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1 FORWARD BY THE CHAIR

1.1 Summary of Key Objectives for 2008/2009

- 1746 accreditation assessment units (1756 in 2007/2008)
- 3060 certification assessment units (3196 in 2007/2008)
- 2390 trainee-days (2090 in 2007/2008)
- \$13.4m revenue from all operations (\$13.8m forecast 2007/2008)
- \$19,700 net operating surplus (\$30,300 forecast 2007/2008)
- \$2.6m cash reserves (\$2.6m forecast 2007/2008)

1.2 Strategic Overview

While IANZ accreditation began as a domestic quality improvement initiative for laboratories in the early 1970's, there is now an increasing global demand for independent accreditation and certification services. Regulators in many countries, including New Zealand, now require products to be tested in accredited laboratories, as a requirement for overseas market access, and as part of global supply chains. Overall, there are increasing requirements for both laboratory accreditation and systems certification.

As more than two thirds of New Zealand's exports are now subject to regulations or specifications that require accredited test reports by globally recognised accreditation bodies, it is essential that New Zealand maintains its globally recognised world class accreditation system that meets the demands of other first world economies. This has led to a growing synergy between IANZ and New Zealand regulators, to ensure that New Zealand has appropriate systems in place to meet the ever increasing technical specifications demanded by overseas markets.

In addition, the global drive toward environmental sustainability will put pressure on the testing requirements for air and water discharges, as well as on business practices in terms of environmental management system requirements and greenhouse gas emissions.

1.3 Standards and Conformance Infrastructure

The importance of a sound standards and conformance infrastructure in supporting the Government's Economic Transformation was highlighted in the review of New Zealand's infrastructure completed by the Ministry of Economic Development in 2007. It identified the infrastructure as being world class and can be used:

- To drive innovation in firms
- As a means of ensuring that New Zealand firms are in a position to participate in the international economy
- To ensure that New Zealand products can be exported successfully to markets overseas
- To allow the government to achieve its environmental, health and safety objectives without unduly compromising growth.

1.4 Government Priorities

This year's Statement of Intent aligns the delivery of our accreditation and certification services with Government priorities. To date, the focus has been on achieving good operational performance and advancing accreditation and certification throughout New Zealand. This year, the strategy is aligned to recognise Government Priorities for Economic Transformation, Supporting Families and Growing a National Identity. Within these priorities, the Council has identified the following sub-themes as being areas where it is making a significant contribution:

- Globally competitive firms
- World class infrastructure
- Innovative and productive workplaces, underpinned by high standards in education, skills and research
- Environmental sustainability
- Safe communities
- Better health for all

1.5 Regulators' Recognition

Awareness and appreciation of IANZ accreditation and Telarc SAI certification among industry, policy agencies and regulators made good growth last year and we plan one new programme (food safety inspection accreditation) in 2008/2009 and two new programmes in the following three years.

In some instances, policy agencies and regulators are adopting accreditation and certification standards to fit the agency's own specific requirements. Continuing engagement with regulatory agencies will ensure the rigorous and universal structure of these standards is maintained. This is an important action area for the Council this year and in the future.

1.6 Increased Involvement in the Health Sector

Quality Health New Zealand, acquired by Telarc SAI Limited in 2007/2008, will make an increased contribution to Council over the next three years. The QHNZ standard for healthcare providers was upgraded to the international EQUIP 4 standard late in the year and has been welcomed by the health industry. The new standard will be fully implemented during the 2008/2009 year.

1.7 Finance

In line with its role as a not-for-profit Autonomous Crown Entity, the Council is planning a small surplus this year, reflecting the cyclical nature of introducing new accreditation and certification programmes. While the 2007/2008 year saw considerable growth in revenue for both accreditation and certification services, this was a result of investment in new programmes in previous years. As revenue and work-load are not necessarily aligned, lower revenue is expected in new programmes in alternating years.

Considerable investment in the new food safety inspection accreditation programme is planned this year, with the bulk of the revenue expected in 2009/2010. With the introduction of new programmes in coming years, this pattern will continue, with investment in one year, and revenue flow in subsequent years.

Dr Robin Pratt

Chair

June 2008

2 STRATEGIC DIRECTION

2.1 Standards and Conformance

2.1.1 Regulators' Forum

The IANZ CEO is a member of the Core Board of the Regulators Forum. The establishment of this forum comprising policy agencies, regulators and infrastructure bodies was a key recommendation of the MED review. The first meeting of the forum was in February 2008. Continuing participation at the forum by IANZ (for the Council) is beginning to improve awareness and understanding of what standards and conformance offers regulators. A clearing house for regulatory requirements has been established and is already responding to enquiries from industry. IANZ contributes one third of a full time equivalent person for this activity. A communication strategy has been developed for implementation in 2008/2009.

A metrology subcommittee of the Forum of the infrastructure bodies has been agreed, and this supports the excellent long-standing cooperative relationships that the Council has with the other bodies. In particular, IANZ accredits both the Measurement Standards Laboratory (MSL) and the weights and measures laboratories of the Measurement and Product Safety Service (MAPSS). The Chair of the IANZ metrology and calibration professional advisor committee is the Director of MSL. IANZ is also working with MSL on issues of critical importance to New Zealand, including chemical measurement traceability. IANZ and JAS-ANZ also cooperate when appropriate, particularly in helping Government in free trade negotiations, and representing New Zealand's interests overseas at international accreditation fora. Accredited testing underpins both calibration requirements for management systems certification, and testing requirements necessary for product certification.

IANZ also has a strong relationship with the Standards Council, and represents Standards New Zealand on all conformity assessment standards matters, including at the ISO Committee on Conformity Assessment (CASCO). The Testing Laboratory Registration Council also uses JAS-ANZ for the accreditation of Telarc SAI Limited for both ISO/IEC 9001 and ISO/IEC 14001 certification activities.

The New Zealand conformity assessment infrastructure is well regarded internationally. To ensure this continues, IANZ will be working with other metrology, standards and accreditation bodies and collaborating in joint projects where appropriate.

2.1.2 Policy Agencies and Regulators

Those regulators with whom the Council will be regularly consulting with include:

- **Accident Compensation Corporation** on the competencies of medical testing laboratories and radiology services
- **MAF Biosecurity New Zealand** to help prevent harmful organisms from crossing New Zealand's borders

- **Department of Building and Housing** on further development of standards and assessments for Building Consent Authority accreditation
- **Ministry of Economic Development** on expanding access for New Zealand goods into overseas markets; and on promoting best management practices for New Zealand businesses
- **Ministry for the Environment** on helping to ensure New Zealand's environmental sustainability
- **ERMA New Zealand** on helping to ensure the safe handling of dangerous goods
- **New Zealand Food Safety Authority** on the development of standards for the safe handling of domestic and export foods
- **Ministry of Health** on maintaining effective screening and colposcopy services, medical testing laboratories, radiology providers, District Health Boards and other health and health and disability providers, and drinking water systems
- **Department of Labour** on helping to ensure health and safety at work, in public places and at home
- **Land Transport New Zealand** on helping to ensure vehicle safety
- **Transit New Zealand** on helping to ensure a soundly based roading infrastructure throughout New Zealand.

This growing number of regulators using accreditation is testimony to the effectiveness of the IANZ accreditation programme. IANZ is striving to grow the programme extensively over the next five years, particularly in conjunction with regulatory requirements. IANZ is also endeavouring to maintain the efficiency of the accreditation process, and continue to keep accreditation fee rises below the level of inflation.

2.2 International Recognition

Many regulators in most of New Zealand's trading partners require assurance products coming into their jurisdiction comply with specific requirements. In most instances, testing in an accredited laboratory is a prerequisite for market access. Most of New Zealand's exports (e.g. dairy products, meat, wool, petroleum oil, aluminium, steel, etc.) have a requirement to be tested to meet regulatory requirements in various markets.

IANZ has accredited such laboratories for domestic requirements for many years. Globally, most accreditation bodies have worked together to ensure that test results from one accredited laboratory are acceptable to other accreditation bodies. Since 2000, a global accreditation recognition mechanism has been in operation and Government Free Trade Agreements are now directly linked to this arrangement. In this way, IANZ plays a significant role in facilitating trade in most of our export goods and will continue to invest time and resources in ensuring that the IANZ accreditation process meets overseas requirements. At the same time, we will ensure that the overseas assurance requirements do not impose a prohibitively high cost to New Zealand exporters.

The OECD community has also developed its own specific requirements for the acceptance of field trial data for veterinary medicines and agricultural chemicals. IANZ is the

New Zealand Good Laboratory Practice (GLP) compliance monitoring authority to meet these OECD requirements.

2.3 Contribution to Government's Goals

IANZ core business has fully recognised the Government priorities set for the 2006-2016 period.

2.3.1 Economic Transformation

This priority is progressing to a high income, knowledge-based economy which is both innovative and creative and provides a unique quality of life to all New Zealanders. It is about accelerating the pace of change in the economy and becoming more internationally integrated with the focus on:

- Globally competitive firms
- World class infrastructure
- Innovative and productive workplaces, underpinned by high standards in education, skills and research
- Environmental sustainability

2.3.2 Families – Young and Old

This priority is to ensure all families have the support and choices they need to secure and be able to reach their full potential within our knowledge based economy. Here the focus is on:

- Safe communities
- Better health for all

2.3.3 National Identity

Taking pride in who we are, what we do, where we live and how we are seen by the world.

These Government themes are the focus of the Council's Impacts, Outcomes and Outputs, as shown in Section 5.

3 NATURE AND SCOPE OF FUNCTIONS

3.1 Governance

The Council is a user-funded, not for profit, Autonomous Crown Entity operating under the Testing Laboratory Registration Act 1972 and amendments. The responsible minister is 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. These changes are expected to be incorporated into a new Standards and Accreditation Act during 2008.

3.2 General Functions

The general functions of the Council, as defined in the 2006 amendment to the Testing Laboratory Registration Act 1972, 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.	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. Training courses covering all aspects of accreditation and certification are provided by the New Zealand Quality College under IANZ management.
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.	IANZ is New Zealand's representative at international and regional accreditation cooperation; and is signatory to the Mutual Recognition Arrangements for: <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)
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, and other management systems certification to international and sector standards. A division of Telarc SAI, Quality Health New Zealand , provides specialist auditing services to the health sector.

3.3 Registration Schemes

Throughout the world businesses and other organisations, private and public, that are recognised by designated authorities as achieving international standards of performance, and are accredited or certified, are placed on a public register for reference for those who wish to purchase their goods and services.

In New Zealand two such registration schemes are the responsibility of the Testing Laboratory Registration Council. Council's role of operating (separate) registration schemes for **IANZ accreditation** and for **Telarc SAI certification** 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 in New Zealand and worldwide as providing credible evidence that an organisation is either independently recognised as technically competent (IANZ accreditation) or conforms to a required standard and, therefore, can be relied upon as a supplier of goods or services (Telarc SAI Limited).

3.4 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 environmental sustainability. The specific standards adhered to by each Council operational body are as follows:

3.4.1 International Accreditation New Zealand

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 International Laboratory Accreditation Cooperation (ILAC), 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.

3.4.2 Telarc SAI Limited

To operate as a certification body, **Telarc SAI Limited** complies with: ISO/IEC 17021 *Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems* (replaced ISO Guide 62 in 2008).

Biannual assessment of Telarc SAI against this standard is undertaken by the Trans-Tasman accreditation authority for certification bodies, Joint Accreditation System for Australia and New Zealand (JAS-ANZ).

3.5 Promoting Good Practice

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 cover:

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

Courses of between one and five days are held throughout the year, mainly in Auckland, Wellington and Christchurch.

Experienced assessors from IANZ and Telarc SAI present these courses, along with other specialists recognised as experts in their fields. The Quality College operates a rigorous quality control programme to ensure excellence in the delivery of training. It is registered by the New Zealand Qualifications Authority as a Private Training Establishment.

3.6 Council Members and Management

This is shown in Appendix 1.

3.7 Council Structure

This is shown in Appendix 2

4 OPERATING ENVIRONMENT

4.1 Easier Market Access for New Zealand Goods

4.1.1 Mutual Recognition Arrangements

Assisting New Zealand exporters by making it easier for New Zealand goods to move freely across borders is a primary role of IANZ. There are now 64 accreditation bodies in 48 economies with whom IANZ has established mutual recognition arrangements for the acceptance of reports from accredited laboratories and inspection bodies. This is vital for New Zealand trade with other economies and IANZ will continue to meet the requirements to be a signatory in both **International Laboratory Accreditation Cooperation (ILAC)** and **Asia Pacific Laboratory Accreditation Cooperation (APLAC)** to ensure the best interests of New Zealand are represented and protected.

4.1.2 OECD Good Laboratory Practice

Under the **Compliance Monitoring Programme** developed by the **Organisation for Economic Cooperation and Development (OECD)**, laboratories testing chemicals such as pharmaceuticals, pesticides, veterinary medicines, industrial chemicals, food additives and cosmetics are required to be registered as a **Good Laboratory Practice (GLP)**. IANZ is the national authority for this programme and New Zealand's representative on the **Working Group on GLP**. There are 16 facilities in New Zealand that operate in this specialist non-clinical health and environmental safety testing, which will continue to be accredited annually by IANZ. The number is not expected to increase over the next three years.

4.1.3 CE Mark

CE (European Conformity) Mark is a safety mark for a range of products being traded within Europe. IANZ is the New Zealand Designated Authority for CE Marking of testing and calibration laboratories and inspection bodies, of which there are six facilities presently registered for this mark in New Zealand. This number is expected to remain at this level during the next three years.

4.1.4 Free Trade Agreements

We will continue to provide technical assistance to the **Ministry of Economic Development** and the **Ministry of Foreign Affairs and Trade** in the New Zealand/China Trade and Economic Cooperation Framework. This follows previous government to government engagements with the European Union and Singapore to develop a MRA. IANZ has developed procedures enabling such agreements to be implemented, with a number of laboratories already designated under particular MRA.

4.2 Businesses Performing to Best International Practices

The acceptance of the ISO 9001 Standard globally has been quite phenomenal, with 900,000 certifications now granted annually in 170 economies. In New Zealand, market growth in ISO

9001 certifications has stalled. In a 2003 survey, the Council found that 66% of respondents operated quality management systems and that 49% adhered to the ISO 9001 standard, although just 39% were externally assessed. Businesses have now had considerable experience in operating quality management systems and are confident in their ability to self-assess and not involve a third-party certifier. This presents a barrier to market growth for **Telarc SAI** and, without further acquisition, is unlikely to significantly increase the current number of ISO 9001 certifications over the next three years. This programme will, however, continue to provide strong revenue earnings and continue as the major contributor to the Council's function of promoting good management practice.

4.3 Safe and Reliable Infrastructures

The New Zealand standards and conformance infrastructure helps government achieve its economic transformation goals. For its part, **IANZ** accreditation provides assurance that laboratories, inspection bodies and radiology services are adhering to international and national standards. To maintain its national authority status, **IANZ** will continue to comply with the internationally accepted standard for accreditation bodies, and will fully participate in the international and regional accreditation fora and retain its status as a signatory to **ILAC** and **APLAC** Arrangements. Senior staff members will seek appointment to management boards of **ILAC** and **APLAC** and continue to participate in technical committees.

4.4 Workplaces Achieving High Standards

Good management practices in laboratories, inspection bodies and radiology services are essential for accredited organisations to achieve high performance standards. Understanding the requirements of standards and how to apply them in the workplace is provided by a series of training courses presented by the **New Zealand Quality College**. The frequency of courses is dictated by the level of interest and varies from year to year.

Currently, there is a rise in interest in inspection body and food safety standards (coinciding with the new domestic food regulations) and in environmental management standards. The frequency of these courses on offer is expected to increase slightly in 2008/2009 and increase again in 2009/2010. Course content is reviewed annually to ensure current information and practices are included.

4.5 Achieving Environmental Standards of Performance

Laboratories accredited by **IANZ** have an important part in ensuring environmental criteria are met, with a whole range of tests regularly performed for such things as fumes and emissions, atmospheric pollution, effluents and trade waste, sewage, waters, air and soils. Most laboratories providing these tests will continue to be accredited by **IANZ** annually. New scopes of accreditation will be added as new tests are required to ensure New Zealand retains a safe and healthy environment. The Australian Greenhouse Office is also utilising accreditation, and requires products that exhibit an energy efficiency label to be tested in an accredited

laboratory. Post market surveillance of such products also requires them to be tested in accredited laboratories.

New Zealand businesses have been slow to adopt the ISO 14001 environmental management systems standard since it was introduced in 1994. This is now changing following recent government initiatives for environmental sustainability. **Telarc SAI** is encouraging businesses of all types and sizes to integrate the ISO 14001 standard with the ISO 9001 standard and get the best possible value from their management systems. The number of **Telarc SAI** certifications to ISO 14001 is expected to at least double from the present 200 during the next three years, which is a good sign for the New Zealand economy.

On the theme of environmental sustainability, the Council sees an important role for its certification function in providing promoters of the various environmental schemes with assurance that set criteria are being met. **CarbonZero** is one such programme where **Telarc SAI** is working with **Landcare Research** to provide independent third-party audits. **Telarc SAI** will continue to actively looking to assist other programmes in a similar way.

4.6 Safer Communities

4.6.1 Road and Rail

In recent years, emphasis has been placed on the importance of sound infrastructures for the benefit of the economy. The easy movement of people and goods is an important factor in servicing domestic demand and moving imports and exports to and from entry and exit points. Quality of construction is amongst the key criteria insisted on by the Government agency responsible for roading works, **Transit New Zealand**. To ensure standards are maintained, regular testing of aggregates and bituminous materials to specification is carried out by **IANZ** accredited laboratories.

The mandatory assessment of contractors involved in road construction, road maintenance, and structures activities to **Transit New Zealand** standards TQS1 or TQS2 will continue to be undertaken by **Telarc SAI**. In addition, contractors will be encouraged to adopt the integrated quality and health and safety management system developed by **Telarc SAI** (*Telarc Q-Safe Roading & Civil Code*), which allows small to medium sized operators to meet Transit's requirements of TQS1 and Operate Safe programmes. Demand for certification to this code and to **Transit New Zealand** standards is expected to remain steady over the next three years.

Safety is also paramount in the operation of railways and tramways. **Telarc SAI** is continuing to undertake regular, supplementary and special safety audits of organisations operating rail sidings, tramways, etc as a requirement for obtaining a Rail Service Licence issued by **Land Transport New Zealand**.

4.6.2 Construction

The reliability of materials, such as aluminium, steel, plastic and timber for fabrication is essential in construction, as are paints used to preserve and protect structures. Testing of fabricated products to ensure adherence to standards and specification requires accuracy that

is assured through laboratories accredited by **IANZ**. There are around 100 mechanical testing laboratories in New Zealand currently accredited by **IANZ** and little change is expected in the number over the next three years.

4.6.3 Equipment and Infrastructure

In the workplace, inspection of pressure equipment, cranes and passenger ropeways is essential for the safety of workers and the public. Similarly, the inspection of pressure vessels, pipelines and off-shore structures is essential for their continuing safe operation. The competency of the inspection services is assured with annual **IANZ** accreditation assessments.

4.6.4 Safer Homes and Workplaces

Inspection and testing play large parts in ensuring the safety of communities in New Zealand and **IANZ** accreditation programmes provide the assurance that safety standards and criteria are being met. A good everyday example is the filling of gas cylinders for barbeques, heating, SCUBA diving, etc. with filling stations being accredited by **IANZ** for their safe operating practices. Inspections of fire sprinkler systems and alarms, lifts, cranes and ropeways are other services that require **IANZ** accreditation for their safe operation.

Regulations frequently require laboratories testing goods for safety aspects and bodies inspecting safety practices to be accredited. Providers of these services are continuing to be accredited by **IANZ**.

Under the HSNO Act, handlers of explosives must be approved and certified by **ERMA New Zealand**; **IANZ** is assisting **ERMA** with this process by assessing Approved Handlers to the AS/NZS ISO/IEC 17020 Standard.

4.6.5 Biosecurity

From 2008/2009, **IANZ** will be accrediting Independent Verification Agencies authorised by **MAF Biosecurity New Zealand** to undertake import and plant export certification. The number of verifiers is small covering agriculture, horticulture and forestry products exports. Four **MAF Biosecurity New Zealand** sites inspecting products and commodities, plants and facilities, international mail, and processing passengers and vessels, are also accredited. Further sites are under consideration for accreditation in following years.

4.6.6 Building Consents

Getting all **Building Consent Authority** assessed to the **Department of Building and Housing** standards was achieved in the past year. This marked the end of Stage One of having 80 BCAs registered and performing to a basic set of standards. Stage Two, involving assessments to further standards is due for completion in 2010.

4.7 Safe Food

4.7.1 Domestic Food

New Zealand is moving to a new domestic food regulatory regime to enhance the safety and suitability of the food available to consumers. IANZ will continue to work with **New Zealand Food Safety Authority** to develop technical competence requirements for food safety inspection bodies. Proposals for the new food regime have been generated by NZFSA and legislation is pending. Additional assessment and administration staff are being employed and trained in readiness. The 2008/2009 budget reflects the increased revenue and costs that will be generated by this new programme.

4.7.2 Drinking-water

In October 2007, the **Ministry of Health** enacted new legislation aimed at better protecting public health by improving the quality of drinking-water provided to communities. Currently, 90 laboratories accredited by **IANZ** are recognised by the Ministry to carry out testing and other procedures to demonstrate compliance with the Standard. Fourteen bodies inspecting drinking-water facilities are also accredited by IANZ and recognised by the **Ministry of Health**. Little change in the number of laboratories and inspection bodies accredited to this scheme is expected over the next three years.

4.7.3 Wine

From 1 June 2008, Wine Standards Management Plans are to be evaluated and verified by persons and agencies accredited to ISO/IEC 17020. A number of these persons and agencies are currently **IANZ** accredited to this Standard and we will be working with others to have them become accredited. The overall number is not expected to be more than ten over the next three years.

4.8 Reliable Medical Testing and Radiology Services

4.8.1 Medical Testing

The major funding providers for medical testing, **District Health Boards** and **Accident Compensation Corporation**, specify that medical testing laboratories be accredited by **IANZ** to ensure reliability of tests. Private insurers are moving towards the same requirement, suggesting that this **IANZ** accreditation programme will continue to be strongly in demand. However, rationalisation of medical testing providers, driven by new **DHB** requirements, will have an impact on the **IANZ** laboratory accreditation process. Since 2006, there has been a spate of amalgamations of public (hospitals) and private medical testing laboratories, which is expected to continue over the next two years.

Fewer laboratories do not mean fewer assessments by **IANZ**. Laboratories are becoming larger and more complex in structure and are undertaking a greater volume of tests. For **IANZ**, this will require considerable more time than previously on and off site to complete the assessment process and staff numbers in this programme have been increased in the last two years to cope with this change.

4.8.2 Radiology

New technologies of radiology are being introduced to New Zealand, bringing with it greater quality of images and much wider application than has been previously possible. This coincides with the increasing demand for such services from an ageing population that is enjoying longer and healthier lives.

Private radiology services handling the bulk of the work required by **ACC** for sports, work and personal injuries, will continue to be accredited by **IANZ** as a prerequisite to securing funding. Private insurers are also increasingly specifying **IANZ** accreditations for their requirements.

In the public arena, radiology services at over half the hospitals around the country are accredited by **IANZ**, although there is no requirement on them to be so. For them, **IANZ** accreditation provides **District Health Board** management with assurance of the technical competence and quality of their radiology services.

Further radiology services are likely to seek **IANZ** accreditation during the next three years and will increase the number from 413 in 2008/2009 to 423 in 2010/2011. An additional assessor was employed by **IANZ** in 2007/2008 to ensure adequate coverage of the increasing requests for accreditation.

4.9 Reliable Health Services

4.9.1 National Screening Units

The three-year contract **IANZ** had with the **National Screening Unit** of the **Ministry of Health** to undertake routine compliance audits of **BreastScreen Aotearoa** and the **National Cervical Screening Programme**, including colposcopy services, ended in 2007/2008. This is now being reviewed by the Ministry and a decision regarding the renewal of the agreement is expected by the end of 2008. The **IANZ** medical programme is sufficiently staffed to competently continue assessing the 37 screening units for the next three-year term and beyond.

4.9.2 Health and Disability

With the acquisition of the national health accreditation body, **Quality Health New Zealand** in 2007, **Telarc SAI** significantly expanded its involvement in the health sector. The Designated Audit Agency assessments for the **Ministry of Health** by both organisations will be under the **Quality Health New Zealand** banner from 2008/2009 onwards. Some 350 hospitals, rest homes, residential disability homes and the allied health sector will be regularly assessed during the coming this year. Any significant future growth in this programme is not envisaged at this stage.

4.9.3 QHNZ Standard

The health sector accreditation scheme, for which **Quality Health New Zealand** was established for in 1990, went through a significant change in early 2008 when the QHNZ standard was replaced by the international EQUiP 4 standard. This is a much improved

evaluation and quality improvement tool for District Health Boards, private surgical hospitals and hospices that participate in this scheme. New web-based software greatly assists participants, allowing onsite reviews to be completed and submitted online. An education programme to introduce the new standard has begun and will be completed during the year. EQUIP 4 is seen as having much wider application than the earlier standard and will be promoted to other health sector providers during 2008/2009. The number of organisations assessed to this standard is expected to grow from the current 148 to 180 over the next three years.

Government Priority	Outcomes	Outputs	Targets 2008/2009
<p>Innovative and productive workplaces</p>	<p>Workplaces working to high standards</p>	<p>Publication of specific and supplementary criteria of IANZ accreditation</p> <p>Accreditation of laboratories calibrating accuracy of weights and measures, temperatures and precision measuring instruments, testing machines, pressure and vacuum measuring devices, tools and production machinery, etc</p> <p>Training in the implementation of standards for laboratory and inspection body accreditation</p> <p>Training in the implementation of standards for management systems</p> <p>Training in auditing skills</p> <p><i>NB. Training is undertaken by the New Zealand Quality College.</i></p>	<p>All Criteria and Technical Guides maintained up-to-date</p> <p>86 units assessed</p> <p>600 trainee days</p> <p>630 trainee days</p> <p>1160 trainee days</p>
<p>Environmental sustainability</p>	<p>Safer environment</p>	<p>Accreditation of laboratories undertaking chemical testing for environmental monitoring and testing air quality and gas emissions</p> <p>Certification of environmental management systems to ISO 14001 Standard</p> <p>Assessments to CarboNZero requirements</p>	<p><i>Included in the 333 units assessed (see below)</i></p> <p>205 units assessed</p> <p><i>Targets to be set</i></p>
<p>Safe communities</p>	<p>Public and workplace safety</p>	<p>Accreditation of laboratories testing safety of electrical and electronic goods</p> <p>Accreditation of laboratories undertaking mechanical testing of pressure equipment, flammable materials, textiles, vehicle safety belts, construction and roading materials, assemblies for construction, etc</p>	<p>13 units assessed</p> <p>99 units assessed</p>

Government Priority	Outcomes	Outputs	Targets 2008/2009
<p>Safe Communities (continued)</p>		<p>Accreditation of laboratories undertaking chemical/biological tests of foods, drinking-water, pests and diseases, waters, drugs and pharmaceuticals, etc</p>	<p>333 units assessed</p>
		<p>Accreditation of bodies undertaking inspection of food, and drinking water delivery services</p>	<p>74 units assessed</p>
		<p>Accreditation of laboratories undertaking chemical/biological tests of medical and veterinary samples, agricultural products and materials</p>	<p><i>Included in the 333 units assessed (see above)</i></p>
		<p>Accreditation of laboratories undertaking chemical/biological tests of fuels and gases, petroleum, cylinders and pressure vehicles, ores and minerals, metals and alloys, inorganic materials, paints and coatings, etc</p>	<p><i>Included in the 333 units assessed (see above)</i></p>
		<p>Accreditation of MAF Biosecurity New Zealand inspection service</p>	<p>4 units assessed</p>
		<p>Accreditation of Building Consents Authorities (for the Department of Building and Housing)</p>	<p>80 units assessed</p>
		<p>Accreditation of bodies inspecting plant and equipment, including fire sprinklers and alarms, boilers, pressure vehicles, lifts, cranes, off-shore structures, etc</p>	<p>61 units assessed</p>
		<p>Accreditation of gas cylinder testing stations</p>	<p>45 units assessed</p>
		<p>Assessing ERMA Approved Handlers of explosives</p>	
<p>Certification of workplace health and safety management systems to national standards</p>	<p>50 units assessed</p>		

Government Priority	Outcomes	Outputs	Targets 2008/2009
Safe Communities (continued)		Certification of roading construction contractors to Transit New Zealand quality standards Certification of rail safety operating systems to Land Transport New Zealand requirements Independent audits for ACC workplace safety programmes	13 units assessed 41 units assessed 300 units assessed
Better health for all	Reliable medical testing and radiology services Reliable health services	Accreditation of laboratories undertaking testing of medical samples Accreditation of laboratories providing radiology services Assessment of screening units (for the National Screening Unit , Ministry of Health) Certification of health and disability service providers to Ministry of Health requirements Quality Health New Zealand accreditation of healthcare providers	345 units assessed 413 units assessed 6 units assessed 380 units assessed 151 units assessed

6 OPERATING INTENTIONS

6.1 International Accreditation New Zealand

6.1.1 Performance Forecasts

Programme	Assessment Units Forecast			
	07-08	08-09	09-10	10-11
Testing Laboratories	669	676	683	691
Metrology & Calibration Laboratories	86	86	86	86
Medical Testing Laboratories	349	345	340	335
Radiology Services	408	413	418	423
Inspection Body	98	112	176	180
Building Consent Authorities	80	80	80	80
MoH National Screening Unit	37	6	37	37
OECD GLP Compliant Laboratories	16	15	16	17
Conformity Assessment Body	6	6	6	6
Certification Bodies	4	4	0	0
Proficiency Testing Provider	3	3	3	3
TOTAL	1756	1746	1845	1858

6.1.2 Comment

Existing testing and calibration laboratories that are accredited by IANZ are capable of extending the scope of their accreditation to absorb any new types of testing that may arise. This is not a market where many new players are expected and the number of assessment units will not shift significantly. IANZ will cease accrediting certification bodies after 2008/2009, as agreed with the Minister of Commerce in 2006.

Growth for IANZ now and in the future will be from accrediting inspection bodies. More government agencies and regulatory bodies are expected to adopt the international ISO/IEC 17020 standard as the basis for their specific requirements because of the relevance of the standard and the rigour of the IANZ accreditation process, giving assurance of technical competence.

6.1.3 Brand Awareness

IANZ is working to provide accredited laboratories, inspection bodies and radiology services with recognition of their technical competence in business and regulatory sectors. Advertising campaigns have been run at various times since its inception in 1997 and market surveys undertaken to measure the awareness levels in

those sectors. At the last measure, in 2002, 67% of respondents recognised the IANZ name. At the next survey, in 2008, we expect this to have risen to over 80% as a result of the initiatives taken.

6.1.4 Customer Satisfaction

Independent research is undertaken three yearly to measure the levels of satisfaction customers have in the key service criteria.

The current overall service rating for these criteria (as measured in 2006/2007) is 7.04. Our aim is to achieve rating of 7.5 or greater (where 9.0 is the highest possible). This compares well with the top ratings of other organisations in New Zealand using the same research methodology.

When compared with other **public bodies** worldwide, the strength of relationship that IANZ has with its clients is in the top 10%, and in the top third when compared with other **industrial service providers**. Our aim is to achieve a score of 80 or greater, which places us in the top quartile in 2010 (the next survey) and to be in the top 10% globally by 2013.

IANZ will also continue to undertake its own telephone surveys of customers each quarter to gather feedback on the assessment experience.

6.1.5 Improved Staffing

The development of new accreditation requirements for Building Consent Authorities to meet Stage 2 of the Department of Building and Housing regulations and for other regulators will require additional accreditation assessment staff to be appointed and trained. Most other accreditation programmes are expected to continue at current levels.

The contracting of a professional human resource person by IANZ in 2007/2008 has resulted in an improved Performance Review procedure and a more comprehensive training and development plan for 2008/2009. Renewed emphasis on the Investors in People standard will ensure IANZ is an excellent place to work. As the process of training accreditation assessors takes a minimum of six months, loss of any key staff creates significant issues for management. The Council has set conservative targets on staff retention, and these continue to be achieved.

6.1.6 Assurance of Performance

Continued compliance with the international standards for both accreditation (ISO/IEC 17011) and certification (ISO/IEC 17021) are essential for the ongoing operation of both IANZ and Telarc SAI. Recent peer evaluations of IANZ by two regional cooperation bodies: European co-operation for Accreditation (EA) for inspection body MRA in 2006 and APLAC in 2007 resulted in IANZ making minor improvements to its processes. The 2007 assessment of Telarc SAI also provided guidance where improvements could be made. These improvements ensure the Council's operations continue to be world class.

6.2 Telarc SAI Limited

6.2.1 Performance Forecasts

Programme	Assessment Units Forecast			
	07-08	08-09	09-10	10-11
Quality Management Systems	1926	1849	1775	1704
Environmental Management Systems	195	205	213	222
Health Sector Management Systems	467	531	561	594
Other (Regulatory)	467	360	371	381
Other (Non-regulatory)	144	115	114	120
TOTAL	3196	3060	3034	3021

6.2.2 Comment

The market for ISO 9001 certification is in the decline and there is no indication that this will reverse in the foreseeable future. This is not necessarily a sign of businesses abandoning quality management systems, rather that more and more are opting to not go through the third-party certification process, probably as a cost-saving measure.

The increased promotion of environmental sustainability has stimulated interest in the ISO 14001 environmental management systems standard. A variety of organisations recognise the value to be gained from being certified to the standard, both with systems improvements as well as market recognition.

The health sector is a significant growth area for Telarc SAI. A large customer base of health and disability service providers has already been established under the Telarc SAI brand, to which has been added like customers from the acquisition of Quality Health New Zealand in 2007. This programme has now been incorporated under the Quality Health New Zealand brand and will be expanded to cover all Ministry of Health requirements. The new EQUiP 4 standard for healthcare providers very recently introduced to replace the previous Quality Health New Zealand standard will be rolled out to all customers during 2008/2009 and expanded to include other health service providers during following years.

6.3 New Zealand Quality College

6.3.1 Performance Forecasts

Topic	Trainee Days			
	07-08	08-09	09-10	10-11
Quality Management	396	420	400	400
Laboratory Management	425	480	450	460
Inspection Body Management	38	80	120	120
Environmental Management	147	210	240	280
Food Safety Management	26	40	100	120
Auditor Training	1058	1160	1200	1200
TOTAL	2090	2390	2510	2580

6.3.2 Comment

Training in auditing skills will continue to be in demand with strong interest coming for overseas courses for other accreditation bodies.

Local authorities and other organisations required to meet new regulatory requirements for accreditation and certification will boost the numbers attending auditor, inspection body and quality management training.

Local demand for laboratory management courses will remain steady, with increased numbers coming from courses held overseas.

The forecasted increase in ISO 14001 certification will see the numbers attending environmental management courses increase also.

The new Domestic Food Safety regulations provide the opportunity to increase the numbers attending food safety management courses, particularly from 2009/2010 onwards.

7 ORGANISATIONAL HEALTH AND CAPABILITY

7.1 Capability

For their very existence, IANZ and Telarc SAI must adhere to international standards and guidelines in order to perform their accreditation and certification functions. Both organisations belong to international bodies that require strict adherence to requirements and undertake regular evaluations and assessments to ensure these are continually met.

7.1.1 International Accreditation New Zealand

Like all other accreditation bodies worldwide, IANZ must continue to operate in strict accordance to: ISO/IEC 17011 *Conformity assessment – General requirements for accreditation bodies accrediting conformity assessment bodies*, in addition to technical requirements that are applied to all accreditation bodies globally. The next peer review by a team from member organisations of the international and regional laboratory accreditation cooperation is scheduled for March 2011.

7.1.2 Telarc SAI Limited

Annual assessments by the Joint Accreditation System for Australia and New Zealand (JAS-ANZ) to ISO/IEC 17021 *Conformity assessment – Requirement for bodies providing audit and certification of management systems* is required for Telarc SAI to continue as an internationally recognised certification body.

7.1.3 Quality Improvement

Inherent in both standards given above is the implementation of sound quality management practices based on ISO 9001. To ensure full compliance is maintained, six-monthly internal assessments are conducted. Any corrective actions required will be addressed and remedied prior to the next assessment.

7.1.4 Business Plans

Annual Business Plans (one each for IANZ and Telarc SAI) inform the Council and staff on the objectives and activities for the year, and management reports on progress are conveyed at monthly staff meetings.

7.2 Staff

7.2.1 Employer of Choice

The Council aims to be an employer of choice. Sound human relations principles are applied, and the Investors in People standard is used to monitor progress. Sound policies are in place, particularly in regard to recruiting suitable personnel for performing the accreditation and certification functions, their induction, training, ongoing development and retention. The Council consistently maintains low staff turnover, with the annual goals set at less than 10%.

7.2.2 Equal Employment Opportunities

Ensuring there is no bias in the recruitment of staff nor in the treatment and development of staff is a responsibility taken seriously by all Council managers. Guidelines are provided that assist managers

to conduct recruitment interviews and performance reviews, and all staff are informed of their rights and obligations in this regard.

7.2.3 Staff Numbers

IANZ accreditation programme expansions will require additional assessment staff over the next three years, while **Telarc SAI** certification staff numbers will remain steady.

	08-09	09-10	10-11
IANZ	50	54	58
Telarc SAI	38	38	38
TOTAL	88	92	96

7.3 Technical Support

IANZ is fully reliant on a large team of technical experts from industry, universities, government agencies, etc to complete the accreditation process. Many of these people are volunteers and enable IANZ to offer accreditation at a much lower cost than similar bodies overseas.

In addition, Professional Advisory Committees for each of the six accreditation programmes set technical standards that ensure robust and rigorous accreditation outcomes.

This ongoing technical support is vital to sound accreditation in New Zealand.

7.4 Accommodation

Separate rental accommodation is maintained by IANZ and Telarc SAI, but common administration facilities for Information Technology, Finance, Human Resources and Business Services are shared. This corporate administration function is provided by IANZ, with Telarc SAI purchasing these services on an annual fee basis.

Increase in both IANZ and Telarc SAI staff numbers during 2007 has placed a strain on available office space in the current Auckland premises for both organisations, and consideration is being given to other options regarding office space.

7.5 Environmental Impact

Actions to be taken during 2008-09 involve:

- Reviewing petrol consumption in the car fleet and put into effect a plan to reduce consumption
- Reviewing purchasing and recycling policies and put into effect improved performance
- Establishing a model to measure the Council's carbon footprint and set goals for improvement.

8 CONSULTATION AND REPORTING

8.1 Relationship with the Minister of Commerce

The Council's financial and operational performance is reported annually to Parliament. The Council is user-funded and receives no Crown funding for its operations. A Memorandum of Understanding between the Minister of Commerce and Council is agreed annually, which establishes the expectations of performance and identifies the Outputs the Council will provide. The MoU also acknowledges that the Council is required to act independently in carrying out its accreditation and certification functions.

The Minister is provided with a written summary of performance and analysis of financial situation quarterly. Comment on emerging and significant issues is included when applicable.

In accordance with the Crown Entities Act, the Ministry of Economic Development monitors the delivery of the Council's Outputs and is regularly advised by the Council on non-confidential information that assists the Ministry to advise the Minister on issues that may arise.

All elements of the MoU are incorporated within this Statement of Intent.

9 STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June	2007 Actual \$	2008 Forecast \$	2009 Budget \$	2010 Estimate \$	2011 Estimate \$
IANZ Accreditation Services					
Revenue (Note 1)	4,176,127	5,775,709	5,245,339	5,574,000	5,741,000
Less Cost	4,366,494	5,479,967	5,466,513	5,504,400	5,493,400
Net Revenue / (Deficit)	(190,367)	295,742	(221,174)	69,600	247,600
Training and Other Services					
Revenue	870,606	789,573	914,500	836,000	861,000
Less Cost	754,440	707,384	775,558	738,000	775,000
Net Revenue / (Deficit)	116,166	82,189	138,942	98,000	86,000
National Recognition Services					
Revenue (Note 2)	-	-	-	-	-
Less Cost	544,420	546,141	549,198	498,219	508,000
Net Revenue / (Deficit)	(544,420)	(546,141)	(549,198)	(498,219)	(508,000)
Telarc SAI Limited Certification Services					
Revenue (Note 3)	4,987,213	7,248,302	7,224,450	7,563,117	7,806,468
Less Cost	4,867,214	7,342,782	6,808,287	7,098,720	7,323,802
Net Revenue / (Deficit)	119,999	(94,480)	416,163	464,397	482,666
Consolidated					
Total Revenue	10,033,946	13,813,584	13,384,289	13,973,117	14,408,468
Less Total Cost	10,532,568	14,076,274	13,599,556	13,839,339	14,100,202
Net Revenue / (Deficit)	(498,622)	(262,690)	(215,267)	133,778	308,266
Interest Income					
IANZ	111,037	230,640	170,000	123,000	147,000
Telarc SAI Limited	8,958	62,320	65,000	70,000	90,000
Total Interest Income	119,995	292,960	235,000	193,000	237,000
Profit on sale of shares in Telarc SAI Limited	249,204	-	-	-	-
Net Operating Surplus (Deficit) After Tax for the Period	<u>(129,423)</u>	<u>30,270</u>	<u>19,733</u>	<u>326,778</u>	<u>545,266</u>

Note 1 *Increased revenue in 2008 is from accrediting all applicant Building Consent Authorities. Revenue in 2009 includes revenue from the food safety inspection accreditation programme.*

Note 2 *National Recognition covers the direct costs of activities within APLAC, ILAC, OECD and CASCO, as well as the staff costs involved.*

Note 3 *In 2007-08, Telarc SAI Limited took over the activities of Quality Health New Zealand. This is the major reason for the significant increase in certification revenue.*

10 STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30 June

	2007	2008	2009	2010	2011
	Actual	Forecast	Budget	Estimate	Estimate
	\$	\$	\$	\$	\$
Equity at 1 July	<u>3,049,321</u>	<u>3,184,898</u>	<u>3,215,168</u>	<u>3,174,776</u>	<u>3,434,754</u>
Net operating surplus for the period	(129,423)	30,270	19,733	326,778	545,266
Total recognised revenues and expenses for the period	<u>(129,423)</u>	<u>30,270</u>	<u>19,733</u>	<u>326,778</u>	<u>545,266</u>
Increase In capital Telarc SAI Limited	215,000	-	-	-	-
Sales of shares in Telarc SAI Limited	50,000	-	-	-	-
Less dividend paid	-	-	(60,125)	(66,800)	(71,583)
Total Equity	<u>3,184,898</u>	<u>3,215,168</u>	<u>3,174,776</u>	<u>3,434,754</u>	<u>3,908,437</u>
Deduct Minority interest in Telarc SAI Limited					
Brought Forward	-	313,906	315,866	376,032	442,831
Share Capital Issued	265,000	-	-	-	-
Share of Surplus	48,906	1,960	120,291	133,599	143,167
Less Dividend paid	-	-	(60,125)	(66,800)	(71,583)
Total Minority interest in Telarc SAI Limited	<u>313,906</u>	<u>315,866</u>	<u>376,032</u>	<u>442,831</u>	<u>514,415</u>
Testing Laboratory Registration Council Equity at 30 June	<u>2,870,992</u>	<u>2,899,302</u>	<u>2,798,744</u>	<u>2,991,923</u>	<u>3,394,022</u>
Total Equity	<u>3,184,898</u>	<u>3,215,168</u>	<u>3,174,776</u>	<u>3,434,754</u>	<u>3,908,437</u>

11 FORECAST STATEMENT OF FINANCIAL POSITION

As at 30 June	2007	2008	2009	2010	2011
	Actual	Forecast	Budget	Estimate	Estimate
	\$	\$	\$	\$	\$
Equity					
Opening General Funds					
<u>IANZ Shareholders</u>					
Opening Equity	3,099,321	2,870,992	2,899,302	2,798,744	2,991,923
NPAT (attributable to IANZ shareholders)	(228,329)	28,310	(100,558)	193,179	402,099
Closing Balance	<u>2,870,992</u>	<u>2,899,302</u>	<u>2,798,744</u>	<u>2,991,923</u>	<u>3,394,022</u>
<u>Minority Share in Telarc SAI Limited</u>					
Opening Balance	-	313,906	315,866	376,032	442,831
Issue of Telarc capital to SAI Limited	215,000	-	-	-	-
Minority share of Telarc	98,906	1,960	120,291	133,599	143,167
Dividend paid / declared	-	-	(60,125)	(66,800)	(71,583)
Closing Balance	<u>313,906</u>	<u>315,866</u>	<u>376,032</u>	<u>442,831</u>	<u>514,415</u>
Prior year dividend to SAI Global					
Total Equity	<u>3,184,898</u>	<u>3,215,168</u>	<u>3,174,776</u>	<u>3,434,754</u>	<u>3,908,437</u>
Represented by:					
Current Assets					
Cash and cash equivalents	219,218	102,425	114,408	116,311	111,777
Short term Deposits investments (Note 4)	4,213,407	2,525,000	2,500,000	2,508,000	3,039,000
Trade and other Receivables	1,921,289	2,086,000	2,060,250	2,214,000	2,300,000
Other financial assets : prepayments	225,734	129,000	133,000	137,000	143,000
Total Current Assets	<u>6,579,648</u>	<u>4,842,425</u>	<u>4,807,658</u>	<u>4,975,311</u>	<u>5,593,777</u>
Non Current Assets					
Property Plant and Equipment	579,913	455,502	592,002	477,002	448,002
Total Non Current Assets	<u>579,913</u>	<u>455,502</u>	<u>592,002</u>	<u>477,002</u>	<u>448,002</u>
Intangibles					
Computer Software	210,829	300,241	251,241	218,241	180,241
Client lists purchased	318,231	-	-	-	-
Total intangible Assets	<u>529,060</u>	<u>300,241</u>	<u>251,241</u>	<u>218,241</u>	<u>180,241</u>
Total Assets	<u>7,688,621</u>	<u>5,598,168</u>	<u>5,650,901</u>	<u>5,670,554</u>	<u>6,222,020</u>
Liabilities					
Current Liabilities					
Trade and other Payables	4,059,110	1,790,000	1,808,000	1,535,000	1,592,000
Dividend payable to SAI Global	-	-	60,125	66,800	71,583
Provision for Employee Entitlements	444,613	593,000	608,000	634,000	650,000
Total Current Liabilities	<u>4,503,723</u>	<u>2,383,000</u>	<u>2,476,125</u>	<u>2,235,800</u>	<u>2,313,583</u>
Total Liabilities	<u>4,503,723</u>	<u>2,383,000</u>	<u>2,476,125</u>	<u>2,235,800</u>	<u>2,313,583</u>
Total Net Assets	<u>3,184,898</u>	<u>3,215,168</u>	<u>3,174,776</u>	<u>3,434,754</u>	<u>3,908,437</u>

Note 4 *Short term investments increased substantially during the 2006/2007 year as a result of pre-payments for new accreditation and certification programmes.*

12 STATEMENT OF CASH FLOWS

For the year ended 30 June

	2007	2008	2009	2010	2011
	Actual	Forecast	Budget	Estimate	Estimate
	\$	\$	\$	\$	\$
Cash Flows From Operating Activities					
Cash provided from:					
Revenues from services provided	12,377,372	11,461,232	13,417,178	13,561,784	14,355,801
Interest	116,671	281,780	235,000	187,000	235,000
GST	-	-	-	-	-
	<u>12,494,043</u>	<u>11,743,012</u>	<u>13,652,178</u>	<u>13,748,784</u>	<u>14,590,801</u>
Cash applied to					
Suppliers	5,150,653	6,964,432	6,671,051	6,815,256	6,789,074
Employees	4,767,954	6,126,148	6,536,394	6,644,861	6,916,017
GST	(76,225)	59,874	(13,750)	7,639	(556)
	<u>9,842,382</u>	<u>13,150,453</u>	<u>13,193,695</u>	<u>13,467,756</u>	<u>13,704,535</u>
Net Cash Flows From Operating Activities	<u>2,651,661</u>	<u>(1,407,441)</u>	<u>458,483</u>	<u>281,028</u>	<u>886,266</u>
Cash Flows From Investing Activities					
Cash provided from sale of Property Plant & Equipment	15,918	42,664	116,500	10,000	75,000
Cash provided from sale of shares in Telarc SAI Limited	299,204	-	-	-	-
Cash Applied to Minority Dividend	-	-	-	60,125	66,800
Cash applied to purchase Intangible assets	226,862	285,069	100,000	100,000	100,000
Cash applied to purchase of Property Plant & Equipment	183,434	155,354	488,000	121,000	268,000
Net Cash Flows From Investing Activities	<u>(95,174)</u>	<u>(397,759)</u>	<u>(471,500)</u>	<u>(271,125)</u>	<u>(359,800)</u>
Net Increase (Decrease) in Cash Held	2,556,487	(1,805,200)	(13,017)	9,903	526,466
Plus Opening Cash	1,876,138	4,432,625	2,627,425	2,614,408	2,624,311
Closing Cash Balance	<u>4,432,625</u>	<u>2,627,425</u>	<u>2,614,408</u>	<u>2,624,311</u>	<u>3,150,777</u>
Cash and Bank					
	219,218	102,425	114,408	116,311	111,777
Short Term Investments					
	4,213,407	2,525,000	2,500,000	2,508,000	3,039,000
Closing Cash Balance	<u>4,432,625</u>	<u>2,627,425</u>	<u>2,614,408</u>	<u>2,624,311</u>	<u>3,150,777</u>

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

For the year ended 30 June	2007	2008	2009	2010	2011
	Actual	Forecast	Budget	Estimate	Estimate
	\$	\$	\$	\$	\$
Net surplus (deficit) from operations	(129,423)	30,270	(40,392)	259,978	473,683
<i>Add (less) non cash item</i>					
Depreciation & Amortisation	486,547	750,989	384,000	359,000	360,000
Total non cash items	<u>486,547</u>	<u>750,989</u>	<u>384,000</u>	<u>359,000</u>	<u>360,000</u>
<i>Plus/ (Less) Movement in Working Capital</i>					
Decrease (increase) in Receivables	(322,103)	(16,410)	21,750	(157,750)	(92,000)
(Decrease) increase in Payables	142,787	(32,104)	8,000	(553,000)	35,000
(Decrease) increase in employee entitlements	63,782	148,387	15,000	26,000	16,000
(Decrease) increase in other provisions	2,655,052	(2,288,573)	10,000	280,000	22,000
(Decrease) increase in Provision for minority dividend	-	-	60,125	66,800	71,583
(Decrease) increase in Taxation Provision	-	-	-	-	-
Working capital movements - net	<u>2,539,518</u>	<u>(2,188,700)</u>	<u>114,875</u>	<u>(337,950)</u>	<u>52,583</u>
<i>Add (less) items classified as investing activities</i>					
Net loss (gain) on disposal of Property Plant & Equipment	4,223	-	-	-	-
Proceeds from Sale of Shares in Telarc SAI Limited	(249,204)	-	-	-	-
Net Cash Flow from Operating Activities	<u>2,651,661</u>	<u>(1,407,441)</u>	<u>458,483</u>	<u>281,028</u>	<u>886,266</u>

APPENDIX 1

COUNCIL MEMBERS AND MANAGEMENT

Council Members

Dr Robin Pratt (Chair)	Company Director, Christchurch
Dr Richard Janes (Deputy Chair)	Company Director, Wellington
Jo Brosnahan	Company Director, Auckland
Nigel Cann	General Manager, Melbourne
Miriam Dean QC	Barrister, Auckland
Richard Dimmock	Company Director, Auckland
Dr John Hay	Chief Executive Officer, Wellington
Sarah Kennedy	Chief Executive Officer, Auckland
Dr Campbell Kyle	Clinical Pathologist, Auckland

Telarc SAI Limited Board

Mr David Bone (Chair)	Company Director, Auckland
Ms Lisa Cruickshank	Company Director, Auckland
Mr Richard Dimmock	Company Director, Auckland
Mr Anthony Scotton	Chief Executive, Sydney

International Accreditation New Zealand

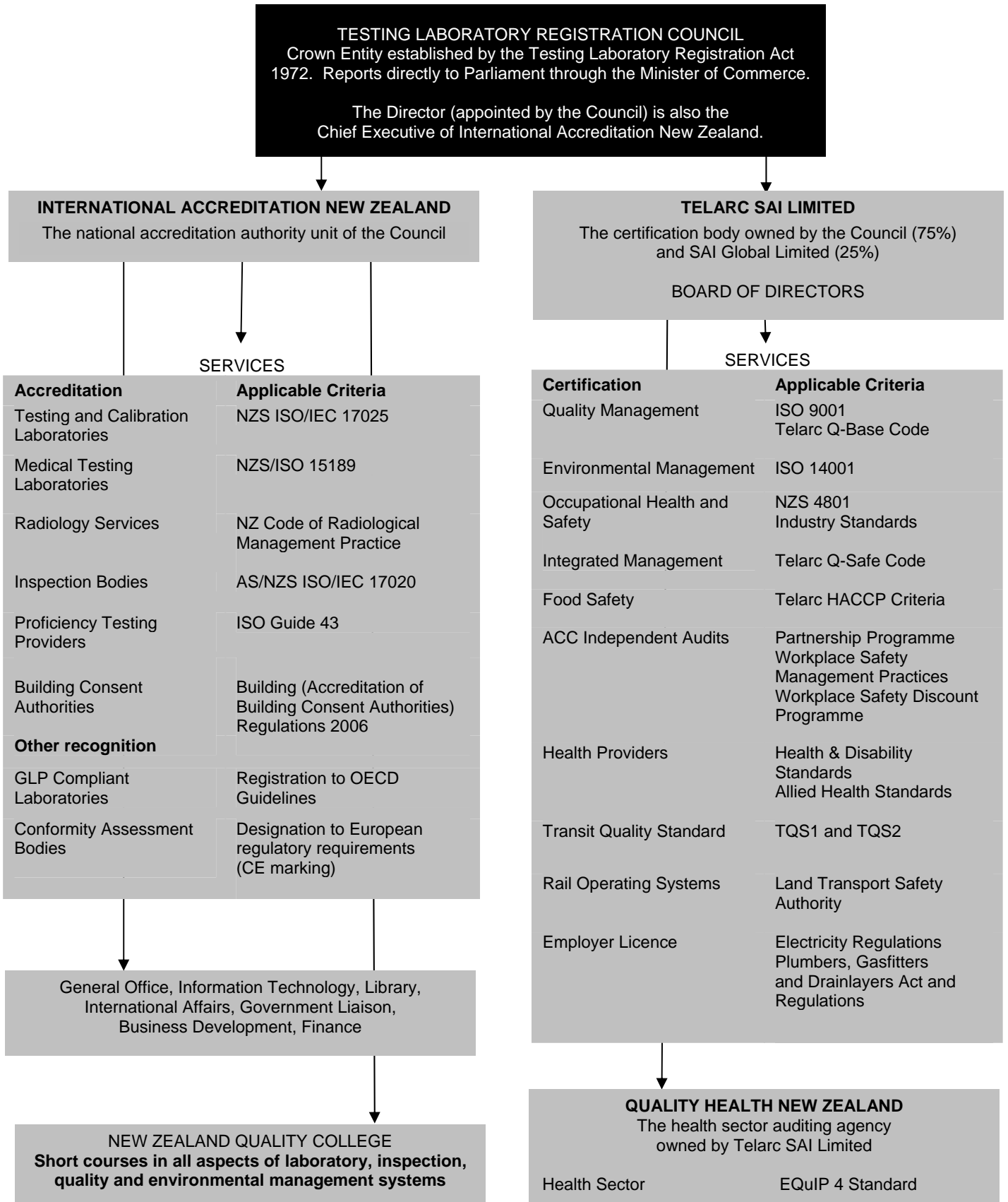
Dr Llewellyn Richards	Chief Executive
Barry Ashcroft	General Manager – Accreditation Services
Jane Busby	Programme Manager – Radiology Accreditation
Phil Carter	Manager Quality Improvement
Alan Glover	Programme Manager – Applied Physics Accreditation
Geoff Hallam	Programme Manager – Inspection Body Accreditation
Denys Hatch	Manager Business Services
Anne Hofstra	Programme Manager – Biological/Chemical/Dairy Testing Accreditation
Phil Holliday	Programme Manager – Gas Cylinder Testing Accreditation
Glenn O’Leary	Manager Information Technology
Nigel Perfect	Financial Controller
Ian Roy	Manager International Affairs and Government Liaison
Keith Towl	Programme Manager – Mechanical Testing Accreditation
Shelli Turner	Programme Manager – Medical Testing Accreditation
Dian Wilkinson	Manager Administration
Dr Greg Williams	General Manager – New Zealand Quality College

Telarc SAI Limited

Peter Rose	Chief Executive
John Freeman	Deputy CEO / Southern Region Operations Manager
Tony Bennett	Technical & Certification Manager
Robyn Brown	Quality Health Accreditation Programme Manager
John Bryden	Northern Region Operations Manager
Bob Greenough	ACC/Health & Safety Programme Manager
Chris Jackson	Business & Programme Development Manager
Isabella Wright	Quality Health Certification Programme Manager

APPENDIX 2

COUNCIL STRUCTURE AND SERVICES



APPENDIX 3

ACCREDITATION AND CERTIFICATION EXPLAINED

Accreditation

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

1 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.

2 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.

3 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.

4 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.

5 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.

6 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.

7 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 900,000 businesses in 170 countries are certified with quality management systems that comply with ISO 9001, 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 is 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.

APPENDIX 4

GLOSSARY OF ACRONYMS

ACC	Accident Compensation Corporation
APLAC	Asia Pacific Laboratory Accreditation Cooperation
AS	Australian Standard
BCA	Building Consent Authority
CASCO	Conformance Assessment Committee (of ISO)
CE	European Conformity
CEO	Chief Executive Officer
DHB	District Health Board
EA	European cooperation for Accreditation
EQuIP	Evaluation and Quality Improvement Programme
ERMA	Environment Risk Management Authority
GL&IA	Government Liaison and International Affairs (IANZ)
GLP	Good Laboratory Practice
GM-AS	General Manager – Accreditation Services (IANZ)
HSNO	Hazardous Substances and New Organisms
IAF	International Accreditation Forum
IANZ	International Accreditation New Zealand
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organisation for Standardisation
JAS-ANZ	Joint Accreditation System of Australia and New Zealand
MAF	Ministry of Agriculture and Forestry
MAPSS	Measurement and Product Safety Service
MoU	Memorandum of Understanding
MRA	Mutual Recognition Arrangement
MSL	Measurement Standards Laboratory
NZFSA	New Zealand Food Safety Authority
NZQC	New Zealand Quality College
NZS	New Zealand Standard
OECD	Organisation for Economic Cooperation and Development
QHNZ	Quality Health New Zealand
TQS	Transit New Zealand Quality Standard

APPENDIX 5

OFFICES

International Accreditation New Zealand

626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541

Tel: 64 9 525 6655

Fax: 64 9 525 2266

Email: info@ianz.govt.nz

www.ianz.govt.nz

New Zealand Quality College

626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541

Tel: 64 9 525 6633

0800 9000 99

Fax: 64 9 525 2266

Email: info@nzqc.co.nz

www.nzqc.co.nz

Telarc SAI Limited

Head Office and Auckland Branch

626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28901, Remuera, Auckland 1541

Tel: 64 9 525 0100

Freephone: 0800 004 004

Fax: 64 9 525 1900

Email: info@telarsai.co.nz

www.telarcsai.co.nz

Hamilton

795 Te Rapa Road

P O Box 10072, Te Rapa

Tel: 64 7 849 1996

Fax: 64 7 849 1997

Tauranga

1181 Cameron Road

P O Box 9023

Tel: 64 7 571 2508

Fax: 64 7 571 2415

Wellington

191 High Street, Lower Hutt

P O Box 31518, Lower Hutt

Tel: 64 4 569 3512

Fax: 64 7 569 3513

Christchurch

4/24 Settlers Crescent, Ferrymead

P O Box 25065

Tel: 64 3 376 5163

Fax: 64 3 376 5164

Quality Health New Zealand

49 Boulcott Street, Wellington

PO Box 5088, Lambton Quay, Wellington

Tel: (04) 499 0367

Fax: (04) 499 0368

Email: admin@qualityhealth.org.nz

www.qualityhealth.org.nz