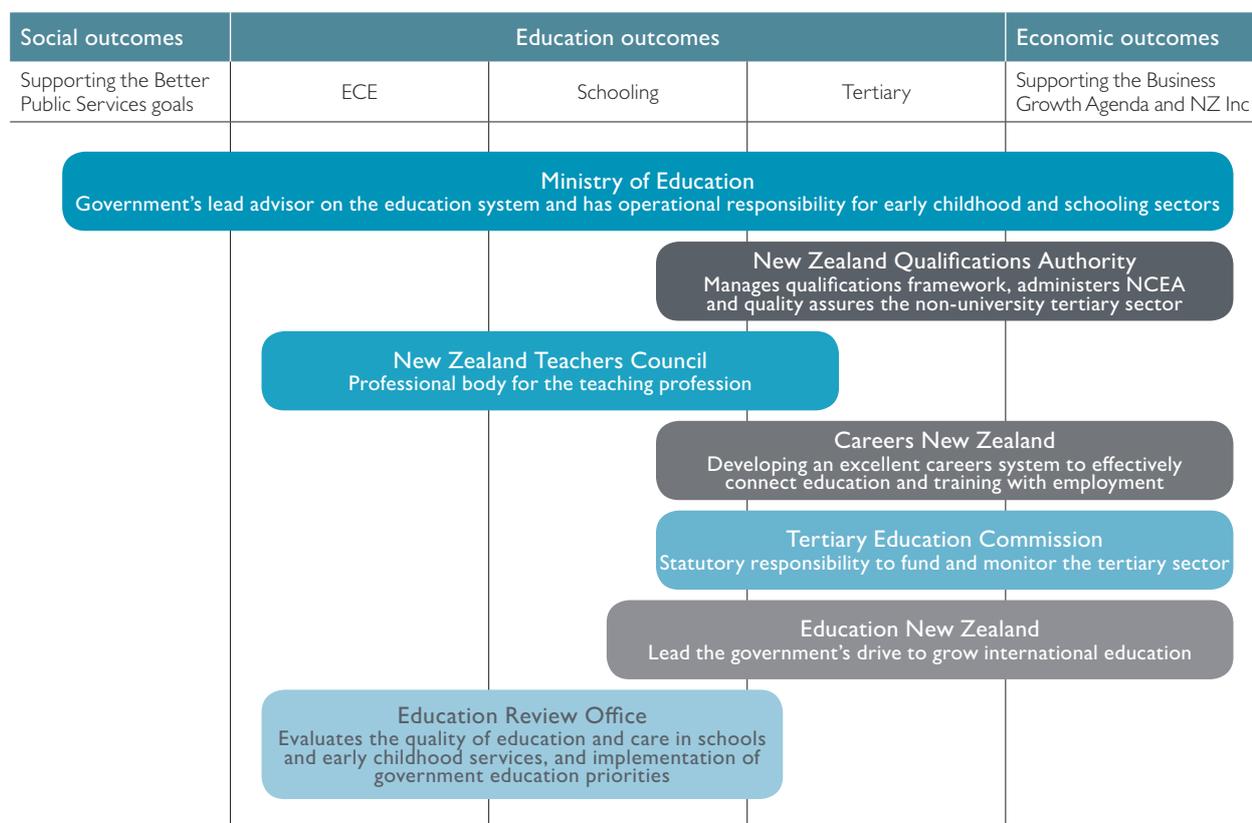
NZQA will ensure its core business continues to be delivered with excellence while preparing for a digital future. The piloting of new initiatives during 2013/14 has laid the foundation for NZQA’s future programme of work. In 2014/15 our digital assessment work will include: introducing an on-screen marking tool; delivering a pilot reader/writer digital solution for students needing special assistance while sitting exams; delivering a pilot for computer-based assessment of a Mathematics Common Assessment exam; and expanding the digital return of examination papers to candidates.

More detail can be found in the 'Innovation at NZQA' pages on our website www.nzqa.govt.nz/about-us/innovation-at-nzqa/ under the headings 'What we have been thinking about', 'What we have been doing' and 'What is coming up'.

Working together

Developing skills, knowledge and experience within a society that crosses international borders requires extensive collaboration. Working with other Government agencies and the private sector has enabled NZQA to better deliver results to its clients.

The diagram below shows the education sector agency landscape.



During the year NZQA worked with a range of agencies within the education and wider sector, including:

- the Ministry of Education in a range of areas, including transitioning the administration of the Code of Practice for the Pastoral Care of International Students, developing better information provision for learners, and developing legislation – the Education Amendment Bill (No. 2) and the Industry Training and Apprenticeships Amendment Bill
- Ako Aotearoa, to publish case studies on effective self-assessment of tertiary education organisations
- the Ministry of Foreign Affairs and Trade, to support Free Trade Agreement negotiations, in particular on qualification recognition obligations
- Education NZ and other industry partners, to support the development of international education
- the Tertiary Education Commission, informing their investment decisions through NZQA's quality assurance reports on individual TEOs' educational performance and capability in self-assessment.

NZQA's performance against its 2013/2014 Outcomes Framework

Government priorities

Outcomes

Outcomes are the impacts on and consequences for the community resulting from the existence and operations of the entity

NZQA's outcome focus

Impacts

Impacts are the contributions made to an outcome by a specified set of outputs or actions, or both

Key initiatives

Key initiatives outline the work underway to deliver enhancements to services that contribute to the achievement of impacts and outcomes. NZQA has three key initiatives in addition to delivery of its core business

How NZQA monitors progress

What NZQA is doing next



NZQA is focused on working with its stakeholders and other government agencies to:

- responsibly manage the Government’s finances
- build a more competitive economy
- deliver better public services to New Zealanders, within the tight budgets the Government is operating under
- support the rebuilding of Christchurch.

New Zealand’s education sector outcome is a “world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st Century”

New Zealand’s qualifications are increasingly valued as credible and robust

Impact 1

The New Zealand Qualifications Framework is more relevant and better meets the needs of learners, employers, industry, iwi and providers

Impact 2

Higher-quality tertiary education in New Zealand

Impact 3

Higher-quality assessment practices in New Zealand’s senior secondary schools

Key initiative 1

Embedding the new system for the development, approval and review of qualifications to support industry, employer, iwi and Government goals

Key initiative 2

Continuing to strengthen quality assurance of the non-university tertiary education sector and build on its national and international reputation as an education destination

Key initiative 3

Continuing to strengthen quality assurance of senior secondary assessment practices in order to meet current and future requirements

Indicators

NZQA conducted an independent analysis to evaluate whether the framework is more useful since changes introduced in 2010
www.nzqa.govt.nz/about-us/news/is-the-new-zealand-qualifications-framework-user-friendly/

Indicators

NZQA is monitoring the cohort of tertiary education organisations placed in Category 3 or 4 as at June 2012 with the expectation that TEOs in this cohort will improve or exit the system
www.nzqa.govt.nz/providers-partners/external-evaluation-and-review/

Indicators

An independent review of the 2007 enhancements to NZQA’s senior secondary assessment system is underway

Intentions

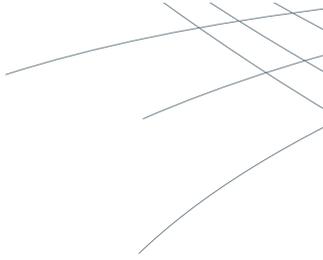
Optimising the opportunities for understanding and use of the NZQF, both in New Zealand and overseas

Intentions

Continuing to strengthen quality assurance of New Zealand in a borderless world

Intentions

Continuing to strengthen quality assurance of senior secondary assessment practices in order to meet future requirements



NZQA is included in whole-of-government approaches introduced in 2013/14

Section 107 of the Crown Entities Act 2004 enables the Minister of State Services and the Minister of Finance to jointly direct Crown entities to support a whole-of-government approach for the purposes of:

- improving public services
- securing economies or efficiencies
- developing expertise and capability
- ensuring business continuity
- managing risks to the Government's financial position.

Section 151 of the Crown Entities Act requires Crown entities to report in annual reports on any new direction given by Ministers during the financial year and any other directions that remain current.

On 19 June 2014 Cabinet extended its existing whole-of-government directions relating to functional leadership requirements for procurement and property to all Crown entities, and for ICT to a smaller group of Crown entities, including NZQA.

The procurement direction, which applies from 1 February 2015, extends the application of the Government Rules of Sourcing. The property direction, which applies from 1 July 2014, extends the role of the Property Management Centre of Expertise and the application of the Government National Property Strategy. The ICT direction, which applies from 19 June 2014, formalises a monitoring role for the Government Chief Information Officer with regard to specified agencies' ICT operations and projects.

NZQA is embedding in its work programme proactive engagement to support the whole-of-government approaches on procurement, ICT and property.



NZQA's role in supporting Export Education

NZQA's international work programme supports the education export industry by promoting recognition of New Zealand's quality-assured qualifications with key education partners.

International education is a major New Zealand export sector, contributing \$2.5 billion to the economy annually. A significant goal of the Government's Business Growth Agenda is to help the education industry double the value of international education by 2025. Education New Zealand (ENZ), in collaboration with its industry partners, is tasked with growing the economic value of New Zealand's international education. ENZ's education business development role is to support, and sometimes collaborate with, New Zealand's international education industry to develop education business products and services and deliver these to markets.

NZQA technical know-how and policy and operational support are increasingly required to support the business development goals for the education sector. NZQA's role in the education sector is to ensure that New Zealand qualifications are regarded as credible and robust, nationally and internationally, in order to help learners succeed in their chosen endeavours and contribute to New Zealand society. There are also opportunities for NZQA's own know-how to be shared with other countries through partnership arrangements.

The portability of an individual's qualifications and the recognition of their competencies are important both for New Zealanders who wish to study, travel or work overseas and for international learners and workers who wish to study and live in New Zealand.

NZQA takes a strategic and proactive role in existing forums to promote developments in national qualifications frameworks, quality assurance and qualifications recognition agreements.

NZQA has responsibility for the New Zealand Qualifications Framework (NZQF), which is used as the basis for system-to-system qualifications recognition. We ensure that the integrity of the NZQF and the value of our qualifications are protected. This co-operation supports both the Government's wider trade agenda and diplomatic activities.

NZQA has continued to use the NZQF as the basis of its qualifications recognition work internationally. This allows NZQA to work at a systems-to-systems level in implementing Free Trade Agreements. The referencing of the NZQF to other national qualifications frameworks and qualifications systems is central to this work.

NZQA has also worked with the Ministry of Education to use curriculum-to-curriculum referencing for recognition work with countries that have not yet implemented a national qualifications framework or have not included their secondary qualifications on a qualifications framework.

Impact 1

The New Zealand Qualifications Framework is more relevant and better meets the needs of learners, employers, industry, iwi and providers

What NZQA focused on during 2013/14

The mandatory reviews of the qualifications at Levels 1–6 on the NZQF aim to ensure that the New Zealand qualifications system is streamlined, coherent and more easily understood by current and future learners, employers and other stakeholders.

A key change is that qualifications listed on the NZQF are subject to mandatory review. Qualifications reviews commenced in 2011 and are intended to reduce the number of qualifications on the NZQF and ensure the qualifications listed are relevant and fit for purpose.

Over time, qualifications across all vocational education and training areas are being reviewed. For example, there were 213 qualifications included in the review of qualifications in the field of information and communications technology. As a result of the review, there will be 14 new qualifications better aligned to meet the needs of industry – a 93 per cent reduction in the number of qualifications. Similarly, 69 mechanical engineering qualifications were reviewed and will be replaced by nine new qualifications – an 87 per cent reduction.

During this past year NZQA focused on initiating the remaining qualification reviews, which are due to be completed in 2015. NZQA has continued to monitor progress and provide assistance, advice and guidance to qualification developers.

An independent analysis of the NZQF, undertaken in 2013, evaluated whether the framework is more useful since the introduction of changes in 2010. It concluded that “the issues identified in 2009 have largely been resolved for learners” (see www.nzqa.govt.nz/about-us/news/is-the-new-zealand-qualifications-framework-user-friendly/)

Work continued on increasing the recognition and portability of New Zealand qualifications in relation to other qualifications jurisdictions.

Why this was important

A national qualifications framework enables a nation to describe its quality-assured qualifications. It uses internationally recognised levels of learning, defined qualification types (for example, diploma or degree) and is built around the concept of learning outcomes.

National qualifications frameworks describe different learning paths and clarify how qualifications within a national system relate to each other, thus promoting learner mobility within the country.

A study conducted by the European Centre for the Development of Vocational Training noted that having too many qualifications within the same sector leads to widespread confusion and reinforces a lack of understanding of what different levels of qualifications mean.

Results

As a result of new processes implemented by NZQA to reduce the duplication and proliferation of qualifications and to make them more meaningful, NZQA has been focused on achieving a cumulative reduction in the number of qualifications on the framework since 2011. The table below shows the cumulative reduction in the number of qualifications using a base date of 2010/11.

| Measure | 2011/12 Actual | 2012/13 Actual | 2013/14 Actual | 2013/14 Forecast | 2014/15 Forecast | 2015/16 Forecast |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| % of reduction in qualifications ² | 23.6% | 45% | 71% | 65% | 72% | 72% |
| Number of qualifications | 3,551 | 2,526 | 1,349 | 1,610 | 1,280 | 1,280 |

Focus going forward

Going forward there will be:

- ongoing monitoring of progress, and the provision of relevant and timely assistance, advice and guidance to qualification developers, as needed
- As a result of qualification reviews completed by 30 June 2014, the number of qualifications at levels 1 to 6 will be 1349. This number is based on the qualifications resulting from the reviews that have been approved to the “approved to develop” stage. Following this stage Qualification Developers continue the development to “approval to list”. By December 2015 the total number listed is expected to be 1,150.
- processes introduced to assure graduates of New Zealand qualifications consistently achieve the qualification outcomes
- ongoing monitoring and review to ensure NZQF rules and guidance remain fit for purpose in New Zealand and internationally
- an independent evaluation in 2018 of New Zealand qualifications to ensure they are useful and relevant to future learners, employers and other stakeholders
- evidence by 2015 of an increase in the formal recognition of qualification arrangements with other countries
- ongoing work with other jurisdictions to promote the NZQF.

² The reduction in the percentage of qualifications on the NZQF includes the net number of new qualifications as a result of reviews, and is calculated based on applications received on completion of the first stage of qualification development – approval to develop. The measure does not report the number of qualifications listed on the NZQF following the second stage of qualification development (approval to list) and does not include qualifications that will be expiring or discontinued as a result of the reviews.

Impact 2

Higher-quality tertiary education in New Zealand

What NZQA focused on during 2013/14

A significant focus for NZQA this year has been a project designed to enhance and strengthen NZQA's evaluative quality assurance framework (EQAF). The project is a part of NZQA's Future State programme, Quality assurance in a borderless world, and ensures NZQA evaluative quality assurance is directed towards constructively influencing tertiary education organisations (TEOs) to understand and strengthen their educational performance. The project draws on recommendations included in the report of an international panel that reviewed the EQAF in 2012, as well as NZQA's own reflections following the completion of the first four-year round of external evaluation and review (EER) in 2013.

All EERs scoped from 1 January 2014 incorporate strengthened education performance reporting requirements, including specific reporting on the educational achievement of both Māori and Pasifika learners, and are informed by a new compliance declaration process. Compliance declarations promote TEO self-responsibility for managing compliance functions and will help provide NZQA with greater assurance about the legal and ethical behaviour of TEOs in advance of EER. NZQA, with Ako Aotearoa, has also published a series of self-assessment case studies for use by TEOs.

NZQA has been strengthening its pool of evaluators. A strong pool of evaluators ensures all EER panels combine generic evaluation capability with sector knowledge. Improved evaluator training and processes for the moderation of EER judgements are also enhancing the reliability and consistency of EER results.

The EQAF will be further strengthened by NZQA's work with the Ministry of Education on the Industry Training and Apprenticeships Act 2014 (enacted 23 April 2014), which gives NZQA a strengthened role in the quality assurance of industry training organisations (ITOs).

NZQA is also focused on ensuring it is able to meet the needs of its clients, including learners and TEOs, in the context of rapid changes in the global and digital landscape. Under the project to enhance the EQAF, work is underway to generalise the evaluative approach across all of NZQA's quality assurance activities, and to embed mātauranga Māori evaluative quality assurance into business as usual. This work is designed to ensure NZQA is well placed to respond to innovations in tertiary education delivery while maintaining a high standard of quality assurance.

Significant work has also been undertaken throughout 2013/14 to implement internal process improvements and to ensure NZQA is able to deliver its business as usual quality assurance services in the timely and high-quality manner that clients demand.

Why this was important

Higher-quality tertiary education in New Zealand supports the achievement of both individual aims and New Zealand's social and economic goals. Improvements in education quality and performance across the tertiary education sector are driven by NZQA's EQAF.

A high-trust, high-accountability model rewards high-performing TEOs with reduced costs and greater autonomy. Low-performing TEOs are subject to sanctions that limit their activities and protect the interests of stakeholders until they demonstrate improved performance or exit the system.

Results

Results as at 30 June 2014

During 2013/14 NZQA published 153 EER results, as set out in the table below. There were 141 EERs undertaken during the 2013/14 year, with the additional published results relating to EERs that were undertaken during 2012/13 but not finalised and published until 2013/14.

| | | Educational performance | | | |
|-------------------------------|------------------|-------------------------|-----------|-------------------|---------------|
| | | Highly Confident | Confident | Not Yet Confident | Not Confident |
| Capability in self-assessment | Highly Confident | 34 PTEs | | | |
| | Confident | 21 PTEs | 49 PTEs | | |
| | | 4 ITPs | 4 ITOs | | |
| | | 1 wānanga | 4 ITPs | | |
| | | | 1 wānanga | | |
| Not Yet Confident | | 17 PTEs | 12 PTEs | | |
| Not Confident | | | 2 PTEs | 4 PTEs | |

Key

| Category 1 provider: | Category 2 provider: | Category 3 provider: | Category 4 provider: |
|---|--|--|--|
| Highly confident in educational performance | Confident in educational performance | Not yet confident in either educational performance or capability in self-assessment | Not confident in either educational performance or capability in self-assessment |
| Confident or better in self-assessment | Confident or better in capability in self-assessment | | |

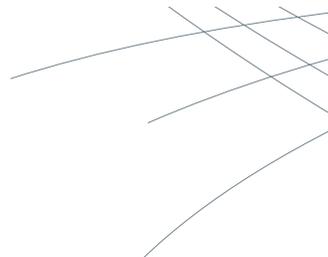
In 2013/14, 40 private training establishments (PTEs) requested cancellation of their registration. In addition, eight PTEs were deregistered for non-compliance in one or more conditions of registration.

NZQA also continues to monitor the cohort of TEOs that were either Category 3 or 4 at 30 June 2012. NZQA expects that these TEOs will either improve their outcome at their next EER as a result of lifting their performance or exit the system.

At 30 June 2012 there were 42 TEOs in Category 3 or 4. By 30 June 2014 only 14 (33.3 per cent) of these TEOs remained in Category 3 or 4. Of the original 42, 14 have exited the system. Of these, 11 voluntarily cancelled their registration, two had their registration cancelled as a result of non-compliance with one or more conditions of registration, and one TEO's registration lapsed under section 234 of the Education Act 1989.

Fourteen of the original 42 TEOs have demonstrated improved performance at a subsequent EER. Thirteen TEOs are now in Category 2 and one is now in Category 1.

Of the 14 TEOs that remain in Category 3 or 4, three are currently participating in an EER and nine have EERs scheduled. The remaining two TEOs are considering voluntarily cancelling their registration, and further EERs have therefore been placed on hold.



Focus going forward

The enhancement of the EQAF, and ensuring TEOs are effectively using self-assessment to maintain and improve their education performance, is an ongoing focus for driving higher-quality tertiary education in New Zealand. NZQA is currently working to extend its EER provider categories to ITOs, which will further incentivise high quality in the industry training sector.

NZQA is also continuing to engage with the sector on the changing needs for quality assurance in an increasingly borderless world, as well as how best NZQA's quality assurance can respond to innovations in education delivery and assessment. In particular, NZQA is working closely with the sector and other government agencies to support new initiatives for growing New Zealand's export education sector. Such initiatives depend upon the reputation of New Zealand as a high-quality education destination, and this places importance on the continued role of NZQA's evaluative quality assurance in ensuring education quality.



Impact 3

Higher-quality assessment practices in New Zealand's senior secondary schools

What NZQA focused on during 2013/14

During 2013/14 NZQA:

- worked with 488 schools in New Zealand and in the Pacific to ensure NCEA processes are understood, moderated over 111,000 pieces of student work for internal assessment, and managed external assessment for over 143,500 students with 1,345,517 entries in NCEA and New Zealand Scholarship examinations
- provided New Zealand Scholarship opportunities to 10,965 students with 20,538 entries, culminating in the annual Top Scholar award ceremony held in May 2014
- presented 28 Secondary School Principal Nominee Seminars (681 people attended these targeted workshops to learn more about current NCEA topics)
- delivered 161 Best Practice Workshops for 3,378 attendees, of which 23 were the new Best Practice Workshops called 'Connecting with Contexts'
- delivered 216 'NCEA and the Whānau' workshops and engaged over 6,000 individual whānau members with NCEA information and support
- delivered 56 workshops with 1,730 participants for NCEA ma le Pasifika, which provided NCEA information and support to Pasifika communities
- continued working towards the recommendations from the Ministry of Education's report on Special Assessment Conditions (SAC)
- supported the Government's Youth Guarantee programme by: assisting the development of Vocational Pathways 1–6; developing the Vocational Pathways Profile and Award(s) tools; and creating and publishing 325 Vocational Pathway Assessment Resources (under contract to the Ministry of Education)
- assisted Partnership Schools to develop good assessment practice and initiated the clarification of rules for secondary schools subcontracting their consent to assess
- worked with the Ministry of Education to develop the new Level 1 achievement standards aligned to Te Mārautanga o Aotearoa (the Māori-medium curriculum) for the 2014 academic year
- developed within the Future State programme:
 - an online tool for schools to submit their Special Assessment Conditions (SAC) applications in 2014 – the outcome has been more timely decision-making and earlier completion of the SAC application and approval process
 - a digital solution that will improve the reader/writer provision to SAC-approved candidates during an examination, which is being trialled for 2014 mock exams
 - a pilot project returning digital copies of New Zealand Scholarship examination answer booklets
- developed a pilot to digitally run the Mathematics Comment Assessment practice exam in September 2014.

Why this was important

Senior secondary qualifications are a gateway to further education and employment. Higher-quality assessment is a key contributor to the credibility of these qualifications. In 2011 the OECD found that “NCEA examinations have acquired a high level of credibility among students, teachers, and parents thanks to rigorous monitoring of all the steps involved in the examination, and because of the high validity of reliability of results”.³

Results

NZQA conducts Managing National Assessment (MNA) reviews of schools to evaluate their NCEA assessment practices in relation to internally assessed work. These judgements are publically available and are used by the Education Review Office to inform an overall assessment of the school's performance. The MNA results inform how regularly reviews are conducted. NZQA expects the majority of schools to be on a cycle of three years or longer, indicating a high level of confidence in the school's assessment practices.

Over the 2013/14 financial year 161 MNA reviews were conducted. This resulted in New Zealand secondary schools being placed on the Managing National Assessment Cycle on 1 July 2014 as follows.

| Review cycle | Number of schools |
|--------------|-------------------|
| 1 year | 5 |
| 2 years | 63 |
| 3 years | 324 |
| 4 years | 63 |
| Total* | 455 |

* This excludes 8 new schools, 9 schools for which a review date is still to be set, 8 schools not providing NCEA, and 8 schools in the Pacific.

The percentage of schools on a three- or four-year review cycle has increased compared to 12 months ago, indicating an overall improvement in the quality of schools' assessment practices.

| Forecast 2012/13 | Actual 2012/13 | Forecast 2013/14 | Actual 2013/14 | Forecast 2014/15 | Forecast 2015/16 |
|------------------|----------------|------------------|----------------|------------------|------------------|
| 78% | 78.7% | 75–85% | 85.1% | 75–85% | 75–85% |

Other development opportunities provided by NZQA to lift performance are Best Practice Workshops and monitoring of the agreement rate between schools and national moderators/assessors. External expert advice received is that 85 per cent is the ideal agreement rate: for the 2013 academic year the National Agreement rate was 88 per cent at the level of credit.

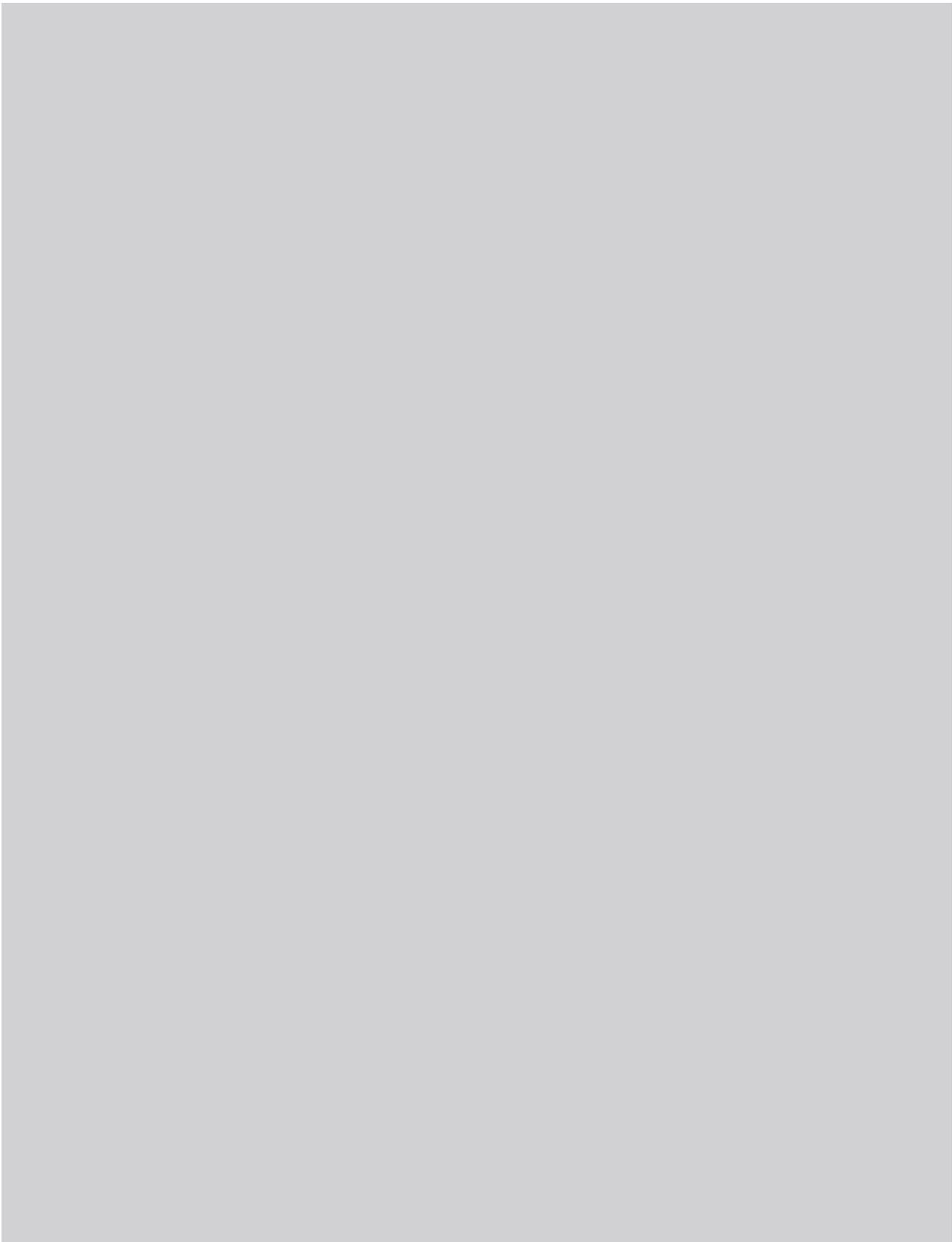
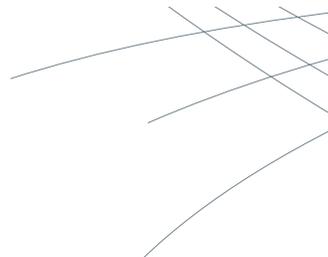
3 Nusche, D., et al. (2012), *OECD Reviews of Evaluation and Assessment in Education: New Zealand 2011*, Paris: OECD Publishing. <http://dx.doi.org/10.1787/9789264116917-en>

| | Actual 2012/13 | Actual 2013/14 | Forecast 2013/14 |
|---|-------------------|-------------------|---------------------|
| The percentage of moderator to teacher National Agreement rate for NCEA candidates work – at the level of credit. | 89.3% | 88.0% | 85% |
| The percentage of moderation reports successfully appealed | 0.09% | 0.18% | < 1% |

The percentage of successful appeals of moderation reports also gives an indicator of the robustness of NZQA's moderation processes. The 0.18 per cent result for 2013/14 provides a high level of confidence in the review process.

Focus going forward

- NZQA will continue to focus on the delivery of our core services to build higher-quality assessment practices in senior secondary schools, including the following.
 - MNA reviews will continue to be carried out.
 - Targeted audits and visits focusing on monitoring progress between MNA review cycles will continue to be carried out, with a focus on poor performance.
 - Moderation best practice workshops will continue to be delivered, as needed.
 - Targeted workshops for schools will continue to be delivered.
 - A strengthened application process for schools to gain their initial Consent to Assess.
 - An application and approval process for schools that wish to engage external providers to deliver assessment for NZQF qualifications will continue.
 - NZQA will have developed a culturally appropriate quality assurance model for externally moderating Te Mārautanga o Aotearoa standards.
 - A revised Moderation Report, providing better data, will be available to schools to manage their performance.
- The Future State programme will continue to develop including:
 - expanding the digital return to candidate of examination papers to more students
 - the development of computer-based assessment, starting with the Mathematics Common Assessment Tool
 - launching of the reader/writer digital tool as a Special Assessment Condition for NCEA examinations.
- An independent review of the effectiveness of NZQA's implementation of the 2007 NCEA improvements will be conducted in 2014.



PART
THREENZQA's organisational
health

Organisational health measures

NZQA's Board, Strategic Management Team and business unit managers monitor its performance against service and productivity targets on a monthly basis. This includes individualised measures focused on specific service delivery areas and NZQA-wide goals, such as staff development and capital investment. Higher-level indicators are summarised in the following table.

| Indicators | Actual 2012/13 | Actual 2013/14 |
|---|---------------------|----------------------|
| Financial | | |
| NZQA expenditure is monitored against a budget to achieve +/- 5% within budget | Achieved (1%) | Achieved (0.7%) |
| Cash against current debt ratio is maintained at not lower than 1.10:1 on an annual basis | Achieved (2:1) | Achieved (2.38:1) |
| Customer service | | |
| More than 85% of surveyed clients consider the quality of their experiences with NZQA to be the same as or better than their experiences with other public sector organisations | Achieved (88%) | Achieved (86%) |
| Information and communication technology | | |
| The availability of NZQA's website address (URL) www.nzqa.govt.nz 99.5% of the time (excluding planned outages) | Achieved (99.8%) | Achieved (99.8%) |
| ICT reliability | 99.8% | 99.99% |
| People | | |
| NZQA performs well in the human rights annual 'good employer' analysis report | Achieved | Achieved |

Health and safety

The Board has been active in response to the release of the *Good Governance Practice Guidelines for Health and Safety* by the Ministry of Business, Innovation and Employment and the Institute of Directors in May 2013. A review of health and safety at NZQA and an action plan developed as a result of the review have been fully delivered. Initiatives included enhancements to Board reports and the manual, publication of a vision and commitments statement, and development of an ongoing programme of health and safety initiatives and communications.

NZQA as a good employer

This year the four-year human resources strategy, the People Plan, was completed. The focus for the work programme in 2013/14 was to embed and consolidate all the Plan's initiatives into business as usual. Work has commenced to develop a further strategy that will support the Future State programme of work and provide a focus for building our people capability in the years ahead.

The new strategy will continue to be a way for NZQA to demonstrate its commitment to being a good employer, and embed the principles of Equal Employment Opportunities. We will continue to monitor equitable access for staff to workplace development opportunities and their success in employment through workforce data reports. NZQA's human resource policies are reviewed every three years, and at that stage staff are invited to comment on the policy and influence policy outcomes. Feedback is also sought from union representatives.

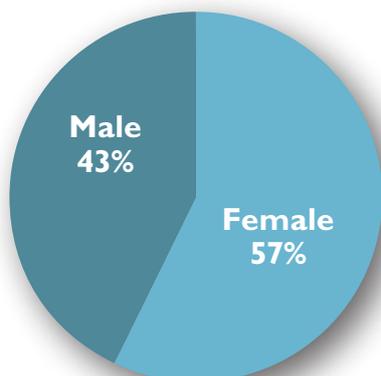
This year the following policies were reviewed:

- health and safety
- professional development
- remuneration
- privacy
- time off in lieu
- flexible working practices
- recruitment
- leave
- induction
- study assistance.

NZQA workforce profile as at 30 June 2014

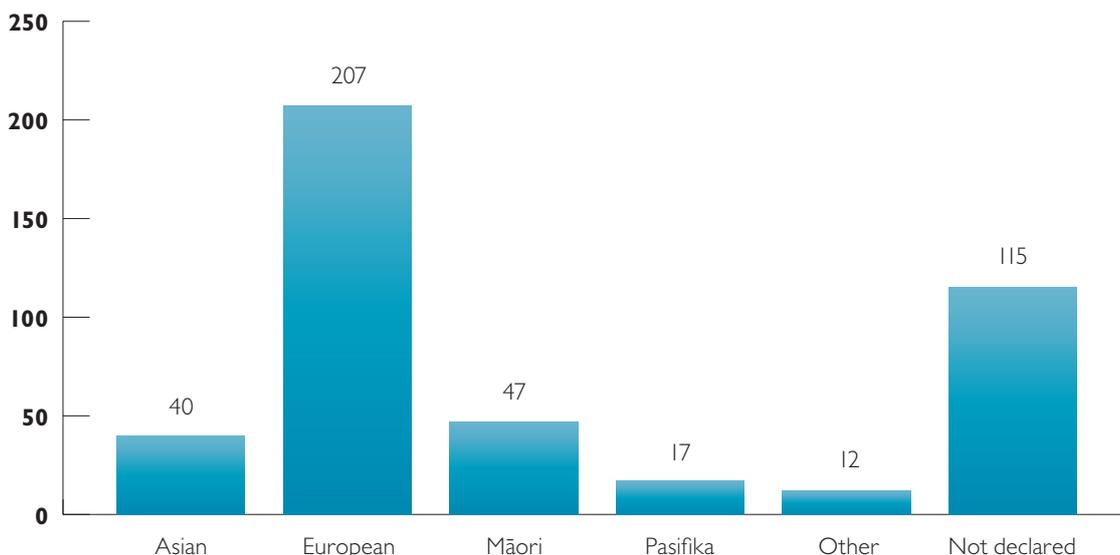
The NZQA workforce profile by gender, ethnicity and age is outlined in the graphs below. NZQA does not collect data on staff with disabilities, but individuals who have a disability are known and NZQA responds to their needs appropriately. For example, NZQA has an Evacuation Staff List that identifies staff with temporary or permanent disabilities who will need support. This list is amended every month and is monitored by a health and safety representative.

Gender of staff as at June 2014



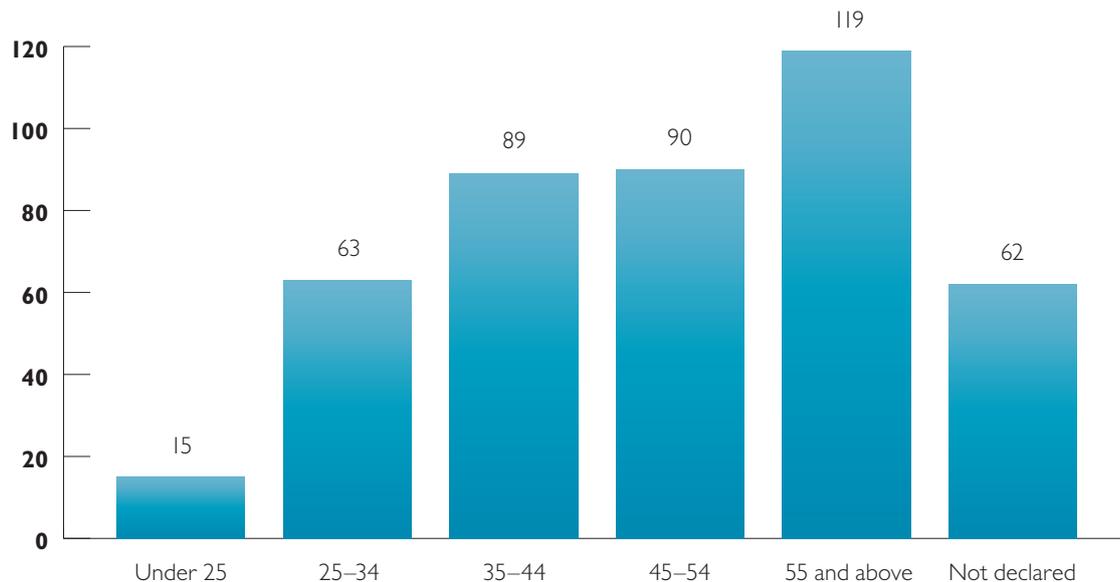
This year has seen a slight reduction in the proportion of female staff (60% to 57%). Generally, though, this is proportionately similar to the previous three years.

Ethnicity of staff, June 2014 (number of people)



NZQA continues to have a diverse workforce. The number of Māori and Pasifika staff has remained stable over the past two years, at 15 per cent and five per cent, respectively. Note: not all staff record their ethnicity.

Age of staff, June 2014 (number of people)



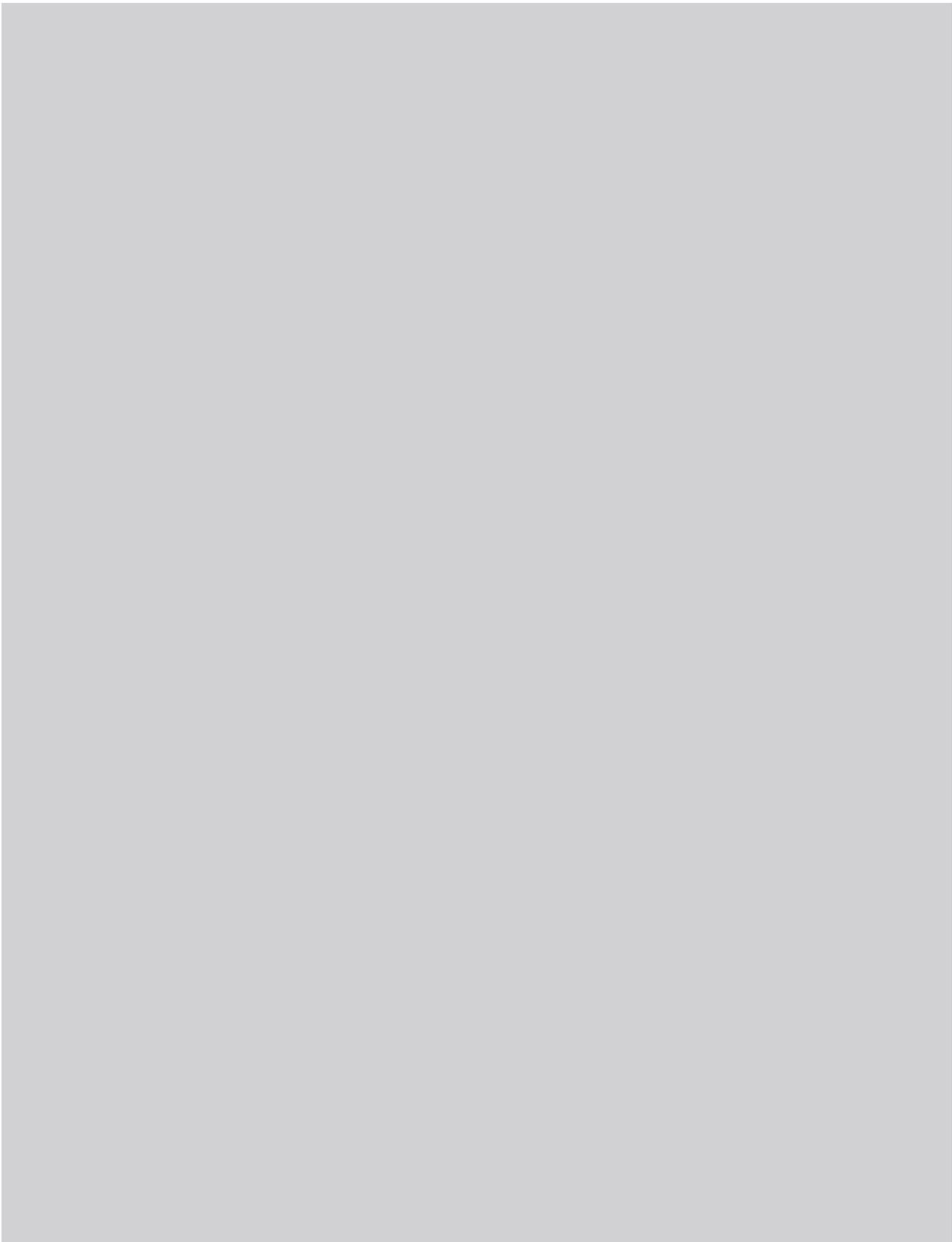
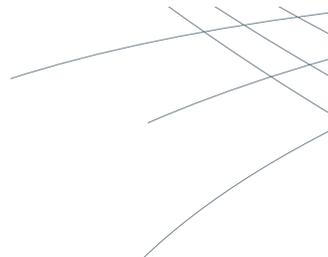
There is a wide distribution of age groups across NZQA's workforce. The number of unknown ages related to staff who have not declared their age has decreased this year (107 to 62). This has improved our knowledge about the age distribution of staff. Three per cent of the workforce whose age is known are under 25 years of age. A large proportion of the workforce (119/32 per cent) is 55 years and above. This number has grown from 108 last year. The greatest proportion of the workforce is aged between 35 and 54 (48%).

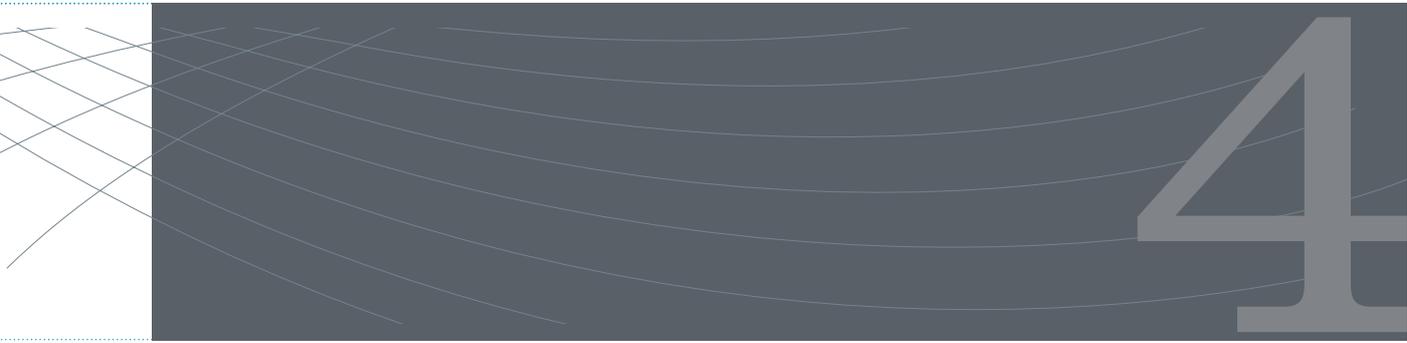
Good employer activities

An overview of NZQA's activities and initiatives that support the seven key good employer criteria are provided in the table below.

| | |
|---|--|
| Leadership, accountability and culture | <p>NZQA:</p> <ul style="list-style-type: none"> analysed and reported on workforce data (including Māori representation, ethnicity and gender recruitment statistics) celebrated Māori and Pacific Island language weeks with a range of activities for staff to participate in provided staff with regular forums and presentations from external and internal subject matter experts involved staff in change management processes and provided opportunities for feedback conducted a staff engagement survey, presented its findings to managers and staff, and instigated a process for staff to be involved in developing actions in response to the findings. |
| Recruitment, selection and induction | <p>NZQA:</p> <ul style="list-style-type: none"> conducted open, fair and transparent recruitment and selection processes and welcomed attendance by support persons for candidates during interviews welcomed new staff through executive-led whakatau and orientation sessions, chief executive personal greetings, and tailored orientation sessions provided by team leaders/managers analysed recruitment data to track the ethnicity and gender of applicants and gender pay gaps for appointees (0.4%). |
| Employee development, promotion and exit | <p>NZQA:</p> <ul style="list-style-type: none"> provided study assistance and professional development support collaborated with education sector agencies to maximise development opportunities for staff provided on-site te reo and tikanga sessions and a range of learning and development opportunities, including a new mentoring programme that matched Māori and Pasifika mentors with mentees where requested supported an active Māori staff network, including a 2-day hui for members supported an active Pasifika staff network offered support for staff to attend Māori Language Commission proficiency tests analysed and reported on exit survey responses. |
| Flexibility and work design | <p>NZQA:</p> <ul style="list-style-type: none"> maintained a flexible work practices policy, including flexible working hours provided tailored options and responded to individual requests to support work/life balance (including for those with any permanent or temporary disabilities) ensured breast-feeding facilities continued to be available and accessible when re-organising workspaces introduced the ability to purchase leave. |

| | |
|---|--|
| Remuneration, recognition and conditions | <p>NZQA:</p> <ul style="list-style-type: none"> • maintained a gender-neutral job evaluation methodology • ensured its remuneration policy remains transparent and accessible and worked with NZQA staff union representatives in the annual remuneration forum • recognised individual employee achievements through a variety of media, including internal publications • extended the provision of domestic leave to whānau who reside outside that staff member's household. |
| Harassment and bullying prevention | <p>NZQA:</p> <ul style="list-style-type: none"> • continue to maintain accessibility, promotion and enforcement of the Code of Conduct • continue to maintain procedures for the management of workplace harassment and bullying. |
| Safe and healthy environment | <p>NZQA:</p> <ul style="list-style-type: none"> • maintained an active Health and Safety Committee and floor warden network, and ensured that first aid training was up to date • provided a range of support to promote health and well-being, including an employee assistance programme, workstation assessments, health and safety policies, procedures and training, subsidised sports activities, and an active social committee • promoted safety in the workplace through regular floor inspections, emergency preparedness reminders, and communications about well-being • regularly reviews sick leave, accidents, ACC leave and high leave balances • published a health and safety vision and commitments statement • developed a health and safety page with easy access to all related policies, procedures and guidelines, and details of floor wardens and the Health and Safety Committee. |





PART
FOUR

Statement of Service Performance 2013/14

Output Class 1

Output I: Provision of Information and Advisory Services

Scope of appropriation

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

Purpose of appropriation

People need quality, timely and relevant information to make good decisions. These performance measures provide us with an indication of how well learners, their whānau, schools, education providers and Government are supported in their decision-making. The number of responses and submissions provided to Ministers can vary significantly according to demand, therefore no estimate for these services for 2013/14 has been provided.

Provision of Information and Advisory Services

| | 2013–14 Actual (\$000) | 2013–14 Budget (\$000) | Variance (\$000) | Variance % |
|--------------------------|------------------------------|------------------------------|---------------------|---------------|
| Income | | | | |
| Crown | 3,726 | 3,726 | – | – |
| Other | 97 | – | 97 | n/a |
| Total income | 3,823 | 3,726 | 97 | 3 |
| Expenses | 3,537 | 3,743 | 206 | 6 |
| Surplus/(Deficit) | 286 | (17) | 303 | 1,783 |

Other income primarily represents a contribution from the Ministry of Education for the NCEA and the Whānau project which was not in the original budget.

97% of total income for this output is provided by the Crown. \$1.1M of the revenue is for the administration of the capital charge.

Output 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. The information programme and timetable can be found on NZQA's website (www.nzqa.govt.nz/information-programme).

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|--|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| The delivery of an information programme on the following: quality assurance, the New Zealand Qualifications Framework, Te Rautaki Māori, NZQA's Pasifika Strategy, NCEA and other government education policy for which NZQA has responsibility | 100% | 100% | 100% |
| Quality measure | | | |
| The percentage of external communications that meet identified good practice guidelines | 100% | 95% | 100% |
| Timeliness measure | | | |
| The percentage of external communications that meet timeframes in NZQA's information programme plan published on its website | 100% | 100% | New measure |

Output 1.2: Ministerial support

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

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|----------------|------------------------------|----------------|
| Quantity measure | | | |
| The number of draft responses to Ministerial correspondence and Official Information Act requests | 230 | Volume is demand-driven | 206 |
| The number of submissions to Ministers | 123 | Volume is demand-driven | 133 |
| The number of draft responses to oral and written parliamentary questions | 41 | Volume is demand-driven | 20 |
| Quality measure | | | |
| The percentage of draft responses to Ministerial correspondence and Official Information Act requests accepted by the Minister in terms of technical accuracy ⁴ | 100% | 97% | 100% |
| The percentage of submissions accepted by the Minister in terms of technical accuracy | 100% | 97% | 100% |
| The percentage of responses to oral and parliamentary questions that are accepted by the Minister in terms of technical accuracy | 100% | 97% | 100% |
| Timeliness measure | | | |
| The percentage of draft responses to Ministerial correspondence, Official Information Act requests, and submissions that achieve the deadlines set by staff in the Ministers' offices | 100% | 95% | 100% |
| The percentage of responses to oral and written parliamentary questions that achieve the deadlines agreed with Ministers' offices | 100% | 100% | 100% |

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

Output Class 2

Output 2: Quality Assurance

Scope of appropriation

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

Purpose of appropriation

Ensuring high-quality services are delivered to tertiary learners in the non-university sector is a core function for NZQA.

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

Provision of Quality Assurance

| | 2013–14 Actual (\$000) | 2013–14 Budget (\$000) | Variance (\$000) | Variance % |
|---------------------|------------------------------|------------------------------|---------------------|---------------|
| Income | | | | |
| Crown | 4,761 | 4,370 | 391 | 9 |
| Other | 5,477 | 6,019 | (542) | (9) |
| Total income | 10,238 | 10,389 | (151) | (1) |
| Expenses | 11,453 | 12,052 | 599 | 5 |
| (Deficit) | (1,215) | (1,663) | 448 | 27 |

The additional Crown revenue is due to new baseline funding for the transfer of the Code Office function for the administration of pastoral care for international students to NZQA.

Other income is below budget and reflects lower than expected income from External Evaluation and Review.

Approximately 47% of the total income for this output is provided by the Crown.

Output 2.1: Delivery of quality assurance processes

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

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|--|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| The number of external evaluations and reviews undertaken of tertiary education organisations (non-university) | 141 | 141 ⁵ | 213 ⁶ |
| The number of assessment standards quality assured and listed on the Directory of Assessment Standards | 2,089 | Volume is demand-driven | 2,451 |
| The percentage of tertiary education organisations (non-university) ⁷ monitored in accordance with national external moderation requirements to determine how well they are assessing their learners against NZQA managed standards | 100% | 100% | 100% |
| Quality measure | | | |
| The percentage of tertiary education organisations (non-university) that have sanctions applied on the basis that they have received judgements below 'confident' as a result of external evaluation and review ⁸ | 100% | 100% | 100% |
| The percentage of approved qualifications that meet all published requirements for placement on the NZQF, as demonstrated through a random sampling | 100% | 100% | 100% |
| The percentage of tertiary education organisations (non-university) where significant issues have been identified, that have an agreed plan in place or have sanctions applied against them | 100% | 100% | 100% |
| Timeliness measure | | | |
| The percentage of external evaluation and review reports completed and sent to private training establishments within 20 working days of the site visit | 95% | 95% | 95% |
| The percentage of successful applications for sub-degree programmes of study approved within 55 working days | 85.3% | 85% | 73.2% |
| The percentage of tertiary educational organisations (non-university) ⁹ that receive a National External Moderation report annually | 100% | 100% | 100% |

5 Based on the results of the first round of EER reviews, the published schedule for July to December 2013 and the changes in overall TEO numbers, NZQA has set its 2013/14 schedule to conduct 141 EERs.

6 During 2012/13, NZQA undertook more EERs than initially forecast, because of a target that 100% of non-university should participate in EERs by June 2013. As a result of meeting this one-time commitment, NZQA's volume of possible EERs for the current year (2013/14) was correspondingly reduced by 22%.

7 This includes only those TEOs with consent to assess and that are actively assessing against NZQA-managed standards. This does not include those tertiary organisations that are exempt from national external moderation. Exemptions are made for those organisations that were due to deliver a course but were unable to as a result of not receiving funding or an insufficient number of enrolments.

8 The possible results for the external evaluation and review are: Highly confident, Confident, Not yet confident, Not confident.

9 This does not include those TEOs that are exempt from national external moderation. Exemptions are made for those organisations that were due to deliver a course but were unable to as a result of not receiving funding or an insufficient number of enrolments.

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

As the regulator of tertiary education in New Zealand, NZQA has a key role in protecting learners and the Crown from poorly performing providers.

NZQA audits provider trust accounts to ensure student fee payments are protected, sanctions providers it is not confident in, works closely with new providers, and manages complaints to deal with issues.

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|-------------------|------------------------------|----------------|
| Quantity measure | | | |
| The percentage of all provider account trusts that are audited by a member of the New Zealand Institute of Chartered Accountants (NZICA) at the request of NZQA | 89% | 70% | 91% |
| The percentage of tertiary education organisations that receive a 'not confident' rating for educational performance and capability in self-assessment that have all programme approval and accreditation applications suspended | 100% | 100% | 100% |
| The number of newly registered private training establishments that receive a validation visit within six months of registration | 5 | Volume is demand-driven | New measure |
| The percentage of complaints regarding tertiary education organisations that are managed in accordance with published policies and procedures | 100% | 100% | 100% |
| Quality measures | | | |
| The percentage of issues identified through the NZICA audits of provider trust accounts that are addressed by NZQA | 100% | 100% | 100% |
| The percentage of tertiary education organisations subject to sanctions as a result of an external evaluation and review judgement lower than 'confident' who have sanctions lifted only as a result of demonstrated improved performance | 100% | 100% | 100% |
| The percentage of newly registered private training establishments that do not meet published policies and criteria that are required to achieve an appropriate action plan or face procedures ultimately leading to sanctions | 100% | 100% | 100% |
| The percentage of complaints managed in accordance with published policies and procedures as evidenced by the documentation trail | 100% | 100% | 100% |
| Timeliness measure | | | |
| The percentage of issues identified through NZICA audits of provider trust accounts that are addressed by NZQA within 30 working days of NZQA receiving notification | 91% ¹⁰ | 100% | 100% |
| The percentage of tertiary education organisations who receive a 'not confident' rating, have the process for suspension conditions commenced within 20 working days after receiving and accepting the rating | 100% | 100% | 100% |
| The percentage of newly registered private training establishments that receive a validation visit within six months of registration | 100% | 100% | New measure |
| The percentage of complaints regarding tertiary education organisations that are concluded within 65 days | 97.2% | 90% | 96.3% |

¹⁰ Two cases did not meet the 30 working day timeframe.

Output Class 3

Output 3: Qualification support structures

Scope of appropriation

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

Purpose of appropriation

As stewards of New Zealand's qualifications system, NZQA 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 the work, including standards development, recognition of qualifications and international liaison.

Qualifications Support Structures

| | 2013–14 Actual (\$000) | 2013–14 Budget (\$000) | Variance (\$000) | Variance % |
|---------------------|------------------------------|------------------------------|---------------------|---------------|
| Income | | | | |
| Crown | 6,049 | 6,049 | – | – |
| Other | 21,517 | 21,216 | 301 | 1 |
| Total income | 27,566 | 27,265 | 301 | 1 |
| Expenses | 26,876 | 24,533 | (2,343) | (10) |
| Surplus | 690 | 2,732 | (2,042) | (75) |

Expenses are above budget as a result of the \$0.6M impairment provision for the Sector Qualifications Register project and higher amortisation and operational costs as a result of reshaping several information technology projects including those in relation to the Future State project as the scope and extent of that project continues to become clearer.

Approximately 22% of the total income for this output is provided by the Crown.

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

In order for learners, educational institutions and employers to have confidence that learners are assessed against credible, robust and consistent standards, NZQA must ensure these standards are maintained, and 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.

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|----------------------|--|----------------|
| Quantity measure | | | |
| The number of non-curriculum-based NZQA-owned standards maintained | 419 | 250–280 Volume is demand-driven | 576 |
| The number of credits assessed by accredited tertiary education organisations and put on to learners' transcripts | 11,110,552 | 10–12 million Volume is demand-driven | 10,926,271 |
| The number of qualification certificates issued to learners | 91,693 | Volume is demand-driven | 92,043 |
| Quality measure | | | |
| The percentage of NZQA-owned standards submitted for quality assurance registered following no more than two quality assurance cycles | 100% | 90% | 100% |
| The percentage of credits for standards assessed by accredited tertiary education organisations accurately put on to learners' transcripts | 100% | 100% | 100% |
| The accuracy of national qualifications records awarded to tertiary learners | 100% | 100% | 100% |
| Timeliness measure | | | |
| The percentage of NZQA-owned non-curriculum-based standards maintained and accepted for registration by their planned review date | 99.86% | 95% | 99% |
| The percentage of results for standards assessed by accredited tertiary organisations put on to learners' transcripts within two working days | 99.26% | 98% | 99.54% |
| The percentage of national qualification certificates dispatched to learners within five working days | 96.49% ^{II} | 98% | 98.90% |

II Although batches processed on time (within five days) was below the performance standard, NZQA's average processing time was only 1.16 days and students are sent, on average, their certificates within two days of requesting them.

Output 3.2: Overseas qualifications assessment and recognition

People who want to work, live and/or 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

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|-------------------|---|-------------------|
| Quantity measure | | | |
| The number of qualifications recognised and then benchmarked against the New Zealand Qualifications Framework | 10,674 | 8,500–10,000 Volume is demand-driven | 10,241 |
| Quality measure | | | |
| The percentage of qualifications subject to external corroboration from two sources regarding the legitimacy of the qualification | 100% | 100% | 100% |
| Timeliness measure | | | |
| The percentage of standard applications evaluated within 35 working days (exclusive of any verification delays) | 99.5% | 96% | 99.99% |
| The percentage of fast-track applications evaluated within 20 working days (exclusive of any verification delays) | 99.5% | 96% | 100% |



Output 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.

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|--|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| Support for the Ministry of Foreign Affairs and Trade in free trade agreement negotiation meetings | 16 | 10 Volume is demand-driven | 13 |
| The number of free trade agreements for which NZQA has implementation responsibilities | 4 | 4 Volume is demand-driven | 4 |
| Quality measure | | | |
| NZQA provides support for free trade negotiations and implements free trade agreements to the satisfaction of the Ministry of Foreign Affairs and Trade ¹² | 4 | 3 | 4 |
| Timeliness measure | | | |
| The Ministry of Foreign Affairs and Trade is satisfied with the timeliness of NZQA's involvement with free trade negotiations and the implementation of NZQA's free trade agreement responsibilities | 4 | 3 | 4 |

¹² Scale 1 to 4: 1 is strongly disagree, 2 is disagree, 3 is agree and 4 is strongly agree.

Output Class 4

Output 4: Secondary school assessment

Scope of appropriation

This appropriation is limited to the provision for NZQA overseeing assessment for national secondary school qualifications, including the NCEA and Scholarship examinations, and the moderation of internal and external school assessment.

Purpose of appropriation

Every year over 165,000 secondary school learners aim to achieve a NCEA. Ensuring a robust and equitable assessment system for New Zealand's secondary school 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 assessment systems.

Secondary School Assessment

| | 2013–14 Actual (\$000) | 2013–14 Budget (\$000) | Variance (\$000) | Variance % |
|---------------------|------------------------------|------------------------------|---------------------|---------------|
| Income | | | | |
| Crown | 26,480 | 26,480 | – | – |
| Other | 11,877 | 11,417 | 460 | 4 |
| Total income | 38,357 | 37,897 | 460 | 1 |
| Expenses | 39,575 | 40,549 | 974 | 2 |
| (Deficit) | (1,218) | (2,652) | 1,434 | 54 |

Other income includes that from best practice workshops that were not in the original budget. These workshops were operated on a cost-neutral basis.

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

Output 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.

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|--|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| The number of standards examined and assessed as part of the external assessment systems of the NCEA | 278 | 270–330 Volume is demand-driven | 298 ¹³ |
| Quality measure | | | |
| The percentage of marker judgements unaltered following Review or Reconsideration of External Assessment Results process | 99.84% | 99% | 99.84% |
| Timeliness measure | | | |
| The percentage of results provided to learners – NCEA by the third full week of January | 100% | 99% | 100% |

¹³ Effective from 2012, the number of standards learners are able to sit per examination session has been reduced to a maximum of three (previously more than five have been able to be sat per session).

Output 4.2: Secondary school internal assessment

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

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|-------------------|------------------------------------|-------------------|
| Quantity and timeliness measure | | | |
| The number of samples of student work selected for secondary moderation | 111,370 | 95,000– 105,000 | 103,624 |
| Quality measure | | | |
| The percentage of moderation reports successfully appealed | 0.18% | < 1% | 0.09% |

Output 4.3: New Zealand Scholarship examinations

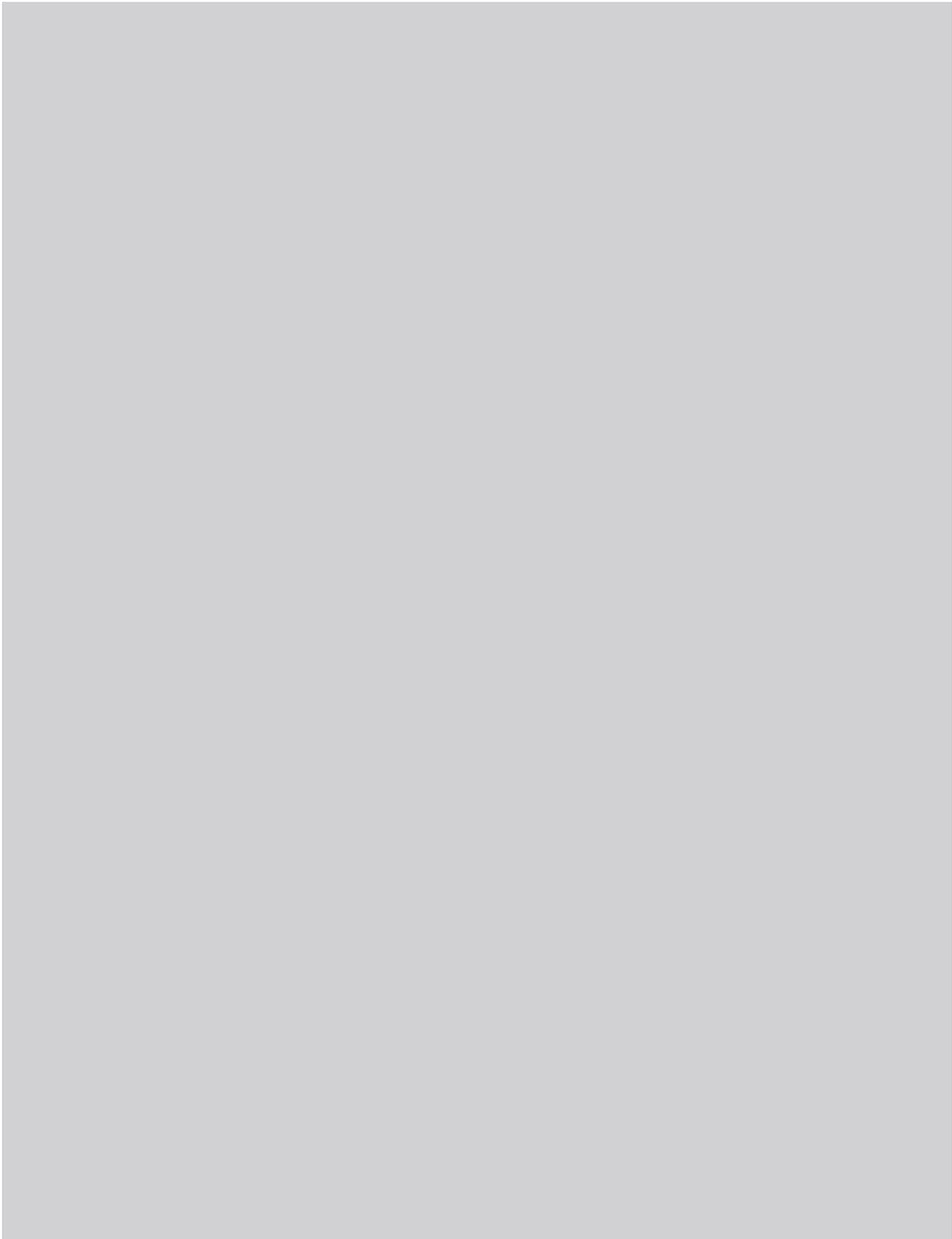
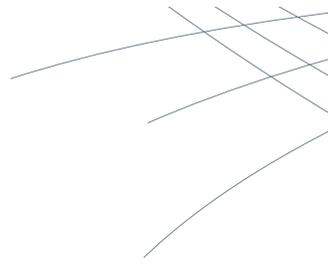
NZQA is responsible for ensuring that, provided the published standard is met, scholarships are awarded to the top 3 per cent (plus or minus 0.25 per cent) of candidates in subject cohorts exceeding 250 students. The quality and timeliness of Scholarship administration is closely monitored.

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|--|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| The number of entries for Scholarship subjects | 20,537 | Volume is demand- driven | 20,103 |
| Quality measure | | | |
| The percentage of teachers responding to a survey who agree the overall quality of the delivery of assessment systems for Scholarship is high or very high | 75.2% | 75% | 81% |
| The percentage of marker judgements that are unaltered following Review or Reconsideration of External Assessment Results process | 99.87% | 99% | 99.73% |
| Timeliness measure | | | |
| The percentage of validated results provided to learners within the second full week of February 2014 | 100% | 99% | 100% |

Output 4.4: Secondary school assessment systems

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

| Performance measures | Actual 2013/14 | Performance standard 2013/14 | Actual 2012/13 |
|---|-------------------|------------------------------------|-------------------|
| Quantity measure | | | |
| The number of Managing National Assessment checks completed | 161 | 120–180 | 180 |
| Quality measure | | | |
| The percentage of significant issues identified by NZQA relating to the assessment of secondary students are addressed by a monitored action plan | 100% | 100% | 100% |
| Timeliness measure | | | |
| The percentage of draft Managing National Assessment reports provided to schools within six weeks from the date of the first visit | 100% | 100% | 100% |



5

PART
FIVE

Statement of Responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the New Zealand Qualifications Authority's (NZQA) financial statements and statement of service performance, and for the judgements made in them.

The Board of NZQA has the responsibility of establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of NZQA for the year ended 30 June 2014.

Signed on behalf of the Board:



Sue Suckling
BOARD CHAIR
9 September 2014



Neil Quigley
BOARD MEMBER
9 September 2014

Independent Auditor's Report

To the readers of the New Zealand Qualifications Authority's financial statements and non-financial performance information for the year ended 30 June 2014

The Auditor-General is the auditor of the New Zealand Qualifications Authority (the Authority). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Authority on her behalf.

We have audited:

- the financial statements of the Authority on pages 48 to 77, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Authority that comprises the statement of service performance on pages 28 to 41 and the report about outcomes on pages 8 to 19.

Opinion

In our opinion:

- the financial statements of the Authority on pages 48 to 77:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Authority's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Authority on pages 28 to 41 and 8 to 19:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Authority's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and



- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 9 September 2014. 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 Board and our responsibilities, and we 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 non-financial 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 non-financial 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 non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Authority's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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 Authority'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 Board;
- the appropriateness of the reported non-financial performance information within the Authority's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

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

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Authority's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

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

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

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 Authority.



Clare Helm
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



A large, stylized, light gray number '6' is positioned in the upper right corner of a dark gray header bar. The number has a thick, rounded font style.

PART
SIX

Financial Statements

Statement of Comprehensive Income

(for the year ended 30 June 2014)

| | Note | 2014 Actual (\$'000) | 2014 Budget (\$'000) | 2013 Actual (\$'000) |
|--|------|----------------------------|----------------------------|----------------------------|
| INCOME | | | | |
| Revenue from the Crown | | 41,016 | 40,625 | 40,652 |
| Other income | | 38,968 | 38,652 | 42,096 |
| Interest income | | 710 | 695 | 672 |
| Total income | 3 | 80,694 | 79,972 | 83,420 |
| EXPENSES | | | | |
| Personnel and Board | 5 | 40,600 | 40,744 | 40,804 |
| Specialist workforce | | 9,832 | 9,558 | 10,721 |
| Professional services | 6 | 8,843 | 8,756 | 8,629 |
| Publication, printing and distribution | | 4,206 | 4,234 | 4,333 |
| Other operating costs | 7 | 11,959 | 12,653 | 12,124 |
| Depreciation and amortisation | | 5,600 | 4,516 | 5,313 |
| Capital charge | 8 | 1,111 | 1,111 | 1,111 |
| Total expenses | | 82,151 | 81,572 | 83,035 |
| (DEFICIT)/SURPLUS | | (1,457) | (1,600) | 385 |
| Other comprehensive income | | – | – | – |
| TOTAL COMPREHENSIVE INCOME | | (1,457) | (1,600) | 385 |

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

Explanations of significant variances against budget are detailed in note 2.

The accompanying notes form part of these financial statements.

Statement of Financial Position

(as at 30 June 2014)

| | Note | 2014 Actual (\$'000) | 2014 Budget (\$'000) | 2013 Actual (\$'000) |
|--------------------------------------|-----------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 9 | 3,166 | 2,599 | 2,735 |
| Debtors and other receivables | 10 | 3,918 | 4,486 | 5,364 |
| Prepayments | | 969 | 870 | 1,001 |
| Investments | 11 | 11,500 | 9,000 | 10,500 |
| Total current assets | | 19,553 | 16,955 | 19,600 |
| Non-current assets | | | | |
| Property, plant and equipment | 12 | 1,712 | 2,327 | 2,445 |
| Intangible assets | 13 | 6,336 | 9,768 | 7,683 |
| Work in progress | 12,13 | 2,470 | 2,000 | 2,122 |
| Total non-current assets | | 10,518 | 14,095 | 12,250 |
| TOTAL ASSETS | | 30,071 | 31,050 | 31,850 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Creditors and payables | 14 | 5,512 | 7,326 | 5,989 |
| Employee entitlements | 15 | 3,381 | 3,192 | 3,321 |
| Provisions | 16 | 10 | – | 16 |
| Deferred revenue | | 878 | 873 | 788 |
| GST payable | | 657 | 440 | 623 |
| Total current liabilities | | 10,438 | 11,831 | 10,737 |
| Non-current liabilities | | | | |
| Provisions | 16 | 37 | 59 | 38 |
| Employee entitlements | 15 | 488 | 530 | 510 |
| Total non-current liabilities | | 525 | 589 | 548 |
| TOTAL LIABILITIES | | 10,963 | 12,420 | 11,285 |
| NET ASSETS | | 19,108 | 18,630 | 20,565 |
| EQUITY | | | | |
| Contributed capital | | 13,890 | 13,890 | 13,890 |
| Retained surpluses | | 5,218 | 4,740 | 6,675 |
| PUBLIC EQUITY | 27 | 19,108 | 18,630 | 20,565 |

Explanations of significant variances against budget are detailed in note 2.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

(for the year ended 30 June 2014)

| | Note | 2014 Actual (\$000) | 2014 Budget (\$000) | 2013 Actual (\$000) |
|-----------------------------------|------|---------------------------|---------------------------|---------------------------|
| Balance at start of the year | | 20,565 | 20,230 | 20,180 |
| (Deficit)/Surplus | | (1,457) | (1,600) | 385 |
| Total comprehensive income | | (1,457) | (1,600) | 385 |
| Crown capital contribution | | – | – | – |
| BALANCE AT END OF THE YEAR | 27 | 19,108 | 18,630 | 20,565 |

Explanations of significant variances against budget are detailed in note 2.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

(for the year ended 30 June 2014)

| | Note | 2014 Actual (\$000) | 2014 Budget (\$000) | 2013 Actual (\$000) |
|---|------|---------------------------|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from the Crown | | 41,016 | 40,625 | 40,652 |
| Receipts from other revenue | | 40,503 | 38,652 | 40,422 |
| Interest received | | 711 | 695 | 642 |
| Payments to employees and Board | | (40,562) | (40,744) | (40,634) |
| Payments to suppliers | | (35,294) | (34,667) | (36,066) |
| Payments for capital charge | | (1,111) | (1,111) | (1,111) |
| Goods and Services Tax (net) | | 34 | – | 8 |
| Net cash from operating activities | 17 | 5,297 | 3,450 | 3,913 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts from the sale of property, plant and equipment | | 3 | – | – |
| Purchases of property, plant and equipment | | (219) | (750) | (867) |
| Purchases of intangible assets | | (3,650) | (4,200) | (2,511) |
| Purchases of investments | | (31,542) | (30,000) | (27,000) |
| Receipts from sale of investments | | 30,542 | 30,000 | 27,500 |
| Net cash from investing activities | | (4,866) | (4,950) | (2,878) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Crown – Capital contribution | | – | – | – |
| Net cash from financing activities | | – | – | – |
| Net increase/(decrease) in cash and cash equivalents | | 431 | (1,500) | 1,035 |
| Cash and cash equivalents at the beginning of the year | | 2,735 | 4,099 | 1,700 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9 | 3,166 | 2,599 | 2,735 |

Explanations of significant variances against budget are detailed in note 2.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

I Statement of Accounting Policies for the year ended 30 June 2014

REPORTING ENTITY

NZQA is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, NZQA's ultimate parent is the New Zealand Crown.

NZQA's primary objective is to provide services to the New Zealand public.

Accordingly, NZQA has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for NZQA are for the year ended 30 June 2014, and were approved by the Board on 28 August 2014.

BASIS OF PREPARATION

Statement of Compliance

The financial statements of NZQA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of NZQA is New Zealand dollars.

Changes in accounting policies

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

There have been no revisions to accounting standards during the year which have had an effect on the financial statements of NZQA.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective (and that have not been early adopted) include NZ IFRS 9 "Financial Instruments" which will eventually replace NZ IAS 39 "Financial Instruments: Recognition and Measurement". The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities. The impact of the standard is yet to be fully assessed.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, NZQA is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means NZQA will transition to the new standards in preparing its 30 June 2015 financial statements. NZQA does not expect any measurement implications from applying the new Accounting Standards Framework but some minor disclosure changes will be made.

Due to the change in Accounting Standards Framework for public benefit entities, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

NZQA is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of NZQA meeting its objectives as specified in the Statement of Intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Examination fees

These are received from August and are recognised as revenue when the exams are conducted.

Qualifications recognition services fees

These are received in advance and recognised as revenue as the work is completed.

National Certificate of Educational Achievement fees

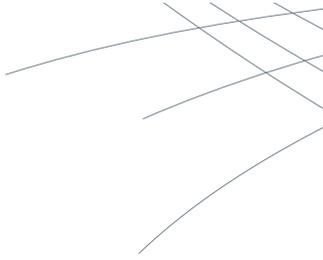
These are recognised as revenue when received by NZQA.

Interest

Interest income is recognised using the effective interest method.

Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the state of completion at the balance sheet date.



Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to NZQA are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are recorded at their face value less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that NZQA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of impairment is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Investments

Investments represent term deposits held with banks with original maturities of three months and above and are initially measured at fair value plus transaction costs. After initial recognition such investments are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant and equipment

Property, plant and equipment asset classes consist of computers and electronic equipment, leasehold improvements, furniture and fittings, office equipment and motor vehicles.

Property, plant and equipment are shown at cost less any accumulated depreciation and impairment 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 NZQA and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value when control over the asset is obtained.

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 included in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to NZQA and the cost of the item can be measured reliably.

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, 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:

| | | |
|--|------------|------------|
| Electronic equipment (desktop and notebooks) | 4 years | 25% |
| Electronic equipment (network equipment and servers) | 3–5 years | 20%–33% |
| Furniture and fittings | 10 years | 10% |
| Office equipment | 5 years | 20% |
| Leasehold improvements | *see below | *see below |
| Motor vehicles | 4 years | 25% |

*Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

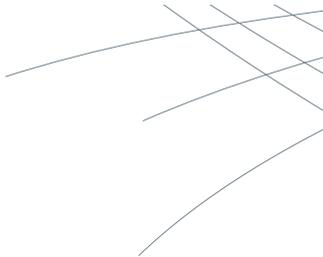
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by NZQA are recognised as an intangible asset. Direct costs include the software development and employee costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development of NZQA's website are capitalised and amortised over the period of the life of the asset in accordance with generally accepted accounting practice.



Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated for each specific individual item of acquired and developed computer software. Refer to note 13 for the estimated useful lives for intangible assets.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets recorded as work in progress are tested for impairment on an annual basis. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost of an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where NZQA would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

Creditors and other payables

Creditors and other payables are measured at their face value.

Employee entitlements

Short-term employee entitlements

Employee entitlements that NZQA expects to be settled within 12 months after the end of the period in which the employee renders the related service 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, retirement 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 compensated 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 NZQA anticipates it will be used by staff to cover those future absences.

NZQA recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, 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 contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Obligations for contributions to KiwiSaver, Government Superannuation Fund and other NZQA Superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Provisions

NZQA recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits 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 be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

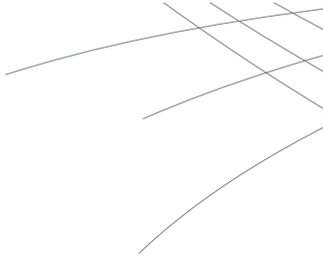
Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by NZQA for the preparation of the financial statements.

Cost allocation

NZQA has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output.



Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. Depreciation is charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

Critical accounting estimates and assumptions

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

Property, plant and equipment useful lives and residual values

At each balance date NZQA reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires NZQA to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by NZQA and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position. NZQA minimises the risk of the estimation uncertainty by:

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

NZQA 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 12.

Intangible assets

At each balance date NZQA reviews the useful lives and residual values of its intangible assets. In assessing the appropriateness of the useful life and impairment of an intangible asset the following considerations are taken into account:

- NZQA considers the life of a system during information communication technology (ICT) strategic plan updates and reviews the life based on the expected life of the business process involved and likelihood the technology will stay current and supportable.
- Impairment is considered when NZQA reviews the ICT strategic plan or on an ad-hoc basis considers the utilisation of an asset as a software system. The degree of impairment is based on an assessment of the actual use of the system.

Retirement and long service leave

Note 15 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Critical judgements in applying NZQA's accounting policies

Management has exercised no critical judgements in applying NZQA's accounting policies for the year ended 30 June 2014.

2 Explanation of significant variances against budget

Statement of Comprehensive Income

The net deficit for the year ended 30 June 2014 of \$1.5M compares with a budget deficit of \$1.6M. There were a number of variances from budget with the more significant ones being:

- Revenue from the Crown is \$0.4M above budget reflecting the transfer of the Code Office function for the administration of pastoral care for international students to NZQA.
- Other operating costs are \$0.7M below budget following effective management control and a reduction in travel related costs and telephony.
- Depreciation and amortisation are \$1.1M above budget reflecting the \$0.6M impairment charge and higher amortisation as a result of the reshaping of several information technology projects including those in relation to the Future State project.

Statement of Financial Position

Net assets at 30 June 2014 were \$19.1M compared to a budget of \$18.6M. Within individual lines, the significant variances are largely a result of timing and classification differences and are as follows:

- Debtors and other receivables are \$0.6M below budget due to timing of receipts being slightly better than originally expected. This has also resulted in the slightly improved cash position compared to budget.
- Investments are \$2.5M above budget largely reflecting the \$1.9M higher cash available for investment at the start of the year.
- Property, plant and equipment are \$0.6M below budget. This is primarily a result of lower additions given the difference in timing of hardware replacement to that originally expected.
- Intangible assets are \$3.4M below budget. This is the result of reshaping the scope and extent of information technology projects including those in relation to Future State projects as this work continues to become clearer.
- Work in progress is \$0.5M below budget reflecting less assets transferred from work in progress to intangible assets than originally expected.
- Creditors and payables are \$1.8M below budget. This reflects a reduction in accruals and invoiced creditors as a result of the reduced spend on intangibles (see above).

Statement of Changes in Equity

The net deficit for the year is in line with budget although there are a number of compensating differences as highlighted above.

Statement of Cash Flows

The main variances are explained below:

- Receipts from other revenue are \$1.8M above budget. The original budget assumed a reduced movement in debtor balances than actually eventuated.
- Purchases of tangible fixed assets are \$0.5M below budget following the difference in hardware replacement to that originally expected.
- Purchases of intangible fixed assets are \$0.6M below budget following a reduction in the capital work programme given the reshaping of the Future State project.

3 Income

NZQA has been provided with funding from the Crown for the specific purposes of NZQA, as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2013: nil).

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Crown funding for: | | |
| Provision of information and advisory services | 3,726 | 3,726 |
| Quality assurance | 4,761 | 4,370 |
| Qualifications support structures | 6,049 | 6,076 |
| Secondary school assessment | 26,480 | 26,480 |
| Total Crown revenue | 41,016 | 40,652 |
| Other revenue | | |
| Examination fee remissions* | 1,288 | 1,288 |
| Examination revenue | 9,988 | 9,985 |
| NQF fees and registration | 16,298 | 16,104 |
| Application, audit and annual fees** | 9,399 | 9,595 |
| Resources sales | 1,127 | 1,169 |
| Other income and award reimbursement*** | 868 | 3,955 |
| Total other revenue | 38,968 | 42,096 |
| Interest | 710 | 672 |
| Total income | 80,694 | 83,420 |

* Received from the Crown's "Benefit & Other Unrequited Expenses" fund.

** Includes \$352,000 (2013: \$352,000) from Immigration New Zealand for Quality Assurance work on the list of qualifications exempt for assessment.

***Includes \$670,000 (2013: \$3,625,000) received for projects through inter-departmental funding.

4 Gain on disposal of property, plant and equipment

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Net (gain) on sale of property, plant and equipment | (2) | – |
| Total (gains) | (2) | – |

5 Personnel and Board

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Salaries and wages | 38,831 | 39,007 |
| Employer contributions to defined contribution plans | 1,731 | 1,627 |
| Increase in other employee entitlements (note 15) | 38 | 170 |
| Total personnel costs | 40,600 | 40,804 |

Employer contributions to defined contribution plans include contributions to KiwiSaver, the Government Superannuation Fund and other NZQA Superannuation schemes.

6 Professional services

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Audit fees to Audit New Zealand for financial statement audit | 94 | 86 |
| Fees to Audit New Zealand for other services | – | – |
| Consultancy and Contractor fees | 4,513 | 4,445 |
| Moderation Rebates | 3,750 | 3,628 |
| Other fees | 486 | 470 |
| Total professional services | 8,843 | 8,629 |

7 Other operating costs

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Travel and accommodation | 3,008 | 3,631 |
| Office rental – operating lease expense | 3,188 | 3,222 |
| Hardware maintenance and support | 88 | 69 |
| Software licences and support | 1,921 | 1,653 |
| Information technology outsourcing | 228 | 248 |
| Telephony | 547 | 652 |
| Provision for doubtful debt (decrease)/increase | (41) | 36 |
| Bad debt write-off | 76 | 26 |
| Minor equipment purchases | 121 | 99 |
| Schools administration fees | 797 | 793 |
| Other | 2,026 | 1,695 |
| Total other operating costs | 11,959 | 12,124 |

8 Capital charge

NZQA pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2014 was 8% (2013: 8%).

9 Cash and cash equivalents

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Cash on hand and at bank | 3,166 | 2,735 |
| Cash equivalents – term deposits < 3 months | – | – |
| Total cash and cash equivalents | 3,166 | 2,735 |

The carrying value of short-term deposits with original maturity dates of less than three months approximates their fair value.

10 Debtors and other receivables

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Debtors and other receivables | 3,922 | 5,409 |
| Less: provision for impairment | (4) | (45) |
| Total debtors and other receivables | 3,918 | 5,364 |

The carrying value of receivables approximates their fair value.

As at 30 June 2014 and 2013 all overdue receivables have been assessed for impairment and appropriate provision applied, as detailed below:

| | 2014 | | | 2013 | | |
|----------------------|------------------|-----------------------|----------------|------------------|-----------------------|----------------|
| | Gross (\$000) | Impairment (\$000) | Net (\$000) | Gross (\$000) | Impairment (\$000) | Net (\$000) |
| Not past due | 3,834 | – | 3,834 | 4,674 | (6) | 4,668 |
| Past due 1–30 days | 53 | – | 53 | 628 | – | 628 |
| Past due 31–60 days | 7 | – | 7 | 52 | (7) | 45 |
| Past due 61–90 days | 3 | – | 3 | 25 | (5) | 20 |
| Past due > 91 days | 25 | (4) | 21 | 30 | (27) | 3 |
| Total debtors | 3,922 | (4) | 3,918 | 5,409 | (45) | 5,364 |

The provision for impairment has been calculated based on expected losses for NZQA's pool of debtors. Expected losses have been determined based on a review of specific debtors and an analysis of NZQA's losses in previous periods.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2014 NZQA has identified no debtors (2013: 3) totalling \$nil (2013: \$23,000) that are in liquidation and therefore potentially insolvent.

Movements in the provision for impairment of receivables are as follows:

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Balance at 1 July | 45 | 9 |
| Additional provisions made during the year | 35 | 62 |
| Receivables written off during the year | (76) | (26) |
| Balance at 30 June | 4 | 45 |

11 Investments

| | 2014 Actual (\$'000) | 2013 Actual (\$'000) |
|--------------------------|----------------------------|----------------------------|
| Term deposits | 11,500 | 10,500 |
| Total investments | 11,500 | 10,500 |

There is no impairment provision for investments. All term deposits have original maturities of between 3 and 12 months and the carrying amounts approximate their fair value.

The weighted average effective interest rate for term deposits is 4.23% (2013: 4.1%).

12 Property, plant and equipment (PPE)

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

| | Motor vehicles (\$'000) | Computers & electronic equipment (\$'000) | Office equipment (\$'000) | Leasehold improvements (\$'000) | Furniture & fittings (\$'000) | Total (\$'000) |
|---|-------------------------------|--|---------------------------------|---------------------------------------|-------------------------------------|-------------------|
| Cost | | | | | | |
| Balance at 1 July 2012 | 205 | 7,122 | 1,385 | 541 | 1,253 | 10,506 |
| Additions | – | 854 | – | – | 13 | 867 |
| Disposals | – | – | – | – | – | – |
| Balance at 30 June 2013 | 205 | 7,976 | 1,385 | 541 | 1,266 | 11,373 |
| Additions | – | 202 | 17 | – | – | 219 |
| Disposals | (23) | (1,160) | – | (2) | – | (1,185) |
| Balance at 30 June 2014 | 182 | 7,018 | 1,402 | 539 | 1,266 | 10,407 |
| Accumulated depreciation and impairment losses | | | | | | |
| Balance at 1 July 2012 | 154 | 4,973 | 1,346 | 379 | 730 | 7,582 |
| Depreciation expense | 46 | 1,084 | 39 | 26 | 89 | 1,284 |
| Impairment losses | – | 62 | – | – | – | 62 |
| Eliminated on disposal | – | – | – | – | – | – |
| Balance at 30 June 2013 | 200 | 6,119 | 1,385 | 405 | 819 | 8,928 |
| Depreciation expense | 5 | 844 | 3 | 25 | 74 | 951 |
| Impairment losses | – | – | – | – | – | – |
| Eliminated on disposal | (23) | (1,159) | – | (2) | – | (1,184) |
| Balance at 30 June 2014 | 182 | 5,804 | 1,388 | 428 | 893 | 8,695 |

| | Motor vehicles (\$000) | Computers & electronic equipment (\$000) | Office equipment (\$000) | Leasehold improvements (\$000) | Furniture & fittings (\$000) | Total (\$000) |
|--------------------------------|---------------------------|--|--------------------------------|--------------------------------------|------------------------------------|------------------|
| Carrying amounts | | | | | | |
| Balance at 1 July 2012 | 51 | 2,149 | 39 | 162 | 523 | 2,924 |
| At 30 June and 1 July 2013 | 5 | 1,857 | – | 136 | 447 | 2,445 |
| Balance at 30 June 2014 | – | 1,214 | 14 | 111 | 373 | 1,712 |
| Work in progress | | | | | | |
| Other | – | – | – | – | – | – |
| Total work in progress | – | – | – | – | – | – |

No impairment charge (2013: \$62,000) was recognised during the year. The previous years charge followed a review of IT equipment that had reached the end of their useful life.

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Work in progress – property, plant and equipment | | |
| Opening balance | – | – |
| Additions | 219 | 867 |
| Transfers to assets | (219) | (867) |
| Balance at 30 June | – | – |

13 Intangible assets

| | Acquired software (\$'000) | Internally generated software (\$'000) | Total (\$'000) |
|---|-------------------------------|---|-------------------|
| Cost | | | |
| Balance at 1 July 2012 | 4,073 | 29,639 | 33,712 |
| Additions | 71 | 2,441 | 2,512 |
| Disposals | – | – | – |
| Balance at 30 June 2013 | 4,144 | 32,080 | 36,224 |
| Additions | 159 | 2,550 | 2,709 |
| Disposals | – | – | – |
| Balance at 30 June 2014 | 4,303 | 34,630 | 38,933 |
| Accumulated amortisation and impairment losses | | | |
| Balance at 1 July 2012 | 3,911 | 20,663 | 24,574 |
| Amortisation expense | 133 | 3,818 | 3,951 |
| Disposals | – | – | – |
| Impairment losses | – | 16 | 16 |
| Balance at 30 June 2013 | 4,044 | 24,497 | 28,541 |
| Amortisation expense | 84 | 3,972 | 4,056 |
| Disposals | – | – | – |
| Impairment losses | – | – | – |
| Balance at 30 June 2014 | 4,128 | 28,469 | 32,597 |
| Carrying amounts | | | |
| At 1 July 2012 | 162 | 8,976 | 9,138 |
| At 30 June and 1 July 2013 | 100 | 7,583 | 7,683 |
| Balance at 30 June 2014 | 175 | 6,161 | 6,336 |
| Work in progress | | | |
| Other | – | 2,470 | 2,470 |
| Balance at 30 June 2014 | – | 2,470 | 2,470 |

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Work in progress – intangible assets | | |
| Opening balance | 2,122 | 2,123 |
| Additions | 3,650 | 2,511 |
| Impairment losses | (593) | – |
| Transfers to assets | (2,709) | (2,512) |
| Balance at 30 June 2014 | 2,470 | 2,122 |

An impairment charge of \$593,000 (2013: \$16,000) was recognised during the year following the write down of a particular software project to nil since on reassessment of the project the capitalisation criteria required by the accounting standards are not considered to be met at balance date. The charge for the prior year of \$16,000 followed an impairment review which identified one asset that had reached the end of its useful life and was no longer being used.

| Intangible asset breakdown (including Work In Progress) | Life (years) | Total (\$000) |
|---|--------------|---------------|
| NCEA course endorsements | 4 | 1,137 |
| Application Development Process Improvements | 4 | 308 |
| Batch Processing Enhancements | 4 | 438 |
| NCEA Automation | 4 | 425 |
| Filenet Enhancements SNAP/SPARQ 2014 | 4 | 328 |
| Learner web self-service | 5 | 305 |
| NZQA public website | 5 | 321 |
| NCEA exam enhancements | 4 | 328 |
| Youth Guarantee Information Systems (WIP) | n/a | 1,334 |
| Evaluation Engine (WIP) | n/a | 855 |
| Various Software systems <\$300,000 net book value | 3–5 | 3,027 |
| Balance at 30 June 2014 | | 8,806 |

There are no restrictions over the title of NZQA's intangible assets, nor are any intangible assets pledged as security for liabilities.

14 Creditors and payables

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|-------------------------------------|---------------------------|---------------------------|
| Creditors | 984 | 1,233 |
| Accruals and other payables | 4,528 | 4,756 |
| Total creditors and payables | 5,512 | 5,989 |

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

15 Employee entitlements

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Current employee entitlements are represented by: | | |
| Accrued salaries and wages | 955 | 793 |
| | 955 | 793 |
| Other employee entitlements | | |
| Annual leave | 2,080 | 2,185 |
| Sick leave | 48 | 79 |
| Retirement and long service leave | 298 | 264 |
| | 2,426 | 2,528 |
| Total current portion | 3,381 | 3,321 |
| Non-current employee entitlements are represented by: | | |
| Retirement and long service leave | 488 | 510 |
| Total non-current portion | 488 | 510 |
| Total employee entitlements | 3,869 | 3,831 |

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

In determining the appropriate discount rate NZQA considered the interest rates on NZ government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted averaged discount rate of 4.8% (2013: 4.6%) was used.

If the discount rate were to increase or decrease by 1% from NZQA's estimates, with all other factors held constant, the carrying amount of the liability would be approximately \$29,000 lower or \$30,000 higher respectively. If the salary inflation factor were to increase or decrease by 1% from NZQA's estimates, with all other factors held constant, the carrying amount of the liability would be approximately \$30,000 higher or \$29,000 lower respectively.

16 Provisions

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Current provisions are represented by: | | |
| Unclaimed monies | 10 | 16 |
| Total current portion | 10 | 16 |
| Non-current provisions are represented by: | | |
| Unclaimed monies | 37 | 38 |
| Total non-current portion | 37 | 38 |
| Total provisions | 47 | 54 |

Movements in the provision are as follows:

| | Unclaimed monies (\$000) | Total (\$000) |
|-----------------------------------|--------------------------------|------------------|
| 2013 | | |
| Balance at start of the year | 56 | 56 |
| Additional provisions made | 15 | 15 |
| Amounts used | (17) | (17) |
| Balance at end of the year | 54 | 54 |
| 2014 | | |
| Balance at start of the year | 54 | 54 |
| Additional provisions made | 9 | 9 |
| Amounts used | (16) | (16) |
| Balance at end of the year | 47 | 47 |

Unclaimed monies

All funds expensed and remaining unrepresented as at balance date are periodically moved to the unclaimed monies account as appropriate. All reasonable attempts are made to make contact with the claimant and reissue a payment where contact is confirmed. Any outstanding balances after a period of six years are returned to the Treasury.

17 Reconciliation of net surplus to net cash from operating activities

| | 2014 Actual (\$'000) | 2013 Actual (\$'000) |
|---|----------------------------|----------------------------|
| Net (deficit)/surplus | (1,457) | 385 |
| Add/(less) non-cash items | | |
| Depreciation and amortisation expense | 5,007 | 5,235 |
| Impairment charges | 593 | 78 |
| (Decrease)/increase in doubtful debt provision | (41) | 36 |
| Total non-cash items | 5,559 | 5,349 |
| Add/(less) items classified as investing or financing activities | | |
| Gains on disposal of property, plant and equipment | (2) | – |
| Total items classified as investing or financing activities | (2) | – |
| Add/(less) movements in working capital items | | |
| Decrease/(increase) in receivables | 1,487 | (661) |
| Decrease/(increase) in prepayments | 32 | (513) |
| (Decrease)/increase in payables | (477) | 256 |
| Increase in GST payable (net) | 34 | 8 |
| Increase/(decrease) in deferred revenue | 90 | (1,079) |
| Increase in employee entitlements | 38 | 170 |
| (Decrease) in provisions | (7) | (2) |
| Net movements in working capital | 1,197 | (1,821) |
| Net cash from operating activities | 5,297 | 3,913 |

18 Capital commitments and operating leases

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

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Not later than one year | 3,236 | 3,218 |
| Later than one year and not later than five years | 10,838 | 12,459 |
| Later than five years | – | 1,538 |
| Total non-cancellable operating leases | 14,074 | 17,215 |

There are no capital commitments as at 30 June 2014 (2013: nil).

A significant portion of the total non-cancellable operating lease expense relates to the lease of a number of floors of an office building which expires December 2018, with two further 3-year right of renewals. NZQA does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on NZQA by any of its leasing arrangements.

19 Contingencies

Contingent liabilities

NZQA has no contingent liabilities as at 30 June 2014 (2013: \$nil).

Contingent assets

NZQA has no contingent assets as at 30 June 2014 (2013: \$nil).

20 Related party transactions and key management personnel

Related party transactions

All related party transactions have been entered into on an arm's length basis.

NZQA is a wholly owned entity of the Crown.

Significant transactions with government-related entities

NZQA has been provided with funding from the Crown of \$42,304,000 (2013: \$41,940,000) for specific purposes as set out in its founding legislation and the scope of relevant government appropriations. The Government significantly influences the role of NZQA in addition to being its major source of revenue.

Collectively, but not individually significant, transactions with government-related entities

In conducting its activities, NZQA is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. NZQA is exempt from paying income tax.

NZQA also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$3,535,000 (2013: \$3,683,000). These purchases included the purchase of electricity from Genesis, air travel from Air New Zealand, postal services from New Zealand Post and various purchases from the Ministry of Education largely around library and software services.

There are no related party transactions with key management personnel other than compensation as noted below (2013: nil).

Key management personnel compensation

Key management personnel include the Board, the Chief Executive and four members of the Strategic Management Team.

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Board fees, salaries and other short-term employee benefits | 1,619 | 1,610 |
| Post-employment benefits | 64 | 28 |
| Total key management personnel compensation | 1,683 | 1,638 |

Ministerial disclosures

The Treasury advises that responsible minister Hon Hekia Parata and Hon Steven Joyce have certified that they have no related party transactions for the year ended 30 June 2014 (2013: \$nil).

21 Board member remuneration

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

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Sue Suckling (Chairperson) | 40 | 40 |
| Alison McAlpine (resigned 18 March 2014) | 14 | 20 |
| Andrew McKenzie | 20 | 20 |
| Jenn Bestwick (resigned 18 June 2013) | – | 19 |
| Pauline Winter (resigned 30 August 2012) | – | 3 |
| John Morgan | 20 | 20 |
| Murray Strong | 20 | 20 |
| Neil Quigley | 20 | 20 |
| Tanira Kingi | 20 | 20 |
| Linda Aumua (appointed 18 June 2013) | 20 | 1 |
| Dr Judith Johnston (appointed 18 June 2013) | 20 | 1 |
| Gillian Heald (appointed 18 June 2013) | 20 | 1 |
| Total Board member remuneration | 214 | 185 |

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year and no Board members received compensation or other benefits in relation to cessation (2013: nil).

NZQA has in effect Directors and Officers Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

22 Employee remuneration

| Salary band | Number of staff | |
|-----------------------|-----------------|-----------|
| | 2014 | 2013 |
| \$430,000 – \$439,999 | 1 | – |
| \$410,000 – \$419,999 | – | 1 |
| \$270,000 – \$279,999 | 1 | – |
| \$260,000 – \$269,999 | – | 1 |
| \$250,000 – \$259,999 | – | 1 |
| \$240,000 – \$249,999 | 1 | 2 |
| \$230,000 – \$239,999 | 1 | – |
| \$220,000 – \$229,999 | – | 1 |
| \$190,000 – \$199,999 | 1 | 1 |
| \$180,000 – \$189,999 | 1 | 1 |
| \$170,000 – \$179,999 | 1 | 1 |
| \$160,000 – \$169,999 | 1 | 3 |
| \$150,000 – \$159,999 | 1 | 1 |
| \$140,000 – \$149,999 | 2 | 4 |
| \$130,000 – \$139,999 | 5 | 5 |
| \$120,000 – \$129,999 | 9 | 12 |
| \$110,000 – \$119,999 | 12 | 19 |
| \$100,000 – \$109,999 | 28 | 27 |
| Total | 65 | 80 |

During the year ended 30 June 2014, 1 employee (2013: 2) received compensation and other benefits in relation to cessation totalling \$16,000 (2013: \$140,000).

23 Events after the balance sheet date

There were no significant events after the balance sheet date.

24 Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|---|---------------------------|---------------------------|
| Loans and receivables | | |
| Cash and cash equivalents | 3,166 | 2,735 |
| Debtors and other receivables | 3,918 | 5,364 |
| Investments | 11,500 | 10,500 |
| Total loans and receivables | 18,584 | 18,599 |
| Financial liabilities measured at amortised cost | | |
| Creditors and other payables | (5,512) | (5,989) |
| GST payable | (657) | (623) |
| Total financial liabilities measured at amortised cost | (6,169) | (6,612) |

25 Financial instruments risks

NZQA's activities expose it to a variety of financial instruments risks, including market risk, credit risk and liquidity risk. NZQA has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NZQA's exposure to fair value interest rate risk is limited to its bank deposits and investments. However, because these bank deposits and investments are not accounted for at fair value, fluctuations in interest rates do not have an impact on the surplus/deficit of NZQA or the carrying amount of the financial instruments recognised in the statement of financial position.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates. NZQA is not exposed to cash flow interest rate risk as it does not have investments issued at variable interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. NZQA is not exposed to currency risk as it does not enter into transactions of this nature.

Sensitivity analysis

For financial instruments held at balance date, NZQA has no exposure to market risks on those financial instruments that give rise to an impact on the surplus/deficit and equity.

Credit risk

Credit risk is the risk that a third party will default on its obligation to NZQA, causing NZQA to incur a loss.

Due to the timing of its cash inflows and outflows, NZQA invests surplus cash with registered banks. NZQA's investment policy limits the amount of credit exposure by only investing funds with registered banks that have at least a current Standard and Poor's credit rating within the AA band. NZQA also has processes in place to review the credit quality of customers prior to the granting of credit.

NZQA's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 9), debtors (note 10) and investments (note 11). No collateral is held as security against these financial instruments, including those instruments that are overdue or impaired.

The only significant concentrations of credit risk relate to \$3.2M of cash and \$9M of term deposits which are both held with Bank of New Zealand which has a Standard and Poor's credit rating of AA-. A further \$2.5M of term deposits is held with Westpac which has a Standard and Poor's credit rating of AA-.

There are no significant balances at 30 June 2014 with debtors or other receivables who have defaulted in the past.

Liquidity risk

Liquidity risk is the risk that NZQA will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. NZQA aims to maintain flexibility in funding by keeping committed credit lines available and manages liquidity risk by monitoring forecast and actual cash flow requirements.

All financial liabilities are due for payment within 6 months of balance sheet date. The carrying amount of all financial liabilities is equivalent to the contractual cash flows required to extinguish the liability.

26 Capital management

NZQA's capital or equity comprises retained surpluses and contributed capital. Equity is represented by net assets.

NZQA is subject to the financial management and accountability provision of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

NZQA manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure NZQA effectively achieves its objectives and purpose, whilst remaining a going concern.

27 Reconciliation of equity

| | 2014 Actual (\$000) | 2013 Actual (\$000) |
|--|---------------------------|---------------------------|
| Contributed capital | | |
| Balance at start of the year | 13,890 | 13,890 |
| Capital contribution | – | – |
| Balance at end of the year | 13,890 | 13,890 |
| Retained surpluses | | |
| Balance at start of the year | 6,675 | 6,290 |
| Net (deficit)/surplus | (1,457) | 385 |
| Balance at end of the year | 5,218 | 6,675 |
| Equity balance at end of the year | 19,108 | 20,565 |

Glossary

| | |
|--|--|
| assessment (external) | End-of-year external examinations for secondary school students (NCEA) that are set and marked by NZQA. |
| assessment (internal) | Work that is set and marked by individual schools; independent moderators from NZQA ensure that all schools are assessing work to the national standard. |
| comparability of qualifications | The process by which other national and regional frameworks are compared. Each country has particular traditions and approaches to awarding qualifications. Provided the outcomes of qualifications (or what the learner is able to do as a result of gaining the qualification) can be deemed similar, comparisons can be made. |
| ECE | Early Childhood Education. |
| external evaluation and review (EER) | The purpose of EER is to provide a judgement of the quality and performance of a tertiary education organisation (TEO). This judgement includes assurance that TEO self-assessment processes achieve, and improve, outcomes for learners and other clients. |
| Future State | "Future State" is a term NZQA uses to represent its plan to prepare for New Zealand's changing educational quality assurance needs. |
| Government training establishment (GTE) | A state-owned organisation providing education or training (for example, NZ Police Training Services, New Zealand Army). |
| impact | Impacts are the contributions made to an outcome by a specified set of outputs, or actions, or both. |
| industry training organisation (ITO) | 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. |
| institutes of technology/ polytechnic (ITP) | An organisation that delivers technical, vocational and professional education. |
| key initiative | Key initiatives outline the work underway to deliver enhancements to services that contribute to the achievement of impacts and outcomes. NZQA has three key initiatives in addition to delivery of its core business. |
| managing national assessment (MNA) | 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. |
| Mātauranga Māori Evaluative Quality Assurance (MM EQA) | The quality assurance approach applied by NZQA to reach evaluative decisions and conclusions regarding qualifications and programmes considered uniquely and distinctly mātauranga Māori. |
| moderation | 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. |
| National Certificate of Educational Achievement (NCEA) | New Zealand's main national qualification for secondary school students. Available at levels 1–3, it is registered as part of the New Zealand Qualifications Framework. |
| New Zealand Qualifications Framework (NZQF) | From 1 July 2010, the NZQF replaced the New Zealand Register of Quality Assured Qualifications, Te Āhurutanga (the Register) and the National Qualifications Framework. The NZQF is a comprehensive list of all quality-assured qualifications in New Zealand. |
| New Zealand Scholarship | 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. |

| | |
|--|---|
| outcome statements | These set out the outcomes achieved from the learning process of a qualification and describe the knowledge, skills and attributes of a graduate. |
| outputs | Outputs are the goods and services produced by an entity to support the achievement of its impacts and outcomes. |
| Pasifika Strategy 2012–2015 | The Pasifika Strategy outlines NZQA's strategic framework to support the aspiration of Pasifika communities that Pasifika learners become more highly skilled and qualified. The strategy can be found on our website at www.nzqa.govt.nz/pasifika-strategy . |
| pathway | Clear routes a person may follow to enable progress to further study and/or employment (or other community roles) to achieve their education and/or career goals and aspirations. |
| private training establishment (PTE) | An establishment that provides post-school education and training, and is registered by NZQA under Part 18 of the Education Act 1989. |
| quality assurance body | A body that exercises certain powers under section 260 of the Education Act 1989. Currently NZQA and the New Zealand Vice-Chancellors' Committee (Universities New Zealand) are quality assurance bodies. |
| self-assessment | 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. |
| standard-setting bodies (SSBs) | Standard-setting bodies are responsible for the quality and credibility of standards submitted to NZQA for registration on the NZQF. They work with industry partners, professional groups and other clients to develop useful and relevant standards and qualifications that are nationally recognised. SSBs include ITOs, the Ministry of Education and NZQA. |
| standards | 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. |
| Targeted Review of Qualifications (TRoQ) | 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. |
| tertiary education organisations (TEOs) | Universities, industry training organisations, institutes of technology and polytechnics, PTEs, government training establishments and other providers. |
| Te Rautaki Māori me te Mahere Whakatinana a te Mana Tohu Mātauranga o Aotearoa | 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 http://www.nzqa.govt.nz/maori/te-rautaki-maori/ . |
| Vocational Pathways | Vocational pathways provide a tool for learners to make more informed decisions on their higher education or future work possibilities. |
| Youth Guarantee | The aim of Youth Guarantee is to provide foundation education to achieve NCEA Level 2 or equivalent to enable young people to transition to further education and participate in the work force. It also provides young people with a wider range of learning opportunities to access qualifications at levels 1–3 on the New Zealand Qualifications Framework. |
| wānanga | 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). |





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