

TESTING LABORATORY REGISTRATION COUNCIL

STATEMENT OF INTENT

1 July 2003 - 30 June 2004

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1. INTRODUCTION

This is the annual Statement of Intent of the Testing Laboratory Registration Council for the period 1 July 2003 - 30 June 2004. It specifies the intentions of the Council for the forthcoming year and the following two financial years. Included are descriptions of the business activities and targets of the Council, as well as statements of the Council's business and operating principles.

The business functions of the Council are provided by:

- International Accreditation New Zealand (details are given in Section 3)
- Telarc Limited (details are given in Section 4).

2. NATURE AND SCOPE OF BUSINESS

2.1 Purpose

The Council is a user-funded statutory body, established originally as the national body for laboratory accreditation under the Testing Laboratory Registration Act, 1972. It is a crown entity that reports annually to Parliament through the Minister of Commerce. It receives no crown funding for its operations.

The Council's activities contribute to the safeguarding of the health and well being of New Zealanders; and New Zealand products and services meeting domestic and overseas regulatory and customer requirements.

2.2 Outputs

The Memorandum of Understanding agreed annually with the Minister of Commerce states the outputs expected of the Council as:

1. Promoting the development and maintenance of good laboratory practice, and maintaining a scheme for the accreditation of testing and calibration laboratories.
2. Promoting the development and maintenance of good quality assurance and environmental management practice in the supply of goods and services; and maintain a scheme for the registration of suppliers.
3. Promoting the development and maintenance of good inspection body practice, and maintaining a scheme for the accreditation of inspection bodies.
4. Promoting product and management systems certification through accreditation activities.

Outputs 1, 3 & 4 are produced by International Accreditation New Zealand.

Telarc Limited produces output 2.

2.3 Competencies

The Council's conformity, accreditation and certification procedures are in line with international practice and are subject to regular peer review. Staff participate in international working groups reviewing procedures; and also monitor overseas conformance trends that may impact on New Zealand.

2.4 Operating environment

Domestic regulations and commerce

Independent assurances of accuracy in testing, measurement and inspection and of management systems meeting regulatory requirements are important components of domestic commerce and external trade.

Government actions to improve public and occupational health and safety in New Zealand are increasingly incorporating international standards and third-party verification as a significant tool for managing the process. Recent examples include food safety, workplace health and safety, health and disability services, and building safety.

The rate of new certifications to ISO 9001 standard for quality management continues to be slow, despite the standard being amended in 2000 to better meet today's business management requirements.

Adoption of the international standard for environmental management systems, ISO 14001, continues to attract just those organisations that need to demonstrate compliance for regulatory requirements.

The Council's operations are active in all of these areas, providing assurance based on sound technical and management knowledge free from commercial influence.

World trade

New Zealand exporters are required to meet technical requirements for entry into overseas markets. The World Trade Organisation's Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) set rules for the management of technical requirements and encourage the use of international standards and international systems for assessing conformity to standards.

Most of New Zealand's trade is in areas that are regulated, such as butter, meat, timber and electrical products. Regulators around the world now require such products to be tested in laboratories that are accredited by an internationally recognised accreditation authority. In the non-regulated sector, international markets for products such as wool, steel and aluminium increasingly require testing to be carried out in an accredited laboratory before acceptance by the market.

Regulators in many overseas countries recognise their national accreditation body as a means of assuring the competence of independent inspection and testing reports to meet their own (regulatory) requirements. Increasingly, overseas regulatory authorities accept test and inspection reports endorsed by IANZ as being equivalent to those provided locally.

3. INTERNATIONAL ACCREDITATION NEW ZEALAND

3.1 Guiding statement

Providing confidence to New Zealand regulators, industry and public through recognition of competence.

3.2 Purpose

International Accreditation New Zealand (IANZ) is the arm of the Testing Laboratory Registration Council operating as the national authority for accrediting testing and calibration laboratories, radiology services, inspection bodies and certification bodies. IANZ Accreditation is the means by which the integrity and competence of organisations are formally recognised.

IANZ's role is to develop and maintain good practice in testing, measuring, inspection and certification through:

- Formal recognition, against agreed international criteria standards, of the technical and management systems capabilities of New Zealand enterprises, which may also support regulatory requirements; and
- Professional technical and management systems training courses.

Technical and management system training is delivered through the New Zealand Quality College, managed by IANZ.

The Council's Chief Executive manages International Accreditation New Zealand.

3.3 International and government support

External trade

In facilitating external trade, International Accreditation New Zealand will continue to participate in fulfilling New Zealand's obligations under the World Trade Organisation's Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) Agreements, and its commitments under the APEC Standards and Conformance Framework. This includes developing Mutual Recognition Arrangements with counterpart conformity assessment authorities in countries with which New Zealand trades. These arrangements are increasingly influencing regulatory decisions.

In addition, IANZ provides support for the Ministry of Economic Development and Ministry of Foreign Affairs and Trade in trade negotiations with other governments.

International accreditation fora

As the national accreditation authority for testing and calibration laboratories and inspection bodies, IANZ represents New Zealand in international technical accreditation fora and maintains close liaison with overseas counterpart agencies.

International Accreditation New Zealand will continue active involvement in:

- International Laboratory Accreditation Cooperation (ILAC) - founding member
- Asia Pacific Laboratory Accreditation Cooperation (APLAC) - founding member
- European Cooperation for Accreditation (EA)
- ISO Conformity Assessment Committee (CASCO), developing international standards for accreditation, testing, inspection and other conformity assessment activities. IANZ represents Standards New Zealand in this activity.

Application has been made to become a member of the Pacific Accreditation Cooperation (PAC) as a prerequisite to accredit certification bodies.

Mutual Recognition Arrangements

Mutual Recognition Arrangements (MRAs) and informal relationships with overseas accreditation bodies are maintained through the international accreditation fora, as follows:

- Fellow signatories to the Multilateral MRAs for testing and calibration within **European cooperation for Accreditation (EA)**, currently covering 25 nationally recognised accreditation authorities in: Austria; Belgium; Czech Republic; Denmark; Finland; France; Germany; Ireland; Italy; Lithuania; The Netherlands; Norway; Portugal; Slovak Republic; Spain; Sweden; Switzerland; and United Kingdom.
- Fellow signatories to the Multilateral Arrangement within **Asia Pacific Laboratory Accreditation Cooperation (APLAC)**, currently covering 20 nationally recognised accreditation bodies in Australia; Canada; People's Republic of China; Chinese Taipei; Hong Kong, China; India; Indonesia; Japan; Republic of Korea; Malaysia; New Zealand; Singapore; Thailand; United States of America; and Vietnam.
- Signatories to the **EA** and **APLAC** MRAs (above) are linked through the **International Laboratory Accreditation Cooperation (ILAC)** MRA, together with the economies of Brazil, Israel, and South Africa.

Memoranda of Understanding, expressing intent to work towards mutual recognition status for testing and calibration laboratories and inspection bodies, have been signed with IANZ's counterparts in the Philippines.

Formal MRA's for accredited inspection bodies are in place for Australia and are being negotiated with accreditation authorities in the United Kingdom, the USA and Hong Kong, China.

Assistance to Government

IANZ has been involved at governmental level in the negotiation of the Agreement on Mutual Recognition in Relation to Conformity Assessment between New Zealand and the European Community, and is the Designating Authority for all testing and inspection activities under this Agreement. IANZ is also involved in activities being developed under the AFTA/CER Memorandum of Understanding for cooperation in standards and conformance.

IANZ is the Designating Authority for testing and inspection activities under the NZ–Singapore Closer Economic Partnership Agreement.

Support is also given to New Zealand regulators who consider utilising accredited conformity assessment as a means of meeting their statutory regulatory function. This has included liaison with the Ministry of Health with regard to food safety and drinking water quality; MAF with regard to the dairy and meat sectors; and OSH with regard to pressure equipment and pipeline inspection activities.

In addition, many government bodies require IANZ accredited testing laboratories or inspection bodies as part of purchase agreements. This includes the Ministry of Health contractual requirements for all medical testing laboratories, and Accident Compensation Commission for specialist medical imaging.

IANZ is New Zealand's Compliance Monitoring Authority for the OECD Principles of Good Laboratory Practice.

3.4 Register

The Directory of IANZ Accredited Laboratories, Radiology Services, and Inspection Bodies will continue to be updated regularly and published on the IANZ Website.

3.5 Goals

Goal 1

Maintain a scheme for accrediting and registering laboratories, inspection bodies and certification bodies.

Activities for this goal are:

- Accrediting testing and calibration laboratories (ISO/IEC 17025*)
- Accrediting medical testing laboratories (ISO/IEC 15189*)
- Accrediting radiology services (based on ISO/IEC 17025*)
- Accrediting inspection bodies (ISO/IEC 17020*)
- Accrediting quality management, environmental management, product and personnel certification bodies (ISO/IEC Guide 62*, ISO/IEC Guide 65* and ISO/IEC Guide 66*)
- Assessing and registering Good Laboratory Practice compliance monitoring programme (OECD Principles of Good Laboratory Practice*)
- Assessing and registering testing and inspection bodies for CE marking (European regulatory requirements), and for other government-to-government mutual recognition agreements
- Assessing and registering testing laboratories to specific regulatory requirements.

** Agreed international criteria documents against which accreditation is judged.*

Goal 2

Promote the development and maintenance of good practice in testing, measurement and inspection.

Activities for this goal are:

- Providing training courses in all aspects of accreditation and management systems through the New Zealand Quality College.
- Providing fora for industry and regulators to develop policy and procedures in line with international accreditation criteria.
- Providing publications on matters relating to accreditation.

Goal 3

Facilitate New Zealand trade through activities aimed at reducing requirements for re-testing or re-certifying products in overseas markets.

Activities for this goal are:

- Establishing and maintaining Mutual Recognition Arrangements with counterpart bodies in New Zealand's export markets
- Providing advice on international conformity assessment matters to government
- Providing advice on technical conformity requirements to the New Zealand export community
- Participating in national and international conformity assessment committees and discussions
- Providing conformity assessment programmes for New Zealand regulators
- Assisting New Zealand government negotiators in concluding government-to-government agreements requiring recognition of conformity assessment activities.

4. TELARC LIMITED

4.1 Guiding statement

To be an essential and professional business partner in the provision of management system assessment, recognition and training services.

4.2 Purpose

Telarc Limited provides management systems assessment, recognition and training services that help clients improve their business performance. Telarc certificates of conformance provide public recognition where clients conform to standards. Telarc also provides valuable assessment reports that help clients to identify their areas of strength and areas where performance can be improved.

Telarc Limited is managed by a Chief Executive, who reports to the Telarc Limited Board.

4.3 Accreditations

International Accreditation New Zealand (IANZ) accredits Telarc as an Inspection Body for dairy food inspection.

The Joint Accreditation System of Australia and New Zealand (JAS-ANZ) accredits two Telarc Limited programmes:

- Quality Management Systems certification to the ISO 9000 family of standards
- Environmental Management System certification to ISO 14001.

Telarc has applied to JAS-ANZ to be accredited for Product certification.

4.4 International activities

Formal relationships exist with:

- Association of Short Circuit Testing Authorities, United Kingdom
- National Association of Testing Authorities Certification Services International, Australia
- Quality Management Institute, Canada
- Standards and Industrial Research Institute (SIRIM) of Malaysia

Q-Base is licensed to:

- National Association of Testing Laboratories, Australia
- Directorate for Standards and Quality, Vietnam
- Q-Base Canada.

4.5 Register

Organisations registered by Telarc are incorporated in the JAS-ANZ Register, published on www.jas-anz.com.au and updated regularly.

4.6 Goal

Provide management system recognition and assessment services.

Activities for this goal are:

- Certification of quality management systems to ISO 9001:2000 standard and Q-Base Code
- Certification of environmental management systems to ISO 14001 standard
- Food safety assessments to NZFSA and other regulatory and industry requirements
- Health and disability sector audits to Ministry of Health requirements

- Occupational health and safety management systems assessment
- Product certification to SAA/SNZ HB 16.65:1996 standard
- ACC Employers Accident Insurance audits
- Rail safety assessment to Land Transport Safety Authority requirements
- Approval to the Customer 1st™ programme.

5. PERFORMANCE TARGETS AND MEASURES

The basis for the Council's performance targets and measures is its primary functions, namely promoting the development of and maintaining good practice in testing, inspection and certification, and good quality assurance practice in the supply of goods and services. The number of accreditations, licenses and certifications granted by the Council is dependent upon the demand for these services from secondary customers and regulators, and on the level of preparedness of applicants. These factors will influence the rate at which accreditations and registrations will be granted.

The targets set for 2002/2003 and the following two years, detailed below, are estimates based on extrapolations of historical growth rates.

5.1 Three year forecasts

	03/04 (Estimate)	04/05	05/06
IANZ Accreditations and Registrations*	1270	1360	1450
NZQC Training (days)	2200	2300	2400
Telarc Certifications *	2100	2300	2500
Telarc Assessments (days)	3300	3500	3700

** Measured as number of Assessment Units, as at 30 June of each year*

5.2 Financial performance

The Council's revenue is derived in the main from the sale of its accreditation, registration, certification and training services. The Council has resolved to operate these programmes to recover all costs and, together with other income, to generate a surplus of income over expenditure which will be directed towards meeting international recognition requirements, and towards programme growth and development.

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June

	2001	2002	2003	2004	2005
	Actual	Estimate	Budget	Forecast	Forecast
	\$	\$	\$	\$	\$
IANZ					
Accreditation Services					
Revenue	2,718,871	2,914,647	2,995,050	3,144,803	3,302,043
Less Cost	2,512,666	2,617,761	2,703,120	2,824,760	2,951,874
Net Revenue / (Deficit)	206,205	296,886	291,930	320,043	350,169
Training and Other Services					
Revenue	756,112	798,930	865,400	908,670	954,104
Less Cost	595,112	658,921	676,625	707,073	738,891
Net Revenue / (Deficit)	161,000	140,009	188,775	201,597	215,213
National Recognition Services					
Revenue	26,784	30,000	15,000	15,750	16,538
Less Cost	500,613	506,163	522,232	545,732	570,290
Net Revenue / (Deficit)	(473,829)	(476,163)	(507,232)	(529,982)	(553,752)
Telarc					
Certification Services					
Revenue	3,662,766	3,330,913	3,422,987	3,594,136	3,773,843
Less Cost	3,752,930	3,445,298	3,349,612	3,500,345	3,657,861
Net Revenue / (Deficit)	(90,164)	(114,385)	73,375	93,791	115,982
Consolidated					
Total Revenue	7,164,533	7,074,490	7,298,437	7,663,359	8,046,528
Less Total Cost	7,361,321	7,228,143	7,251,589	7,577,910	7,918,916
Net Revenue / (Deficit)	(196,788)	(153,653)	46,848	85,449	127,612
Interest	116,296	83,751	82,000	85,690	88,000
Net Operating Surplus (deficit) Before Tax for the Period	(80,492)	(69,902)	128,848	171,139	215,612
Taxation	(1)	(132,922)			
Net Operating Surplus (Deficit) After Tax for the Period	(80,491)	63,020	128,848	171,139	215,612

FORECAST STATEMENT OF FINANCIAL POSITION
As at 30 June

		2003	2004	2005
		\$	\$	\$
Equity				
Opening General Funds		3,141,733	3,270,581	3,441,720
	Net operating surplus for the period	128,848	171,139	215,612
Total Equity		3,270,581	3,441,720	3,657,332
Represented by:				
Current Assets				
	Cash and Bank	2,272,581	2,405,720	2,583,332
	Receivables and Prepayments	1,505,000	1,580,000	1,659,000
Total Current Assets		3,777,581	3,985,720	4,242,332
Fixed Assets		827,000	842,000	855,000
Total Assets		4,604,581	4,827,720	5,097,332
Liabilities				
Current Liabilities				
	Accounts Payable	1,101,000	1,144,000	1,189,000
	Employee Entitlements	233,000	242,000	251,000
Total Current Liabilities		1,334,000	1,386,000	1,440,000
Total Liabilities		1,334,000	1,386,000	1,440,000
Total Net Assets		3,270,581	3,441,720	3,657,332

CONSOLIDATED FORECAST CASH FLOWS

For the year ended 30 June

	2003 \$	2004 \$	2005 \$
Cash Flows From Operating Activities			
Cash provided from:			
Revenues from services provided	7,259,986	7,624,915	8,007,195
Interest	81,661	84,690	87,000
GST			
	<u>7,341,647</u>	<u>7,709,605</u>	<u>8,094,195</u>
Cash applied to			
Suppliers	3,530,555	3,736,910	3,885,360
Employees	3,374,332	3,475,000	3,578,000
GST	5,681	7,556	95,222
	<u>6,910,568</u>	<u>7,219,466</u>	<u>7,558,583</u>
Net Cash Flows From Operating Activities	<u>431,079</u>	<u>490,139</u>	<u>535,612</u>
Cash Flows From Investing Activities			
Cash applied to purchase fixed assets	378,487	357,000	358,000
Net Cash Flows From Investing Activities	<u>(378,487)</u>	<u>(357,000)</u>	<u>(358,000)</u>
Net Increase (Decrease) in Cash Held	52,592	133,139	177,612
Plus Opening Cash	2,219,989	2,272,581	2,405,720
Closing Cash Balance	<u>2,272,581</u>	<u>2,405,720</u>	<u>2,583,332</u>
Cash and Bank	72,581	55,720	83,332
Short Term Investments	2,200,000	2,350,000	2,500,000
Closing Cash Balance	<u>2,272,581</u>	<u>2,405,720</u>	<u>2,583,332</u>

5.3 Quality performance

The Council measures its quality performance through:

- Continuing compliance with the requirements of ISO/IEC Guide 58:1993 *Calibration and Testing Laboratory Accreditation Systems - General requirements for operation and recognition* (IANZ)
- Continuing compliance with ISO 17010 *General requirements for bodies providing accreditation of inspection bodies* (IANZ)
- Continuing compliance with ISO/IEC Guide 62:1996 *General requirements for bodies operating assessment and certification/registration of quality systems* (Telarc Limited)
- Establishing Mutual Recognition Arrangements, based on peer evaluation, with similar bodies throughout the world
- Maintaining New Zealand Qualifications Authority certification of the New Zealand Quality College
- Regular and timely customer satisfaction surveys - in-house and independent
- Continue recognition from Investors in People Standard
- Monitoring and improving service delivery timeliness
- Monitoring and managing client withdrawals from accreditation and registration
- Monitoring and rectifying customer complaints.

6. STATEMENT OF ACCOUNTING POLICIES

6.1 Reporting entity

The Testing Laboratory Registration Council of New Zealand is a body corporate established by the Testing Laboratory Registration Act 1972.

The Council is a Crown entity for the purposes of the Public Finance Act 1989. The financial statements of the Council have been prepared in accordance with Section 20, Testing Laboratory Registration Act 1972 and Section 41 of the Public Finance Act 1989 and generally accepted accounting principles.

6.2 Measurement base

The Council follows the accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis.

6.3 Specific accounting policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied:

Fixed assets

The Council has four classes of fixed assets:

- Motor Vehicles
- Office equipment and furniture
- Computer equipment
- Leasehold improvements.

All fixed assets are recorded at cost. Where a fixed asset is disposed of the surplus or deficit on disposal is credited or expensed to the operating statement.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the costs of assets, less their estimated residual value, over their useful lives. The useful lives of the major classes of assets have been estimated as follows:

Motor Vehicles	5 years
Office equipment and furniture	5 to 10 years
Computer equipment	3 to 5 years
Leasehold improvement	6 years (maximum)

Receivables

Receivables are stated at their estimated realisable value.

Research and Development

All research and development costs are expensed in the period in which they are incurred.

Leases

The Council leases certain premises.

Operating lease payments are included in the determination of the operating surplus.

Foreign currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of transaction.

Employee entitlements

Provision is made in respect of the Council and the Group's liability for annual leave. Annual leave is calculated on an actual entitlement basis at current rates of pay.

Employees who have completed twenty years continuous service with the Council may be granted once only four weeks long service leave. No employee currently qualifies for this leave and no provision has been made for any liability that may arise in the future as any liability is considered to be insignificant.

Financial instruments

The fair value of cash and bank deposits has been assessed at their carrying value. Interest on financial instruments is recognised on a receivable basis.

Allocation of overheads

The total overheads are allocated to activities based on the proportion of staff employed in those activities.

Recognition of revenue

Annual Registration Fee income relating to the continuation of Registration in the following year is deferred. Other revenue is recognised when invoiced.

Taxation

Neither the Council nor its trading arms, International Accreditation New Zealand and Telarc Limited are liable for income tax.

Goods and Services Tax

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

7. GOVERNMENT COMPENSATION

The Council currently receives no government funding and does not expect to seek any financial support in the foreseeable future.

The Council does carry out specific contracts for government agencies from time to time. These are paid for by the agencies concerned as they arise. The Council also contributes expert advice to government agencies on conformance assessment matters and participates in international conformance cooperation activities in support of the government's trade facilitation initiatives.