

**STATEMENT OF INTENT
OF THE
TESTING LABORATORY REGISTRATION COUNCIL**

**FOR THE PERIOD
JULY 2007 TO JUNE 2010**

Presented to the House of Parliament, July 2006

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CHAIRMAN'S OVERVIEW

In this, my first Statement of Intent as a Member and Chair of the Council, I am excited by the new growth opportunities for both of our operating bodies, International Accreditation New Zealand and Telarc SAI Limited. These new opportunities have not arisen suddenly nor by chance, but as a result of much work over recent years by management and staff. Over the next three years, I expect a strengthening of Council's services.

The merging of the New Zealand operations of SAI Global Limited with Telarc Limited in April 2007 was a significant strategic move by the Council. The merger combines two prominent providers of quality management certification services and environmental management systems certification services. Greater operational synergies, revenue increases and cost savings will have a positive impact on Council's performance in the coming years.

The basis for growth is recognition by government, regulators, businesses and consumers of the assurance of competence, both technical and management, that IANZ accreditation and Telarc SAI conformity assessment provides. This recognition acknowledges the Council's eminent position in the New Zealand and global standards and conformance infrastructure, which was reinforced in the findings of the Ministry of Economic Development's Review of the Conformance and Standards Infrastructure published in May of this year.

Of major importance to the continuing success of the Council is its involvement in the international and regional accreditation cooperation forums. Since their inception, the Council's Chief Executive and senior staff have been directly involved in the affairs of both forums and have been at the forefront of the development and implementation of standards for laboratory and inspection body accreditation. It is through these forums that New Zealand exporters and importers benefit from the acceptance of test and inspection reports allowed under Mutual Recognition Arrangements between economies and accreditation bodies. It is heartening to see the growing recognition of these forums for improved trade access by economies right throughout the world to the benefit of New Zealand trade.

Being a Crown entity totally reliant on client fees for its funding, the Council is also mindful of its monopoly position in accreditation where it is the national authority, and the competitive market in which its conformity assessment business performs. Costs of operation are regularly reviewed and kept to a minimum. Fees have been maintained at the same level for the past three years. Recruiting qualified staff has become increasingly difficult, both with supply and with salary expectations that are above those currently paid. In addition, on-going investment in new programmes, which take anywhere from five to ten years to reach fruition, needs to be provided for now if the Council is to maintain its financial viability. Council has recently addressed this situation and new arrangements will come into effect in the coming year.

The international recognition the Council now enjoys is in no small part due to the values and commitment from all staff across the organisation. Both accreditation and certification rely on robust procedures that can be tested. The whole purpose of accreditation is to provide credible independent recognition of competence so that all users can have full confidence and trust in test results and inspection reports from our clients. The Council, management and staff are intent on preserving and building on this fine reputation.

A handwritten signature in black ink on a light-colored background. The signature is stylized, starting with a large 'R' followed by a long horizontal stroke that loops back. Below this, there are several smaller, less distinct strokes, and a large, curved stroke at the bottom right.

Dr Robin Pratt

Chair

Testing Laboratory Registration Council

June 2007

ROLE OF THE COUNCIL

Governance

The Council is a user-funded, not for profit, autonomous Crown entity operating under the Testing Laboratory Registration Act 1972, reporting to the Minister of Commerce.

Presently, there is provision for nine members of Council: five appointed by the Minister and four appointed by the Council. There is a recommendation to Cabinet for the number of members to be reduced to six. A decision on this is expected to be known during 2008.

Change in Telarc Limited ownership

Council's wholly owned subsidiary company, Telarc Limited, merged with the New Zealand operations of SAI Global Limited in April 2007. The ownership structure was amended with SAI Global taking a 25% shareholding and Council's shareholding reducing to 75%. The company name was changed to Telarc SAI Limited.

General Functions

The general functions of the Council, as defined in the 2006 amendment to the Testing Laboratory Registration Act, are:

Function	How this is achieved
To promote the development and maintenance of good practice in conformity assessment; and to establish and maintain a registration scheme for conformity assessment bodies (except for certification bodies) that comply with that practice	<p>The Council, operating as International Accreditation New Zealand (IANZ), is New Zealand's accreditation authority for testing and calibration laboratories, radiology services and inspection bodies.</p> <p>Training courses covering all aspects of accreditation and certification is provided by the New Zealand Quality College, under IANZ management.</p>
To develop and maintain international recognition and acceptance of the Council's registration scheme; and to maintain appropriate international relationships consistent with the Council's functions	<p>IANZ is New Zealand's representative at international and regional accreditation co-operations; and signatory to the mutual recognition arrangements for:</p> <ul style="list-style-type: none"> ➤ International Laboratory Accreditation Cooperation (ILAC) (laboratories) ➤ Asia Pacific Laboratory Accreditation Cooperation (APLAC) (laboratories and inspection bodies) ➤ European cooperation for Accreditation (EA) (laboratories and inspection bodies)

Function	How this is achieved
If the Council chooses, to provide certification services.	The Council's subsidiary company, Telarc SAI Limited, is an accredited certification body providing quality, environmental, health and safety, health and disability management systems to international and sector standards.

IANZ is the national accreditation authority for laboratories and inspection bodies, while Telarc SAI Limited competes with other certification bodies in New Zealand.

Registration Schemes

The Council's role of operating separate registration schemes for IANZ accreditation and for Telarc SAI certification remains the prime focus this and every year. These functions are mandated in the Testing Laboratory Registration Council Act 1972 and subsequent amendments, and are in accordance with international requirements. Both registers are widely recognised as providing credible evidence that an organisation conforms to a required standard and, therefore, can be relied upon as a supplier of goods or services.

Operating Standards

The international standards for operating an accreditation body and a certification body are adhered to by the Council. This is essential for both IANZ and Telarc SAI to continue performing their specific functions in support of the Government's economic transformation goals for developing globally competitive firms, world class infrastructure, productive workplaces, and ensuring sustainability of the environment.

To operate as an accreditation authority, IANZ complies with ISO/IEC 17011 *Conformity Assessment – General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies* standard. In addition, it meets the requirements of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and of the European cooperation for Accreditation (EA). Every four years IANZ is evaluated by representatives of APLAC and EA to ensure continuing compliance with the standard and requirements. The most recent evaluations occurred in 2007.

To operate as a certification body, Telarc SAI Limited complies with:

- (a) ISO Guide 62 *General requirements for Bodies Operating Assessment and Certification/Registration of Quality Systems*. It is currently working towards compliance with ISO/IEC 17021 *Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems*.
- (b) ISO/IEC Guide 65 *General Requirements for Bodies Operating Product Certification Systems*

Annual assessments of Telarc SAI against these standards are undertaken by the Trans-Tasman accreditation authority, Joint Accreditation System for Australia and New Zealand (JAS-ANZ).

Education

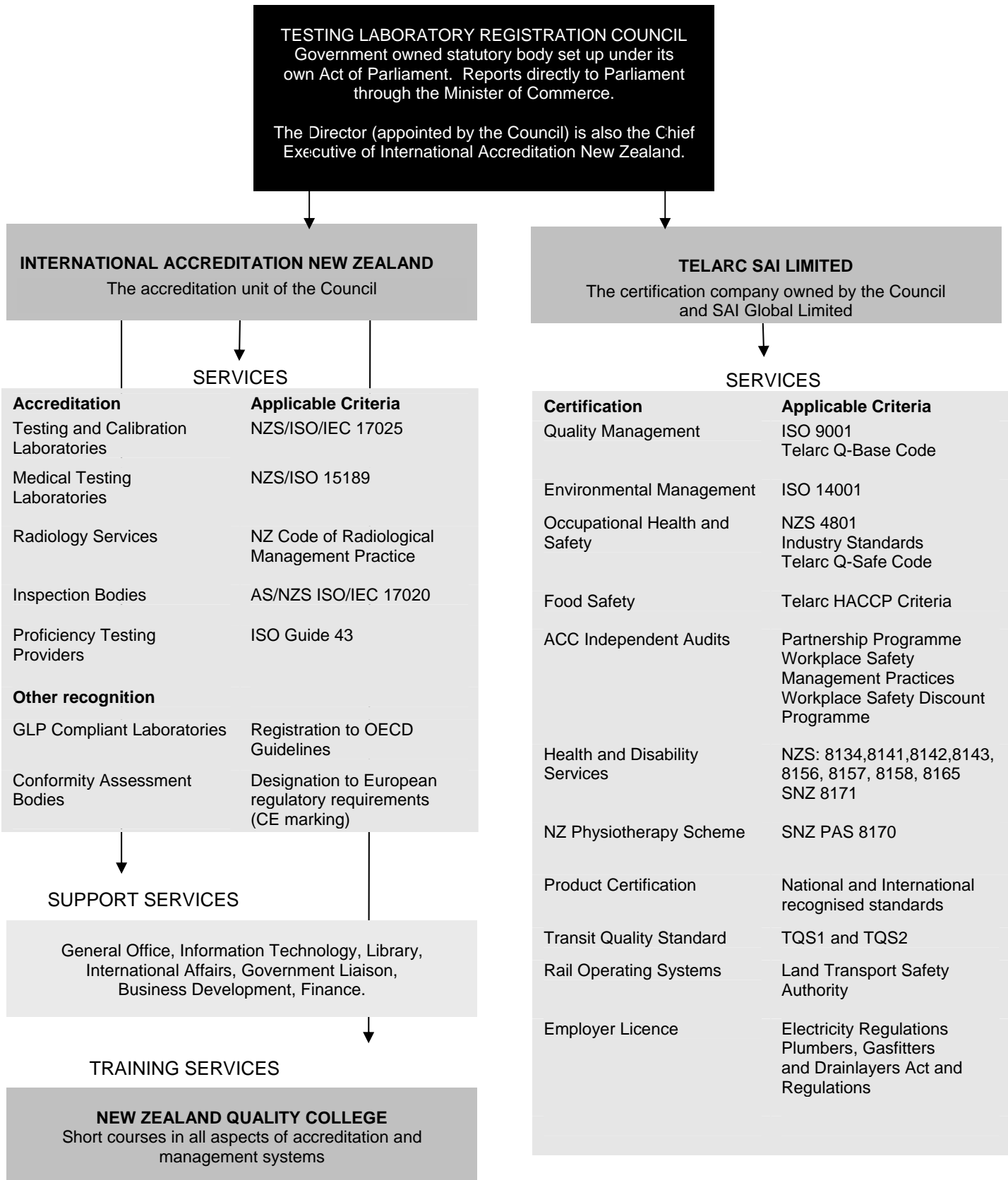
Training in all aspects of the Council's accreditation and certification functions is provided by the New Zealand Quality College, managed within IANZ. Course topics include:

- Laboratory management
- Inspection body management
- Quality management
- Environmental management
- Health and safety management
- Food safety management
- Auditing skills.

Courses of between one and five days are held mainly in Auckland, Wellington and Christchurch. The same courses are also held within a company when numbers are sufficient.

Experienced assessors from IANZ and Telarc SAI present these courses, along with other specialists recognised as experts in their fields. All are assessed for their training skills and course attendees are asked to evaluate both the presenter and the course content after every course.

Council Structure



CONTRIBUTION TO GOVERNMENT GOALS

By providing world-class accreditation and certification services, the Council contributes to Government's economic transformation goals in the areas of:

- (a) Health, safety and environmental risks
- (b) Environmental sustainability
- (c) Domestic economic development
- (d) International trade

Health and Safety

Critical decisions reliant on accurate tests and inspections are made hundreds of times each day throughout New Zealand. Assurance that the test and inspection reports are reliable, that they conform to the requirements of the specific test or inspection, is given by IANZ accreditation. Such assurance is vital when human lives and wellbeing are at stake.

Prime instances of where IANZ accredited laboratories, inspection bodies and radiology practices help protect our health and safety include:

- (a) Testing of medical samples for the diagnosis, prevention and treatment of disease and other health concerns
- (b) Testing for the safety of meat and dairy products, and raw and drinking water
- (c) Physical testing of aggregate and other material for road construction and of building materials
- (d) Assessments of drinking water suppliers
- (e) Inspection of pressure equipment, cranes and passenger ropeways; pipelines and off-shore structures; fire sprinklers and alarms; border Biosecurity.

Other instances are where regulators utilise the professional skills of IANZ to provide assessments to assure them of compliance with regulatory requirements. Programmes that IANZ is currently involved in include:

- (a) Approval of Auditors of Food Safety for the New Zealand Food Safety Authority
- (b) Building Consent Authority accreditation for the Department of Building and Housing
- (c) National Screening Unit Service Provider audits of BreastScreening Aotearoa Lead Providers, National Cervical Screening Programme Regional Services and Colposcopy Services for the Ministry of Health.

Environmental Sustainability

Eco-verification, highlighted in Government initiatives on sustainability announced earlier this year, is an area the Council is now working with various government agencies to facilitate the many types of verification activities. These include IANZ accreditation of laboratories testing and measuring water and gas discharges, and verifying any claims regarding environmental features of products; and Telarc SAI certification of environmental management systems, and audits verifying carbon emissions and sustainability claims.

Domestic Economic Development

The Council's accreditation and certification functions will continue to be aimed at providing the assurance of organisations' competence in all sectors of the New Zealand economy and include:

- (a) Biosecurity
- (b) Commerce
- (c) Construction
- (d) Environment
- (e) Exporting
- (f) Food and water
- (g) Government
- (h) Health
- (i) Importing
- (j) Industrial/workplace/public safety
- (k) Industry
- (l) Manufacturing
- (m) Rooding.

A major new scheme, being developed by the Ministry of Economic Development, requiring assurance in the integrity of environmental standards development, eco-labelling, environmental management systems and verification (accreditation and conformity assessment) will receive the Council's assistance and input during the year. Both IANZ – policy and standards development – and Telarc SAI – verification/certification – are essential parts of this new scheme.

Global Competitiveness

With New Zealand annual exports amounting to \$40 billion annually and contributing 29% of New Zealand's gross domestic product, it is essential that exporters have direct access to markets without the impediment of technical barriers to trade. Standards and conformance are critical factors in overcoming such barriers.

Since 1997, the Council has cooperated with accreditation authorities worldwide to provide direct acceptance of test and inspection reports generated by accredited laboratories and inspection bodies. To date, Mutual Recognition Arrangements (MRAs) have been signed with 62 other accreditation bodies in 47 economies. Another two new signatories are expected to be added this year. These arrangements ensure that accredited laboratory test results and inspection body reports are accepted, thus removing any impediment to the movement of New Zealand goods across borders.

By utilising the global recognition mechanism, exporters are able to place new, innovative products directly on to overseas markets. Assurance that essential overseas regulatory requirements are being complied with can be directly given in this country when IANZ accredited testing and/or inspection covers methods recognised by New Zealand's trading partners.

IANZ will continue to interact directly with other accreditation authorities at annual general assemblies of the International Laboratory Accreditation Cooperation (ILAC), and of the regional Asia Pacific Laboratory Accreditation Cooperation (APLAC). Senior IANZ staff hold high profile positions on various ILAC and APLAC management and technical committees. Such appointments acknowledge the contribution and standing of New Zealand in the international accreditation arena. The Council will continue to fund this activity from revenue as part of its commitment to representing New Zealand's interests in the international standards and conformance infrastructure, and in ensuring and protecting a transparent trading facility for exporters.

STRATEGIC MANAGEMENT

To achieve its performance targets, the Council has three key strategies.

Strategy 1 Grow business through expanding existing programmes and introducing new programmes.

This will be achieved by:

- (a) Supporting greater use of IANZ accreditation by regulators as a cost effective control mechanism, both in health and safety and for industry
- (b) Establishing and maintaining personal contacts at senior management and senior operational levels of government agencies, regulators and industry associations
- (c) Demonstrating how IANZ accreditation or Telarc SAI certification provides the best possible assurance of competence to meet regulatory requirements and improve business performance
- (d) Seeking opportunities to acquire businesses that will improve the Council's ability to achieve its functions and its financial performance
- (e) Delivering services that provide value for money for clients
- (f) Promoting awareness of the IANZ and Telarc SAI brands to support client's accreditation or certification status.

Strategy 2 Fully invest in staff by being an employer of choice

This will be achieved by:

- (a) Following the principles of Investors in People, particularly those concerning training and developing, to grow staff in their role with the Council
- (b) Maintaining staff turnover at less than 10% per annum
- (c) Training all new assessment staff to a high level of assessor competency
- (d) Having new accreditation assessor fully revenue-earning within a year of being employed
- (e) Maintaining salaries in line with the market
- (f) Maintaining staffing levels that ensure outcomes can be achieved
- (g) Providing an productive work environment and recognising staff for their contribution to the Council goals
- (h) Making it a place where people actively seek to work.

Strategy 3 Maintain financial viability over the long-term

This will be achieved by:

- (a) Increasing annual turnover by 10% or greater per annum
- (b) Acquiring new businesses when the opportunity arises
- (b) Achieving financial surpluses each year.

OPERATING ENVIRONMENT

Role of Accreditation and Certification

The role of accreditation and certification in New Zealand, and the authority of the Council to provide specific accreditation services, was well documented in the 2006-2007 Ministry of Economic Development's review of New Zealand's standards and conformance infrastructure. An important aspect of the review's outcomes is that a more proactive role will be taken by Government (Ministry of Economic Development) to facilitate greater understanding of standards and conformance among government departments and in the wider commercial sector. The Council will have a role to provide the views and practices of the accreditation authorities worldwide, and to represent New Zealand's interests at international accreditation discussions. MED is also considering how best the Council can contribute to the advancement of the conformity assessment infrastructure within New Zealand. IANZ will continue to work pro-actively with MED and the other infrastructure bodies to ensure New Zealand can continue to provide effective, linked infrastructure services meeting the needs of regulators, industry and the public.

Regulator Recognition

Both IANZ accreditation and Telarc SAI certification are already well recognised by regulators, and required by many as a mandatory assurance of competence. Examples include:

- (a) Assessments of Building Consent Authorities to meet Department of Building and Housing requirements
- (b) Ministry of Health in regard to regulatory requirements for medical testing laboratories; for assessments on behalf of the National Screening Unit; assessment of drinking water inspectors; and maintaining the register of drinking water testing laboratories.
- (c) NZ Food Safety Authority in regard to food safety regulations, including all export food testing (especially dairy products), labelling compliance, wine testing and domestic food inspection.
- (d) Accident Compensation Corporation in regard to requirements for MRI and CT scans.
- (e) Department of Labour in regard to engineering safety of pressure equipment, cranes, passenger ropeways, off-shore structures and pipelines and other occupational health and safety regulatory requirements.
- (f) Energy Efficiency and Conservation Authority in regard to accrediting testing/inspection of energy efficient appliances.
- (g) Environmental Risk Management Authority in regard to accrediting Approved Handlers of dangerous goods.
- (h) Ministry of Agriculture and Forestry in regard to national Biosecurity requirements.
- (i) Ministry of Economic Development in regard to electrical safety, EMI and telecommunication regulations.

Other Bodies

IANZ is currently New Zealand's national accreditation authority for laboratories and inspection bodies. Some regulatory agencies (e.g. MEDSAFE) also provide recognition of laboratories, and JAS-ANZ currently provides recognition of two inspection bodies.

IANZ is working with MEDSAFE (and NATA in Australia) to address the issue of laboratory assessments, in the long term. The issue of JAS-ANZ accreditation of inspection bodies is currently being addressed by the Governments of Australia and New Zealand, and a resolution is expected during 2007/08.

PERFORMANCE FORECAST 2007-2008

IANZ Accreditation Programmes

Over the next twelve months, the main growth for IANZ will be in the Building Consent Authority accreditation programme where all local authorities are required to be accredited for their building consent functions. IANZ is contracted to the Department of Building and Housing to provide this accreditation. Staff resources have increased accordingly. IANZ will work to achieve 100% accreditation in the BCA sector.

Other programmes will see some growth, but this is fairly limited, as IANZ has close to 100 per cent coverage in most laboratory sectors. Additional growth in inspection body accreditation is expected, as clients seek recognition in new areas such as Biosecurity. The number of clients will not grow significantly, but the volume of work will, and an additional accreditation assessor will be employed in this sector.

IANZ Forecast Performance

Programme	Standard Applied	Assessment Units			
		06-07	07-08	08-09	09-10
Testing Laboratories	NZS/ISO/IEC 17025:2005	656	665	675	690
Calibration Laboratories	NZS/ISO/IEC 17025:2005	88	88	88	88
Medical Testing Laboratories	NZS/ISO 15189:2003	373	360	350	350
Radiology Services	NZ Code of Radiological Management Practice	398	410	420	430
Inspection Body	ISO/IEC 17020:2000	98	100	110	120
National Screening Unit	Ministry of Health National Policy and Quality Standards	9	11	15	15
OECD GLP Compliant Laboratories	OECD GLP Requirements	16	16	17	18
Building Consent Authorities	Building (Accreditation of Building Consent Authorities) Regulations 2006	55	76	76	76

Telarc SAI Certification Programmes

Services Provided

Programme	Standard Applied
Quality Management Systems	ISO 9001 Telarc Q-Base Code
Environmental Management Systems	ISO 14001
Health and Safety	AS/NZ 4801 Telarc Workplace Safety Code Telarc Q-Safe Code ACC Workplace Safety Management Practices and Partnership Programme
Health	NZS 8134, 8141, 8142, 8156, 8157, 8158, 8165 SNZ 8170, 8171
Product Certification	All recognised product standards
Transit Quality Systems	TQS1 and TQS2
Rail Operating Systems	Land Transport Safety Authority Requirements
Employer Licence	Electricity Regulations and Plumbers, Gasfitters and Drainlayers Act

Growth in 2007-2008

The merger with SAI Global New Zealand operations in April 2007 has provided Telarc SAI with another 500 assessment units in the ISO 9001 and ISO 14001 certification programmes, and 40 assessment units in the product certification programme. These will greatly improve revenues in the 2007-2008 year and onward.

In 2007-2008, under contracts with SAI Global Limited, Telarc SAI will offer the SAI Global Standards Mark for products, and will work towards seeking recognition as an independent certification body for the Department of Building and Housing CodeMark scheme for accrediting building products.

Other services currently being provided by SAI Global are being evaluated for their suitability and demand in the New Zealand market.

There will be significant growth this year in the health sector services provided by Telarc SAI. Its recent acquisition of the Quality Health New Zealand assets will see some 200 new clients added to the health programme. An outcome of the acquisition is Telarc SAI being granted the New Zealand licence for the Australian Council of Healthcare Standards (ACHS) *Evaluation and Quality Improvement Programme*. This programme will be integrated with the existing health care providers

standards and gradually implemented, initially to surgical hospitals and then across all of the health industry.

Management and staff will be restructured at the beginning of 2007-2008 to more efficiently deal with the increased size of operation. A major upgrade to the data base system will also be carried out this year.

Telarc SAI Limited Forecast Performance

Programme	Assessment Units			
	06-07	07-08	08-09	09-10
ISO 9001 Quality Management Systems	1755	1800	1800	1800
ISO 14001 Environmental Management Systems	142	146	150	155
Health Sector	250	400	400	400
Others	809	880	900	900

New Zealand Quality College

Demand for standard courses of laboratory management, quality management, auditing and environmental management remains firm and can be expected to continue at current levels of participation for 2007-2008. A potential set of new clients for auditing courses are the Building Consent Authorities that have been accredited for the Department of Building and Housing.

Specific promotion of Wellington and Christchurch courses to people in those areas is proving successful in ensuring courses in these locations are not cancelled through insufficient bookings.

The move by the New Zealand Food Safety Authority to substantially extend registrations to the new food regulatory regime in 2007 provides the opportunity for NZQC to cater for a greater number of participants in food safety management and audit courses.

New Zealand Quality College Forecast performance

	06-07	07-08	08-09	09-10
Training days	2680	2900	3000	3150

Opportunities

The key opportunities for the Council are in the areas outlined above. Growth for both IANZ and Telarc SAI Limited will come primarily from areas that currently have an element of regulatory control or regulatory monitoring.

Senior management will continue to work closely with regulators in all sectors to ensure there is a good understanding of the Council's role and how it can more effectively support their requirements, while still retaining the rigour and robustness necessary. An education campaign to better inform regulators is planned in this regard.

Risks

Any threat of IANZ losing its international recognition status and Telarc SAI losing its accreditation status, pose risks to New Zealand. Such risks are minimised by both organisations responding immediately and comprehensively to any issues that arise. In addition, the proactive role played by IANZ in international and regional laboratory accreditation forums means it has a significant influence on ensuring requirements are not detrimental to this country's manufacturers and exporters.

PERFORMANCE LONGER TERM

The 2007-2008 year will be a strong year for growth, driven by the increase in certifications eventuating with new Telarc SAI Limited business and from IANZ audits of Building Consent Authorities. In the following three years, the numbers of accreditation and conformity assessment registrations will grow at a more modest rate. During this period, some increase will come from new services that are currently being developed and where present initiatives are being worked through.

IANZ Accreditation Programmes

Accreditation growth will be in a new area of inspection activity (2009/10) where IANZ staff are actively working with the regulator in developing accreditation criteria, and ensuring an appropriate accreditation process is in place. The aim is to achieve 100% accreditation of all inspection bodies in this sector.

Over the five year planning horizon, IANZ is also engaging with other regulatory agencies regarding their use of IANZ accreditation. In addition, there will be active promotion across the regulatory sector regarding the role of IANZ. This includes being an active participant in the new regulatory forum being established by Ministry of Economic Development, and engaging with other parties in the standards and conformance infrastructure (especially in relation to standards development and measurement traceability) to ensure New Zealand has a well linked capability able to support our manufacturing and export sector into the future.

Additional assessment staff will be considered once new programmes are more fully scoped.

Telarc SAI Limited Certification

The significant contributors to Telarc SAI over the following three years will continue to be registration of quality management systems and health care standards. Reasonable growth is expected in the environmental management systems and product certification programmes, but neither will be to a very large extent. A number of new programmes are expected to emerge from contracts with SAI Global that offer improvement opportunities for New Zealand organisations.

CAPABILITY PROFILE

Staff numbers at the commencement of 2007-2008 are:

Position	IANZ		Telarc SAI Limited	
	Male	Female	Male	Female
Managers	12	4	6	1
Assessors	13	3	12	3
Administration	1	12	-	8

Currently, IANZ is recruiting another four assessor staff, two in the medical programme, and two in the inspection body programme. Support staff for the assessor team has been increased by one during the previous year (2006/07). No new recruitment is expected for Telarc SAI beyond that associated with any new acquisitions.

Management Capability

HR Strategy

A temporary Personnel Development position was created at the start of 2006-2007 to upgrade the IANZ HR policies and procedures. From January 2008, HR functions will be outsourced as and when required.

HR policies and procedures follow the principles of the Investors In People Standard (IIP). The IIP Steering Group, composed of staff members, looks at how staff systems are applied and conducts staff surveys based on the IIP survey model.

The Council is fully committed to an Equal Employment Opportunities employment programme. Staff are appointed on merit, regardless of age, gender or ethnicity.

Capability Development

An induction programme is implemented for all new staff to familiarise them with the organization, its people and their responsibilities, and policies and procedures. A mentor is assigned to each person to guide them through this process and provide training in their job responsibilities.

Job training is provided in-house by the responsible manager. For Accreditation Assessors, the training period can be up to twelve months before they are competent to take the leadership role in assessments.

A standard performance review procedure is implemented for all staff each year and performance measures are set for the following year.

Succession Planning

Consideration to future positions in management is given when recruiting new staff and their progress is monitored through the annual performance review procedure.

Supplier Relationships

Suppliers are considered essential for the continuing performance of IANZ and strong working relationships are encouraged. The supply of the following services is considered essential for Council business to proceed effectively:

- (a) Office facilities
- (b) Computer software
- (c) Computer hardware
- (d) Internet Service Provider
- (e) Web Host
- (f) Telephone (landline and mobile)
- (g) Travel bookings
- (h) Printing
- (i) Graphic design
- (j) Advertising
- (k) Market Research

Client Satisfaction

IANZ is generally well regarded by its clients: 82% gave an overall highly positive rating in a survey conducted in 2006. The aim will be to improve this during the next three years to 90% or above, by ensuring:

- (a) Technical Experts are skilled in the assessment process and contribute constructive comments to reports
- (b) Thorough investigations are carried out
- (c) Written reports are delivered to clients within the agreed time
- (d) Clients are kept up-to-date on standards and requirements
- (e) Greater emphasis is placed in the delivery of verbal reports
- (f) Support staff are able to respond to all initial enquiries when assessors are not available.

ACCREDITATION AND CERTIFICATION EXPLAINED

Accreditation

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

Personnel

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

Accommodation and environment

Many measurement and test procedures must be carried out under tightly controlled environmental conditions or in sterile or electromagnetically screened accommodation. Accreditation of an organisation is dependent upon its accommodation and environmental controls found to be appropriate for its work.

Inspection, test and measurement procedures

Accreditation is available only for validated inspection and test methods that are known to produce reliable results. An IANZ accredited organisation must implement rigorous quality control procedures to demonstrate the ongoing validity of their test and inspection methods. It must also properly determine its uncertainties of measurement and its limits of detection.

Test equipment

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

Reference standards and materials

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

Records and reports

An accredited laboratory or inspection body must maintain complete records of its inspections and tests and must issue reports in formats that meet international standards for such documents.

Quality management

An accredited laboratory or inspection body must implement a quality management system that is essentially in compliance with the requirements of ISO 9001: 2000.

An Accredited Organisation

Any organisation providing inspection, testing or measurement services may apply for accreditation under the Testing Laboratory Registration Act (1972). The organisation is subjected to a searching assessment of its expertise, facilities, resources, operations, procedures and quality systems by a team of independent, technical experts accompanied by an IANZ accreditation assessor. Technical experts are selected for their personal expertise in the specific field involved. They are drawn from industry, academic institutions, research associations, government and private sector bodies in both Australia and New Zealand.

When full compliance with the accreditation criteria is achieved, the organisation is formally accredited by IANZ and may then be referred to as an Accredited Laboratory, Accredited Radiology Service, Accredited Inspection Body, or Accredited Calibration Laboratory, as appropriate.

Accredited organisations are subjected to annual reassessments to ensure that they continue to comply with the accreditation criteria. More frequent reassessments are carried out if necessary.

It should be noted that accreditation does not constitute a blanket endorsement of all of an organisation's activities. Accreditation is granted only for specific types of work in which the organisation has demonstrated its expertise. This work is defined in the organisation's Scope of Accreditation which is published on the IANZ website: www.ianz.govt.nz/directory. It is also printed in a schedule to each accredited organisation's certificate of accreditation, copies of which should be available from the organisations themselves.

Certification

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

The most well known examples are the certification of quality management systems and environmental management systems as conforming, respectively, to ISO 9000 and ISO 14000 standards.

Over 410,000 businesses in 158 countries are certified with quality management systems that comply with ISO9001, and over 23,000 businesses in 84 countries are certified with environmental management systems that comply with ISO 14001.

In the ISO 9001 and ISO 14001 context, "certification" and "registration" are used interchangeably and they both mean the same thing. One term is preferred over the other depending on the country. Likewise, the bodies that issue ISO 9001 or ISO 14001 certificates are referred to in some countries as "certification bodies" and in others as "registration bodies" or "registrars".

The International Organisation for Standardisation (ISO), as the publisher of standards, does not issue certificates of conformity to any standard; these are issued by certification/registration bodies, which are independent of ISO and of the businesses they certify. There are over 740 certification or registration bodies worldwide.

The world association of Conformity Assessment Accreditation Bodies, the International Accreditation Forum, Inc. (IAF), requires that certification/registration bodies accredited by IAF accreditation body members comply with one of the international ISO/IEC Guides 62, 65 and/or 66 and the IAF Guidance to those Guides. The guides are designed to ensure that certification/registration bodies are both competent to carry out the work involved and are operated independently of businesses that are certified.

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

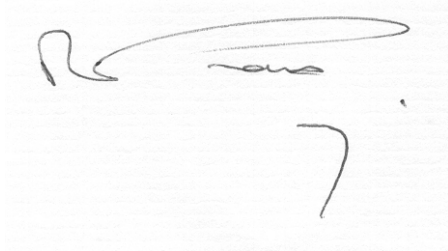
Product certification is specific to a particular product produced by a particular business. Product certification assures users and regulators that the certified product complies with the standard(s) specified on the certificate. Product certification may be limited to compliance with one or more standards even though the product may be subject to many standards.

STATEMENT OF RESPONSIBILITY

The Council and management accept responsibility for the preparation of the financial statements and the planned operations of its activities for the period 2007-2010.

The Council and management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the operational performance and financial reporting of its activities.

In the opinion of the Council and management, the financial statements reflect fairly the financial position and operations of the Council.

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Dr Robin Pratt
Chair
June 20 2007

A handwritten signature in black ink on a white background. The signature is stylized, starting with a large 'R' and ending with a long horizontal stroke.

Mr Richard Dimmock
Chair, Audit Committee
June 20 2007

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June

	2006 Actual \$	2007 Estimate \$	2008 Budget \$	2009 Forecast \$	2010 Forecast \$
IANZ Accreditation Services					
Revenue	3,642,041	3,925,721	5,197,974	5,353,913	5,514,531
Less Cost	3,792,425	4,125,822	4,994,164	5,119,018	5,246,994
Net Revenue / (Deficit)	(150,384)	(200,101)	203,810	234,895	267,537
Training and Other Services					
Revenue	868,188	785,000	854,000	879,620	906,009
Less Cost	670,245	719,332	748,584	767,299	786,481
Net Revenue / (Deficit)	197,943	65,668	105,416	112,321	119,528
National Recognition Services					
Revenue	96,601	-	-	-	-
Less Cost	482,492	513,018	486,067	498,219	510,674
Net Revenue / (Deficit)	(385,891)	(513,018)	(486,067)	(498,219)	(510,674)
Telarc Certification Services					
Revenue	4,410,264	4,878,521	5,661,104	5,898,511	6,147,437
Less Cost	4,543,463	4,672,745	5,313,487	5,484,115	5,678,686
Net Revenue / (Deficit)	(133,199)	205,776	347,617	414,396	468,751
Other Revenue					
Income from sale of Food Safety Auditing Business	200,000	-	-	-	-
Costs associated with sale of business	12,100	-	-	-	-
Net income from sale of Food Safety Auditing Business	187,900	-	-	-	-
Income from sale of shares in Telarc Ltd	-	350,000	-	-	-
Costs associated with sale of shares	-	50,000	-	-	-
Net income from sale of shares in Telarc Ltd	-	300,000	-	-	-
Consolidated					
Total Revenue	9,217,094	9,939,242	11,713,078	12,132,044	12,567,977
Less Total Cost	9,500,725	10,080,917	11,542,302	11,868,651	12,222,835
Net Revenue / (Deficit)	(283,631)	(141,675)	170,776	263,393	345,142
Interest	121,451	114,835	184,000	116,000	121,000
Net Operating Surplus (Deficit)					
After Tax for the Period	(162,180)	(26,840)	354,776	379,393	466,142
Telarc/SAI Dividend	120000	309000	179000	213000	240000
IANZ	120000	281750	134250	159750	180000
SAIG		27250	44750	53250	60000
	120000	309000	179000	213000	240000
Surplus / Deficit IANZ	(298,300)	(244,101)	(3,841)	(46,003)	(13,609)
Surplus / Deficit Telarc SAI	136,120	217261	358617	425396	479751
	(162,180)	(26,840)	354776	379393	466142

STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30 June

	2006 Actual \$	2007 Estimate \$	2008 Budget \$	2009 Forecast \$	2010 Forecast \$
Equity at 1 July	3,288,031	3,049,321	2,988,179	3,298,051	3,624,345
Net operating surplus for the period	(162,180)	(26,840)	354,776	379,393	466,142
Total recognised revenues and expenses for the period	(162,180)	(26,840)	354,776	379,393	466,142
Adjust for NZ IFRS LSL Provision	(76,530)	-	-	-	-
Share issue to SAIG	-	215,000	-	-	-
Shares sold to SAIG	-	50,000	-	-	-
Deduct Minority interest in Telarc SAI Ltd					
Share Capital Issued	-	(215,000)	-	-	-
Share capital purchased from IANZ	-	(50,000)	-	-	-
Share of Surplus	-	(61,552)	(89,654)	(106,349)	(119,938)
Less Dividend paid	-	27,250	44,750	53,250	60,000
Total Minority interest in Telarc SAI Ltd	-	(299,302)	(44,904)	(53,099)	(59,938)
Equity at 30 June	3,049,321	2,988,179	3,298,051	3,624,345	4,030,549

FORECAST STATEMENT OF FINANCIAL POSITION

As at 30 June

	2006 Actual \$	2007 Estimate \$	2008 Budget \$	2009 Forecast \$	2010 Forecast \$
Equity					
Opening General Funds	3,288,031	3,049,321	2,988,179	3,270,801	3,552,345
Net operating surplus for the period	(162,180)	(26,840)	354,776	379,393	466,142
Adjust for NZ IFRS LSL Provision	(76,530)	-	-	-	-
Increase in Share capital	-	215,000	-	-	-
Minority Share in Telarc SAI Ltd	-	(299,302)	(44,904)	(53,099)	(59,938)
Prior year dividend to SAIG	-	-	(27,250)	(44,750)	(53,250)
Reduction in investment in Telarc SAI Ltd	-	50,000	-	-	-
Total Equity	3,049,321	2,988,179	3,270,801	3,552,345	3,905,299
Represented by:					
Current Assets					
Cash and Bank	1,876,138	2,791,673	2,452,149	2,279,258	2,675,551
Receivables and Prepayments	1,786,700	2,324,000	2,518,000	2,579,000	2,660,000
Total Current Assets	3,662,838	5,115,673	4,970,149	4,858,258	5,335,551
Fixed Assets	693,359	590,288	587,038	550,853	544,852
Intangibles :-Computer Software	290,637	213,920	280,820	243,539	218,139
Investment in SAI	-	215,000	215,000	215,000	215,000
Total Assets	4,646,834	6,134,881	6,053,007	5,867,650	6,313,542
Liabilities					
Current Liabilities					
Accounts Payable	1,216,682	2,445,000	2,023,000	1,491,000	1,511,000
Employee Entitlements	380,831	402,400	415,000	427,000	440,000
Total Current Liabilities	1,597,513	2,847,400	2,438,000	1,918,000	1,951,000
Total Liabilities	1,597,513	2,847,400	2,438,000	1,918,000	1,951,000
Total Net Assets	3,049,321	3,287,481	3,615,007	3,949,650	4,362,542
VARIANCE	-	(299,302)	(344,206)	(397,305)	(457,243)
EQUALS MINORITY SHARE	-	-	-	-	-
Opening	-	-	(299,302)	(344,206)	(397,305)
Year profit less dividend	-	(299,302)	(44,904)	(53,099)	(59,938)
Closing	-	-	(344,206)	(397,305)	(457,243)

STATEMENT OF CASH FLOWS

For the year ended 30 June

	2006 Actual \$	2007 Estimate \$	2008 Budget \$	2009 Forecast \$	2010 Forecast \$
Cash Flows From Operating Activities					
Cash provided from:					
Revenues from services provided	8,931,102	10,376,034	11,108,634	11,531,266	12,509,311
Interest	114,565	101,331	182,000	125,000	120,000
GST					
	9,045,667	10,477,365	11,290,634	11,656,266	12,629,311
Cash applied to					
Suppliers	4,453,825	4,920,320	5,525,019	5,623,353	5,758,151
Employees	4,586,021	4,750,350	5,612,022	5,870,276	6,138,840
GST	(32,447)	(4,761)	9,667	(222)	778
	9,007,399	9,665,910	11,146,708	11,493,407	11,897,768
Net Cash Flows From Operating Activities	38,268	811,455	143,926	162,859	731,543
Cash Flows From Investing Activities					
Cash provided from sale of fixed assets	84,078	15,918	64,000	74,000	43,000
Cash provided from sale of Food Safety Business	187,900	-	-	-	-
Cash provided from sale of shares in Telarc SAI Ltd	-	350,000	-	-	-
Cash Applied to Minority Dividend	-	-	27,250	44,750	53,250
Cash applied to purchase Intangible assets (Computer Software)	83,455	103,331	210,000	80,000	80,000
Cash applied to purchase fixed assets	417,457	158,507	310,200	285,000	245,000
Net Cash Flows From Investing Activities	(228,934)	104,080	(483,450)	(335,750)	(335,250)
Net Increase (Decrease) in Cash Held	(190,666)	915,535	(339,524)	(172,891)	396,293
Plus Opening Cash	2,066,804	1,876,138	2,791,673	2,452,149	2,279,258
Closing Cash Balance	1,876,138	2,791,673	2,452,149	2,279,258	2,675,551
Cash and Bank	72,142	76,673	80,149	75,258	70,551
Short Term Investments	1,803,996	2,715,000	2,372,000	2,204,000	2,605,000
Closing Cash Balance	1,876,138	2,791,673	2,452,149	2,279,258	2,675,551

STATEMENT OF RECONCILIATION OF REPORTED OPERATING SURPLUS WITH NET CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 30 June

	2006 Actual \$	2007 Estimate \$	2008 Budget \$	2009 Forecast \$	2010 Forecast \$
Net surplus (deficit) from operations	(162,180)	(54,090)	310,026	326,143	406,142
<i>Add (less) non cash item</i>					
Depreciation & Amortisation	435,600	421,485	392,550	364,466	313,401
Total non cash items	435,600	421,485	392,550	364,466	313,401
Add/ (less) movement in working capitals items					
<i>Plus/ (Less) Movement in Working Capital</i>					
Decrease (increase) in Receivables	112,712	(537,300)	(194,000)	(61,000)	(81,000)
(Decrease) increase in Payables	(133,071)	1,228,318	(422,000)	(532,000)	20,000
(Decrease) increase in employee entitlements	23,028	21,569	12,600	12,000	13,000
(Decrease) increase in other provisions	(60,425)	-	-	-	-
(Decrease) increase in Provision for minority dividend	-	27,250	44,750	53,250	60,000
(Decrease) increase in Taxation Provision	-	-	-	-	-
Working capital movements - net	(57,756)	739,837	(558,650)	(527,750)	12,000
<i>Add (less) items classified as investing activities</i>					
Net loss (gain) on disposal of assets	10,504	4,223	-	-	-
Proceeds from Sale of Food Safety Auditing Business	(187,900)	-	-	-	-
Proceeds from Sale of Shares in Telarc SAI Ltd	-	(300,000)	-	-	-
Net Cash Flow from Operating Activities	38,268	811,455	143,926	162,859	731,543

ORGANISATION DETAILS

Members of Council

Chair	Dr Robin Pratt, Company Director
Vice Chair	Dr Richard Janes, Company Director
Members	Ms Jo Brosnahan, Company Director
	Mr Nigel Cann, Managing Director, Australian Vinyls Corporation Ltd
	Ms Miriam Dean QC, Barrister
	Mr Richard Dimmock, Company Director
	Dr John Hay, Chief Executive Officer, ESR
	Ms Sarah Kennedy, Managing Director, Healtheries NZ Ltd.

Management

Council Director and Chief Executive IANZ	Dr Llewellyn Richards
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International Accreditation New Zealand

General Manager – Accreditation Services	Mr Barry Ashcroft
General Manager – New Zealand Quality College	Dr Greg Williams
Chief Financial Officer	Mr Nigel Perfect
Manager Administration	Mrs Dian Wilkinson
Manager Business Development	Mr Denys Hatch
Manager Information Systems	Mr Glenn O’Leary
Manager International Affairs and Government Liaison	Mr Ian Roy
Manager Quality Improvement	Mr Phil Carter

Telarc SAI Limited

Chief Executive	Mr Peter Rose
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