



Annual Report

for the Year Ending 30 June 2010





Education Review Office
Te Tari Arotake Mātauranga

Annual Report

for the Year Ending 30 June 2010

*Presented to the House of Representatives
pursuant to section 44 of the Public Finance Act 1989*

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PART 1: CHIEF REVIEW OFFICER'S OVERVIEW

It has been an interesting year for the Education Review Office (ERO). Since early in 2009 we have been using the flexibility of our legislative role – to review and report on education institutions – to recognise and support greater capacity for self review and self improvement in schools and early childhood services.

This is an exciting use of our role, and it is a logical next step for ERO. We have developed our evaluations in schools and early childhood services from our original compliance focus (1990s) through to accountability, effectiveness and improvement (late 90s to 2000s); and now in 2010 it is clear that a good number of schools and services are able to move towards reviewing their own performance and making ongoing improvements. ERO's role therefore becomes that of a complementary external evaluator – confirming actions and initiatives and discussing next steps. In particular, by viewing the performance of schools on a continuum, we have created the flexibility to put our reviewing resources where they are most needed, and to trust high performing schools to sustain their performance over a period of four or five years.

One of ERO's criteria for high performance in a school is that Māori learners are actively engaged in their learning, are progressing well and succeeding as Māori. ERO will not regard a school as high performing if it cannot show that it is improving the achievement of its Māori students.

In an equitable society, success in education should be achievable for all young people, despite impediments posed by economic and social conditions and family circumstances. Government agencies and community organisations work hard to address these long-term issues with projects and initiatives at local and national levels.

Similarly, in the education sphere, ERO has found many schools all around the country in which good leadership, good teaching, good professional development, and good relationships with parents are helping to raise the achievement of Māori students.

And why is it important to raise the achievement of Māori students? Simply, it is not acceptable to have one section of the student population, and in this case tangata whenua, leaving school without the skills and qualifications necessary for them to get satisfying and useful jobs, or to continue on to higher education. While many Māori students do very well, there is an unacceptably high number who leave school with either the most basic qualifications or none at all.

The goal of the education sector is for a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century. ERO contributes to achieving that goal by asking hard questions in schools and early childhood services and reporting on the progress being made towards all our children and young people becoming capable and competent learners.

During the past year we have introduced new review methodology for school reviews, published influential national reports, and developed a new website to make it easier for the public to read our reports and findings. I would therefore like to acknowledge the significant efforts of ERO's staff. It is their professionalism, their dedication to their work and their commitment to improving ERO's own performance, that allows ERO to make its contribution to the wider education goals.

A handwritten signature in black ink, appearing to read 'Graham Stoop', written in a cursive style.

Graham Stoop
Chief Review Officer

PART 2: NATURE AND SCOPE OF FUNCTIONS

The Role of the Education Review Office

The role of the Education Review Office (ERO) is to provide assurance to Government of the quality and effectiveness of schools and early childhood services.

Children and young people are central to ERO's work. This is reflected in ERO's whakataukī and is the foundation for ERO's vision and mission statement.

VISION: ERO will be a significant contributor to a world-leading education system

Mission

To provide high quality evaluation that contributes to high quality education for all young New Zealanders

Whakataukī

Ko te Tamaiti te Pūtake o te Kaupapa
The Child – the Heart of the Matter

Scope

Legislative authority and scope of statutory powers

The Education Review Office is a public service department established under the State Sector Act 1988. The Chief Executive of ERO is the Chief Review Officer.

Under Part 28 of the Education Act 1989 it is a function of the Chief Review Officer to administer reviews of general or particular matters about the performance of pre-tertiary education providers in relation to the educational services they provide.

The Chief Review Officer is required to carry out reviews when directed to do so by the Minister Responsible for the Education Review Office. The Chief Review Officer may also initiate reviews.

Review Officers are statutory officers designated under Part 28 of the Education Act, and they exercise powers of entry, investigation and reporting.

Scope of operation

The core activity of ERO in schools and early childhood services in 2009/10 was the conduct of Accountability Reviews, which included:

- *Education Reviews* – scheduled reviews carried out in schools and early childhood services
- *Special Reviews* – carried out where a matter needed to be reviewed and reported outside regular reviews
- *Private School Reviews* – carried out under section 35A and Part 28 of the Education Act 1989

- *Homeschooling Reviews* – reviews of programmes for students exempt from enrolment at a registered school, undertaken in the context of section 21 and Part 28 of the Education Act 1989 and at the request of the Ministry of Education
- *Post Review Assistance workshops* – provided to early childhood services on request.

At a system level, ERO reports on topical education issues through:

- national evaluations of education sector performance
- reports about good practice in schools and early childhood services
- evaluation reports provided for policy makers and the government.

PART 3: STRATEGIC DIRECTION

ERO's Contribution to Government Outcomes

Sector Goal and Outcome

A high performing education system supports the Government's vision for economic growth that delivers greater prosperity and opportunities for New Zealanders. It gives all young people the skills they need to realise their potential and contribute to the economy and society.

The education sector goal of *a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century* underpins this vision. The education sector is committed to building strong learning foundations for literacy and numeracy, increasing levels of educational attainment and providing value for money services.

The six education agencies directly involved in the management of education are: the Ministry of Education, the Education Review Office, the New Zealand Qualifications Authority, the Tertiary Education Commission, the New Zealand Teachers Council, and Career Services. These agencies work towards the Government's priorities both individually and collectively. The following priorities provide a common direction and purpose:

- Every child has the opportunity to participate in high quality early childhood education.
- Every child achieves literacy and numeracy levels that enable their success.
- Every young person has the skills and qualifications to contribute to their and New Zealand's future.
- Relevant and efficient tertiary education provision that meets student and labour market needs.
- Māori enjoying success as Māori.

ERO's Contribution and Intermediate Outcomes

ERO contributes to a high-performing education system by providing independent evaluations that help schools and early childhood services improve their capacity to deliver quality education services. This is achieved through ERO's core activities of:

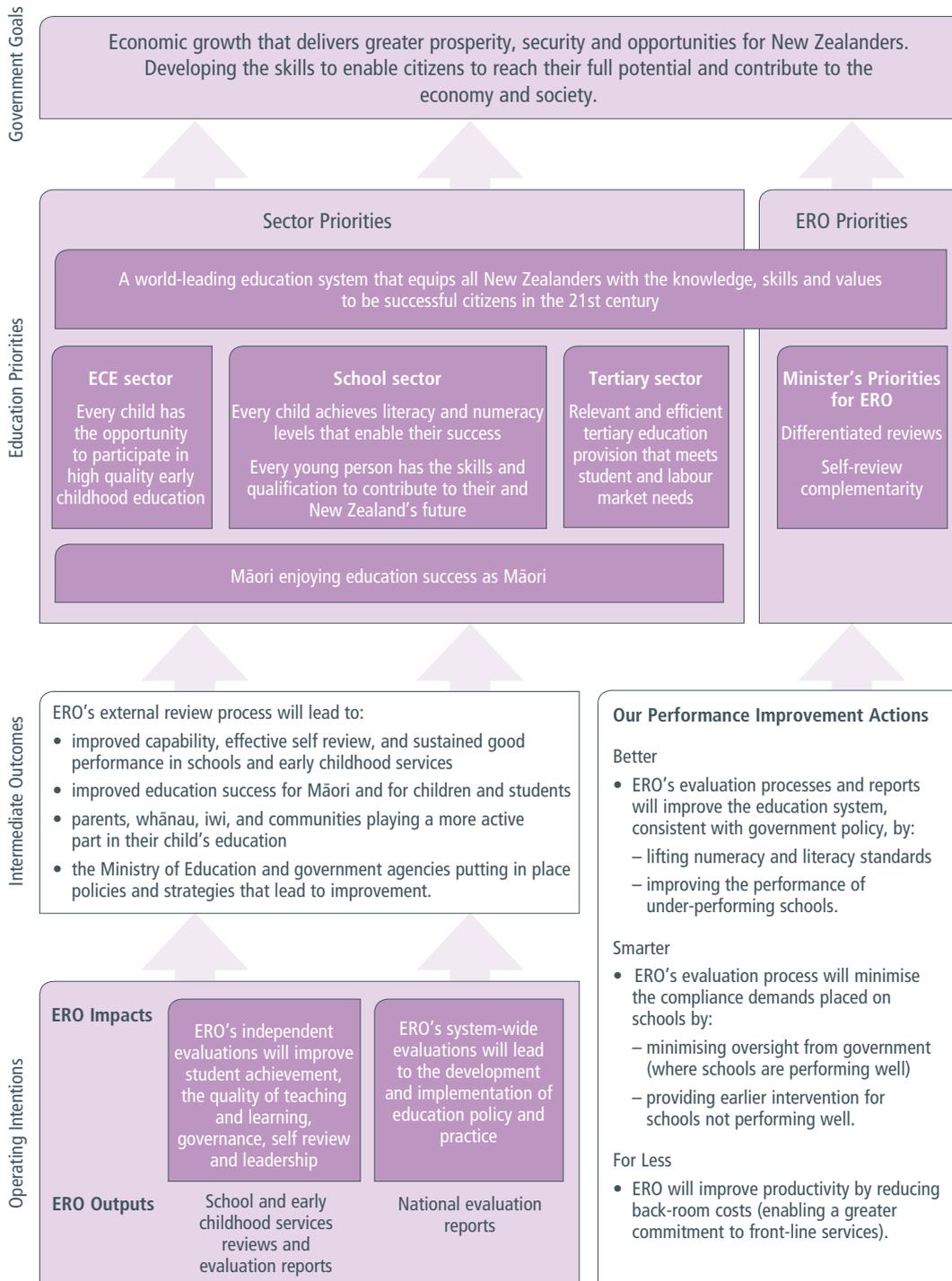
- reviews of schools and early childhood services – that support schools to improve student achievement, the quality of teaching and learning, governance, self review and leadership (*Impact 1*)
- system-wide evaluations – that influence and inform the development and implementation of education policy and practice (*Impact 2*).

In the course of its work, ERO provides useful information that is used by schools and early childhood services, parents, whānau, iwi, communities, and government agencies. The following four intermediate outcomes have been identified to guide ERO's core activities:

- improved capability, effective self review, and sustained good performance in schools and early childhood services
- improved educational success for Māori, and for children and students
- parents, whānau, iwi, and communities playing a more active part in their children's education
- the Ministry of Education and other government agencies in the education sector introducing policies and strategies that lead to improvement.

ERO's work is linked to a set of performance improvement actions that support the Government's work programme for *better, smarter services for less*.

ERO's Contribution to Education Priorities



Strategic Intent

ERO has responded to the Government's priorities for building strong learning foundations for literacy and numeracy, increasing levels of educational attainment and providing value for money services.

The ongoing development of ERO's review methodology for schools reflects these priorities. Based on recent evaluation research, theory and practice, the methodology incorporates initiatives to:

- raise the evaluation capacity of schools (and to make schools' self review and ERO's external review more complementary)
- differentiate ERO's evaluation of schools according to their capability and performance, with a focus on student achievement in literacy and numeracy
- align its national evaluation programme with government priorities
- roll out *He Toa Takitini* (ERO's strategy to promote Māori success).

The refocused reviews have shifted the emphasis of ERO's work from accountability, to accountability and improvement, and now to complementary evaluation. This shift in focus enables ERO to respond quickly to developments in the school sector, specifically in terms of curriculum, self review and school capability.

Building Evaluation Capacity

ERO's building evaluation capacity initiative aims to make the schools' self review and ERO's external review more complementary.

The initiative has been in place for two years. The first year (2008/09) focused on building ERO's own understanding of the role that internal school self-review plays in the external review process and how review officers can build schools' evaluation capacity as part of the review process. Key activities were:

- the revision of ERO's *Evaluation Indicators for School Reviews*, to be published in 2010/11, incorporating a greater self-review focus
- the development of associated professional learning and development for review officers, to improve their knowledge of self review and assessment tools.

The second year (2009/10) has focused on building the self-review capacity of schools and the education sector. This has led to:

- the delivery of self-review workshops to principals, leadership teams and boards of trustees
- the compilation of case studies of good practice in self review and self-review support material, developed alongside the workshops.

To date, workshop feedback has been positive and reviewers have reported improved self-review processes from schools that have attended the workshops.

Differentiated Evaluation of Schools

In 2009, ERO began a *differentiated review* project to refine its school review methodology in support of the complementary approach. The aim is to develop the flexibility to provide more support for schools where ERO is not confident in their

ability to drive their self improvement (those given a one-to-two-year return time frame) and less support for those where ERO is highly confident (those given a four-to-five-year timeframe). This enables ERO to provide external evaluation for schools less able to undertake their own self review, and uses internal evaluation for schools that have effective self review.

This approach supports the Government's focus on value for money, alongside its commitment to strengthening learning foundations and raising levels of educational attainment. It enables the Government to focus its resources on the educational achievement of students, especially those at risk of underachievement.

ERO also carried out a professional learning and development programme for review officers in 2010 to support the refocused reviews. The focus was on evaluation knowledge and on keeping review officers up to date with developments in teaching practice, assessment, the curriculum, and management in schools.

Aligning the National Evaluation Programme to the Priorities of Government

High quality early childhood education

Early childhood services have a key role in building strong learning foundations to enable young children to develop as competent and confident learners. To support the government's focus on participation in early childhood education ERO completed a national evaluation project that looked at how early childhood services support the participation of Māori children and their whānau, and published a second report on good practice (see below). ERO also initiated three further early childhood projects – one on early literacy, another on how services build children's social and emotional competence, and the third on quality in early childhood provision. These reports will be published in 2010/11.

Raising literacy and numeracy achievement

To inform the government's focus on raising literacy and numeracy achievement, ERO completed a report on *Reading and Writing in Years 1 and 2*, in 2009. This evaluation focused on how effectively reading and writing were taught in the first two years of schooling, and on how well teachers used assessment information to plan and evaluate their teaching. ERO was also interested in how school leaders and boards of trustees set and monitored achievement expectations to ensure children were progressing and achieving appropriately, and how this information was shared with parents.

ERO also completed the final in a series of reports on schools' implementation of *The New Zealand Curriculum* in 2009. This was complemented by a report of good practice in the teaching of science which included discussion of how literacy and numeracy could be taught through this learning area. In 2010, a new work programme was initiated to evaluate the implementation of the National Standards in Years 1 to 8. A series of national reports will provide data to the government about how school leaders, teachers and trustees are working with the National Standards as part of *The New Zealand Curriculum*.

Having the skills and qualifications to contribute to New Zealand's future
In 2009/10 ERO has undertaken several national evaluation projects that supported the government priority that every young person should have the skills and qualifications to contribute to their own future and to that of New Zealand. In particular, ERO has focused its evaluations on students who need greater support from the system to achieve. The evaluation *Including Students with High Needs* examined how well schools included and supported the achievement of students with high needs. Another national evaluation considered the work of the Resource Teachers: Learning and Behaviour Service. Schools' promotion of Pacific student achievement was first studied in Auckland schools, followed by a national evaluation project, and two reports were published on this topic. ERO also evaluated the quality of education provided for students in activity centres, and in Child, Youth and Family residential schools.

Māori enjoying success as Māori

The success of Māori students at school is a matter of national interest and priority. ERO has been asking schools questions about Māori student achievement for over a decade, has reported on its findings and made many recommendations to improve practice. Over this time, although many Māori students have been successful in education, research and national and international testing data continue to show significant disparity in the achievement of Māori and non-Māori students. To promote success for Māori it is crucial that all educators in New Zealand recognise, support and develop the inherent capabilities and skills that Māori students bring to their learning. These principles are recognised in the Ministry of Education's strategy for Māori education: *Ka Hikitia – Managing for Success*.¹

In every school review ERO evaluates how the school is promoting success for Māori students, within the framework of *Ka Hikitia*. ERO's 2010 national evaluation found that many schools do not yet undertake sufficiently rigorous analysis of student achievement data, or set targets for improved Māori achievement, and do not implement strategies aimed specifically at making improvements in areas identified. When strategies are initiated there is often limited analysis of outcomes. As a result there are not enough schools where Māori student achievement is comparable to that of non-Māori, or where schools can demonstrate that they are making a difference for these students.

Early foundations for learning are recognised as a key to successful outcomes. The majority of Māori children (76 percent)² participating in early childhood education do so in mainstream early childhood services. In 2009/10 ERO evaluated the provision of education and care for Māori children in early childhood services. The evaluation focused on the extent to which services responded to the aspirations and expectations of parents and whānau of Māori children and realising the potential of Māori children to become competent and confident learners. ERO reported that, although some services are highly responsive and focused, many still have some way to go to be responsive to the aspirations and expectations of whānau for their children and to assist children to enjoy educational success as Māori.

1 Ministry of Education. *Ka Hikitia – Managing for Success: Māori Education Strategy 2008–2012*. Updated 2009.

2 See www.educationcounts.govt.nz/statistics/ece

Performance Improvement Actions

To support the Government's programme for *better, smarter services for less*, ERO agreed a set of performance improvement actions with the Minister in June 2009. The following table summarises the progress of these initiatives.

Delivering Better Services

OBJECTIVE	PERFORMANCE IMPROVEMENT ACTIONS	PROGRESS
Improve the education system, consistent with government policy by: <ul style="list-style-type: none"> lifting literacy and numeracy standards improving the performance of under-performing schools. 	A report on reading and writing (to timelines agreed by the Minister).	Completed.
	Initiatives to build self-review capacity in schools.	Self-review workshops, case studies, professional learning and development.
	System-wide evaluations to inform and advise the development/implementation of education policy and practice (to timelines agreed by the Minister).	Programme of national evaluations agreed with the Minister.

Delivering Smarter Services

OBJECTIVE	PERFORMANCE IMPROVEMENT ACTIONS	PROGRESS
Minimise the compliance demands placed on schools by: <ul style="list-style-type: none"> minimising oversight from government (where schools are performing well) providing earlier intervention for schools not performing well. 	Differentiated Review Cycle implemented by March 2010.	Implemented.
	Evaluation criteria for a Differentiated Review Methodology developed by March 2010.	Complete. Further refinements will be made in 2010/11.
	Differentiated Reviews will be delivered in the same number of hours (or fewer), enabling ERO to absorb the rising costs in education.	Our initial estimate is that the new methodologies could produce reductions in review time of up to 10 percent.
Encourage schools to share excellence by cooperating with other schools to expand innovative and successful approaches to teaching.	Deliver a programme of national education evaluations that aggregate data and report on significant educational issues and trends (to timelines agreed by the Minister). Initiatives to promote self review in schools (refer above).	Programme of evaluations agreed with the Minister. Self-review workshops for principals and school boards, and case studies.

Delivering for Less

OBJECTIVE	PERFORMANCE IMPROVEMENT ACTIONS	PROGRESS
<p>Improve productivity by reducing back-room costs (enabling a greater commitment to front-line services).</p>	<p>An ongoing reduction (from internal review) of back-room expenses – with the aim of achieving permanent reductions in the order of:</p> <ul style="list-style-type: none"> • \$200,000 in 2009/10 • a further \$150,000 in 2010/11 • a further \$100,000 in 2011/12. 	<p>ERO will return \$206,000 in 2009/10 (on top of the \$627,000 reduction in baseline in 2009).</p> <p>ERO is planning to return to the Crown \$150,000 in 2010/11 and a further \$100,000 in 2011/12.</p>

PART 4: OPERATING INTENTIONS

Impact 1

What did we aim to achieve?

Through its school and early childhood service evaluations, ERO aimed to improve student achievement, the quality of teaching and learning, governance, and self review.

What we achieved

The evaluation process gave assurance to the Government of the quality and effectiveness of schools and early childhood services.

During 2009/10 ERO completed:

- 1,283 education reviews of early childhood services at a cost of \$9.1m
- 868 education reviews of schools and other education services³ at a cost of \$16.4m.

ERO found that most schools and early childhood services (80 percent) had used the review process and their ERO report to identify priorities for development and strategies to bring about improvement, and to make decisions on self review, strategic or annual planning, using assessment data and developing staff effectiveness. This is consistent with the results from previous years.

The findings were based on questionnaires sent to 147 schools and 153 early childhood services. Almost all respondents identified at least one positive effect of the review on their school or early childhood service. Many respondents reported an increased use of assessment information for planning and monitoring of teaching and programme effectiveness. Both schools and early childhood services reported increased use of effective teaching practices, such as formative feedback and involvement of students in setting their own learning goals. Many schools and most early childhood services considered the actions they had taken as a result of the review had reassured them that their procedures and systems were robust.

Schools reported that board meetings had an improved strategic focus as they were now better informed about student achievement and used data to inform their decisions. Early childhood services reported improved self review processes, assessment practices, children's learning, and documentation of systems and procedures.

The response rate to the survey was 73 percent for schools and 64 percent for early childhood services.

Feedback about ERO's refocused methodology

During 2009/10, as part of its methodology development project, ERO designed a feedback questionnaire to be sent to all schools that have had a 'refocused' review. This will be sent to all schools in Term 3, 2010 and the results used to refine the methodology in 2011/12.

³ Other education services included five homeschool reviews, 33 private school reviews and post-review assistance to 35 early childhood services.

Monitoring the Review Return Times

ERO is monitoring its review return times to decide the placing of schools into differentiated review categories. Of the reviews completed between 1 July 2009 and 30 June 2010:

- Nine percent will be reviewed again within 12 months
- 11 percent will be reviewed again within two years
- 67 percent will be reviewed in three years
- 13 percent will be reviewed again in four to five years.

Cost Effectiveness

ERO's aim to provide a cost-effective service is reflected in its ability to maintain its review frequency (one-third of schools and early childhood services reviewed annually) and high effectiveness rating (80 percent), while continuing to maintain or reduce costs over the medium term.

Measures and trends

MEASURE		2009/10 ACTUAL	2008/09 ACTUAL	2007/08 ACTUAL
Reviews	Schools	868	837	936
	Early childhood	1,283	1,222	1,289
Cost (\$000)	Schools	\$16,304	\$16,030	\$15,946
	Early childhood	\$9,113	\$9,334	\$8,545
Frequency % (reviews/institutions)	Schools	33%	33%	36%
	Early childhood	32%	32%	34%
Review Officers (FTE)		147	150	145

Impact 2**What did we aim to achieve?**

From its reviews of schools and early childhood services ERO provides evaluative information on significant education issues and publishes national reports on education sector performance and educational good practice.

ERO aimed to add value to the sector's decision-making processes through providing evaluative information and evaluative comment on policy to the Ministry of Education and other government agencies.

What we achieved

During 2009/10 ERO worked with the Ministry of Education and other government agencies to contribute to their policy development and review by:

- identifying topics that would add value to the education sector
- producing reports that were topical, timely and provided useful information to guide policy decisions
- providing contractual services under agreed terms of reference
- producing timely comment to ERO's quality standards.

National Evaluation Reports

ERO published 13 national education evaluation reports in 2009/10. These were:

<i>Progress in Pacific Student Achievement: A pilot evaluation of Auckland schools</i>	September 2009
<i>Readiness to Implement The New Zealand Curriculum</i>	September 2009
<i>Resource Teachers: Learning and Behaviour – An Evaluation of Cluster Management</i>	September 2009
<i>Activity Centres – An Overview</i>	October 2009
<i>Reading and Writing in Years 1 and 2</i>	December 2009
<i>Science in Years 5 to 8: Capable and Competent Teaching</i>	April 2010
<i>Success for Māori Children in Early Childhood Services</i>	March 2010
<i>Success for Māori Children in Early Childhood Services – Good Practice</i>	March 2010
<i>Promoting Success for Māori Students: Schools' Progress</i>	June 2010
<i>Preparing to Give Effect to The New Zealand Curriculum</i>	May 2010
<i>Including Students with High Needs</i>	June 2010
<i>Child, Youth and Family Residential Schools</i>	June 2010
<i>Promoting Pacific Student Achievement: Schools' Progress</i>	June 2010

Of these national evaluation reports, nine were either separate reports on good practice or included sections about good practice for the information and guidance of schools. The reports often included self-review tools to allow schools and services to build their own internal evaluation capacity in relation to the topics studied.

Contractual Services

ERO completed seven contractual evaluation projects in 2009/10. These included:

- *Enterprise in the Curriculum*
- *Wolves Lair Enterprise, Culture and Skills Activities [ECSA]* evaluation
- *West Coast Education for Enterprise (E4E)* evaluation
- *E4E Hawkes Bay*.

ERO also completed readiness audits of three new schools: Remarkables Primary School, Clearview Primary School and Te Wharekura o Mauao. The audits gave assurance that the establishment boards of these schools had the required systems and policies in place before they opened.

Contribution to Policy

In order to align its work programme towards achieving government goals for education, ERO participated in meetings with Ministry of Education officials working in the various policy areas. ERO also met with officials from other agencies as appropriate. These discussions ensured ERO's national evaluation and comment on policy programme was structured to produce useful information to guide policy decisions and to add value to the education sector.

ERO provided to the Minister, the Ministry of Education and other agencies comment on draft bills, reports, papers, regulations and planning in matters associated with:

- *The New Zealand Curriculum*
- raising student achievement
- National Standards
- Māori education
- Pacific education
- gifted and talented students
- international education agenda
- truancy
- early childhood regulations and other related matters
- amendments to education legislation
- alternative education provision.

How effective were we?

The impact of ERO's evaluations and comment on policy and their influence is evident in agencies' stated intentions to use the information to inform policy development, in planning and work programmes, in professional development and for ministerial advice and briefings. ERO did not undertake any specific evaluation of its effectiveness in 2009/10, as this is undertaken on a two-year cycle. Nevertheless, feedback from the Ministry of Education in particular and its response to ERO's evaluation programme and comment on policy indicates that the information provided in 2009/10 was both useful and influential. Furthermore ERO has noted that the number of requests from policy makers for information about specific aspects of education is increasing.

PART 5: MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

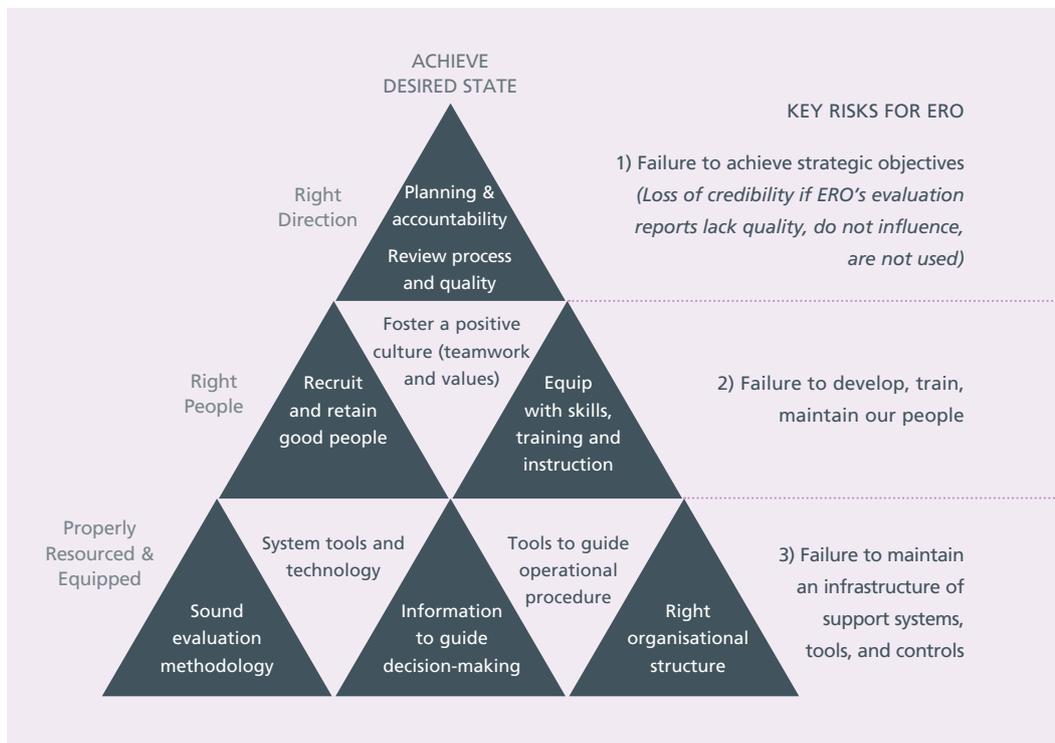
Overall 2009/10 has been a year of consolidating the changes to ERO's organisation structure that began in 2009. In particular, work has focused on implementing an operating model that supports ERO's new methodology and that encourages innovation and open communication between management and the review function. Further initiatives have supported ERO's commitment to an engaged and skilled workforce, efficient infrastructure, and desirable culture.

Risk and Assurance Framework

The quality of its reports and their impact on the target audiences represent the key strategic and business risks for ERO. Without quality and impact, ERO's reputation will lack the credibility it needs to champion business improvement across the sector.

A Risk and Assurance Framework (illustrated below) has been established to identify and mitigate potential risks that could affect the achievement of ERO's objectives, and to promote internal business improvement. An integral part of the framework is regular engagement with ERO's audiences to identify their expectations. Well-trained and professionally-knowledgeable employees, supplied with the necessary tools and equipment, are essential to ERO's ability to deliver high quality evaluation services.

ERO Framework for Risk and Assurance



Risk and Assurance Committee

A Risk and Assurance Committee of internal and external members reports to the Chief Review Officer. Audit New Zealand attends committee meetings. The committee delivers an opinion to the Chief Review Officer on the discharge of risk and assurance activities, and the progress of performance against ERO's medium-term objectives.

PART 6: ORGANISATIONAL HEALTH AND CAPABILITY

Embedding the desired culture of the Education Review Office and adjusting the practice of reviewers to support its new priorities are a focus for ERO's leadership.

ERO staff say they want a culture that is participatory, collaborative and high-trust. To achieve this, ERO needs skilled education evaluators, complemented by good quality managers and support staff, who are committed to ERO's goals.

ERO uses a staff engagement survey as one way of measuring our progress. In 2009/10 ERO's engagement and satisfaction levels (3.76 out of a maximum of 5) were consistent with the previous year (3.80 in 2008). ERO's response rate this year (94 percent) exceeded that of last year (81 percent).

This result was pleasing, given that the survey was conducted during a period of organisational review. Highlights were the staff engagement with the purpose and role of ERO, and their commitment to these. The areas for improvement included expectations and having the tools for the job, which were consistent with the timing of the survey and the review of methodology happening at that time.

Professional Learning and Development

To support reviewers in implementing the new methodology ERO provided an ongoing and phased professional leadership and development programme for staff throughout the regions. Review Services Managers in each ERO office have had specific training to improve their oversight of the reviews carried out in their regions.

Review of ERO's Administrative Services

ERO reviewed its administrative support structures in 2009/10.

The outcome of the review has been:

- to align the structure of the administration support with that of the new review structure
- to make sure that the part of the administration work (50 percent) that is directly involved in the review process continues to operate effectively so that high quality reports are sent to schools and centres and published on ERO's website
- to establish greater efficiency through the use of common processes and possible centralisation of some functions.

Efficient and Effective Infrastructure

To support improvements to ERO's capability, further initiatives completed (or started) in 2009/10 included:

- a new website for ERO – to increase the public's awareness of ERO's services, and their use of the information
- a new management model, comprising three executive fora – to increase participation and transparency of ERO's decision-making processes
- four video-conferencing units – with plans to expand this initiative to all remaining offices in 2010/11
- an electronic document records management system

- a shift from Lotus Notes email to Outlook 2007 and Exchange 2007 to improve alignment with other government agencies, and to enable ERO to leverage Microsoft applications already in use
- working-from-home initiatives – to support internal reorganisation objectives and reduce costs
- a review of ERO's infrastructure contracts.

ERO's Commitment to the Treaty of Waitangi

To meet its commitment to the Treaty of Waitangi and its stated intention to focus on promoting success for Māori learners, ERO developed *He Toa Takitini: Outcomes for Māori* (an internal strategy) in 2009. The strategy identifies work strands to strengthen ERO's own understanding and internal capabilities, and build its relationships with the sector (iwi, whānau, communities and education agencies).

Partnership with the Public Service Association

ERO has continued to have a productive working relationship with the PSA. In 2009/10, ERO focused on the implementation of the Collective Employment Agreement (signed in March 2009) and, in particular, the remuneration practice document.

Equal Employment Opportunities

Equality and diversity

In line with the *New Zealand Public Service Equal Employment Opportunities Policy*, ERO continued to:

- treat people fairly and with respect, ensuring equality of access to opportunities (*equality*)
- understand, appreciate and realise the benefits of individual differences (*diversity*).

Integrating equality and diversity is a key ingredient for organisational success. It helps to improve services to the Government and people of New Zealand, and to attract and retain talented staff. ERO remains committed to integrating equality and diversity into all aspects of its business and will reflect this in its ongoing work plans.

PART 7: FINANCIAL STATEMENTS AND SERVICE PERFORMANCE

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as the Chief Review Officer of the Education Review Office (ERO), for the preparation of the financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility for establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of ERO for the year ended 30 June 2010.



Graham Stoop
Chief Review Officer

30 September 2010



James Kwing
Chief Financial Officer

AUDIT REPORT

TO THE READERS OF EDUCATION REVIEW OFFICE'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

The Auditor General is the auditor of the Education Review Office (the Department). The Auditor General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Department, for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Department on pages 36 to 55:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Department's financial position as at 30 June 2010
 - the results of its operations and cash flows for the year ended on that date
 - its expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2010
 - its capital expenditure for the year ended 30 June 2010.
- The statement of service performance of the Department on pages 25 to 35:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Review Officer and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data
- verifying samples of transactions and account balances
- performing analyses to identify anomalies in the reported data
- reviewing significant estimates and judgements made by the Chief Review Officer
- confirming year-end balances
- determining whether accounting policies are appropriate and consistently applied
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Review Officer and the Auditor

The Chief Review Officer is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2010. The financial statements must also fairly reflect the Department's unappropriated expenses and capital expenditure for the year ended on that date.

The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Review Officer's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Department.



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

IMPORTANT DISCLAIMER BY THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS ON THIS WEBSITE

Please note that the maintenance and integrity of the financial statements in parliamentary papers on this web site is the responsibility of the Office of the Clerk of the House of Representatives.

I, as Auditor-General, and my appointed auditors, accept no responsibility for any changes that may have occurred or may occur to financial statements audited by us in regard to the presentation of those financial statements on this website.

Our audit reports refer only to those financial statements named within a particular audit report. They do not provide an opinion on any other information that may have been hyperlinked to/from those audited financial statements.

If readers of this website are concerned about the inherent risks arising from electronic data communication, they should refer to the published hard copies of the audited financial statements to confirm the information.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Service Performance

for the year ended 30 June 2010

The following service performance information outlines, for each output class, the actual performance measured against quality, quantity, timeliness specifications, and cost.

The results for the year ended 30 June 2010 are reported against the forecast information contained in the *Estimates of Appropriation 2009/10* of ERO. Explanations of major variations from the *Estimates of Appropriation 2009/10* are included.

Summary

The services provided by ERO in 2009/10 were:

2008/09 Expenditure Actual \$000	Departmental Output Expenses	2009/10 Expenditure Actual \$000	2009/10 Appropriation \$000
Multi-class Output Expense Appropriation			
Accountability Reviews			
9,463	Early Childhood Education Services	9,193	9,230
17,134	Schools and Other Education Service Providers	16,447	16,787
26,597	Total Accountability Reviews	25,640	26,017
2,833	Quality of Education Reports and Services	2,719	2,928
29,430	Total	28,359	28,945

In addition to revenue Crown, ERO provided contract-based services to third parties on a fee-for-service basis and generated revenue from rent recoveries during 2009/10. ERO also received departmental funding for the state sector retirement and KiwiSaver schemes.

The appropriation figures are those presented in the *Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2010*, as amended by the Supplementary Estimates.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Accountability Reviews – Early Childhood Education Services

Description

This class of outputs involves reporting on the performance of early childhood education services. These reviews include:

- education reviews of early childhood education services
- post-review assistance to early childhood education services.

Education reviews in the early childhood education sector focus on:

- how services are contributing to children’s learning and development
- whether or not services are providing a safe environment that promotes children’s safety and wellbeing
- national evaluation topics.

Post-review assistance workshops for early childhood education providers are provided in the form of specific ERO assistance to help governing bodies to develop a plan of action to address serious issues identified during an education review relating to the safety or education of children.

Review reports inform the Crown, the governing bodies of services, their staff and parents about the quality of education and management practices.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Quantity, Quality and Timeliness

ERO estimated and provided the following numbers of Accountability Reviews – Early Childhood Education Services for the year ended 30 June 2010:

2008/09 Quantity Delivered		Note	2009/10 Quantity Delivered ^a	2009/10 Quantity Estimated	Percentage of Estimated ^b
1,222	1.1 Education Reviews – Early Childhood Education Services		1,283	1,215–1,375	100
53	1.2 Post-Review Assistance workshops for Early Childhood Education Services	1	35	80–120	44
	<i>Quality</i>				
100%	Consistent with approved standard procedures		100%	–	–
100%	Reports will pass a quality assurance check	2	100%	–	–

Note 1: Post-review assistance is dependent on early childhood education providers taking up the offer of a meeting and is therefore not controllable by ERO.

Note 2: All reports passed a quality assurance check (30 June 2009: 100 percent). This check involves a formal process of peer review and management sign-off confirming adherence with standard procedures. ERO's *Manual of Standard Procedures* provides a detailed description of ERO's quality standards.

- a ERO recognises a review as an output, in terms of the Statement of Service Performance, at the time it is available for delivery to the Minister responsible for the Education Review Office. Partially completed reports are not reported in the Statement of Service Performance.
- b Percentage of Estimated is calculated using the following process:
- production falling within the 'Quantity Estimated' range is recorded as 100% achieved;
 - production recorded below the 'Quantity Estimated' range is measured as a percentage of the lower point of the 'Quantity Estimated' range; and
 - production recorded above the 'Quantity Estimated' range is measured as a percentage of the upper point of the 'Quantity Estimated' range.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

2008/09 Actual Timeliness %		2009/10 Actual Timeliness %	2009/10 Forecast Timeliness Standard %
	1.1 Education Reviews – Early Childhood Education Services		
	Unconfirmed report sent within:		
81	20 working days	86	75
90	25 working days	94	85
98	35 working days	98	98

Unconfirmed (near-final) reports are sent to early childhood service providers for comment on any issues of fact or matters relating to findings. The timeliness criteria require 75 percent of near-final reports to be sent within 20 working days of the end of the last week on site, 85 percent of near-final reports within 25 working days and 98 percent of near-final reports within 35 working days. ERO met all the timeliness criteria for early childhood services.

Cost

The cost of services for Accountability Reviews – Early Childhood Education Services for the year ended 30 June 2010 was:

30 June 2009 Actual \$000		30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Estimates \$000
	Revenue			
9,384	Revenue Crown	9,114	9,886	9,114
108	Revenue Department and Other	104	110	62
9,492	Total Revenue	9,218	9,996	9,176
	Cost			
6,740	Personnel	6,461	7,278	6,496
2,340	Operating	2,306	2,242	2,247
358	Depreciation and Amortisation	339	435	346
25	Capital Charge	87	41	87
9,463	Total Costs	9,193	9,996	9,176
29	Net Surplus	25	–	–

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Accountability Reviews – Schools and Other Education Service Providers

Description

This class of outputs involves reporting on the performance of schools and other education service providers (excluding early childhood). These reviews include:

- education reviews of state schools – primary and secondary
- homeschooling reviews
- private school reviews.

Reviews address the following areas:

- student learning – engagement, progress and achievement, as a central focus
- national evaluation topics
- compliance issues.

Homeschooling reviews are reviews of programmes for students granted exemption from attendance at school, and are carried out at the request of the Ministry of Education.

Private school reviews are carried out in order to meet the statutory requirement to review registered private schools at least three yearly.

Review reports inform the Crown, the governing bodies of schools, their staff and parents about the quality of education and management practices.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Quantity, Quality and Timeliness

ERO estimated and provided the following numbers of Accountability Reviews – Schools and Other Education Service Providers for the year ended 30 June 2010:

2008/09 Quantity Delivered		Note	2009/10 Quantity Delivered ^a	2009/10 Quantity Estimated	Percentage of Estimated ^b
837	2.1 Education Reviews of State Schools		868	760–890	100
620	2.2 Homeschooling Reviews	3	5	25–35	20
29	2.3 Private School Reviews	4	33	35–45	94
62	2.4 Post-Review Assistance Workshops for Schools	5	–	–	–
	<i>Quality</i>				
100%	Consistent with approved standard procedures		100%	–	–
100%	Reports will pass a quality assurance check	6	100%	–	–

Note 3: Homeschooling reviews are carried out at the request of the Ministry of Education. ERO met these demands and supplied the requested reviews to the Ministry.

Note 4: ERO was below the quantity estimated for private school reviews due to some private schools scheduled for review that have closed. However ERO has maintained its statutory requirement to review this sector at least three yearly.

Note 5: ERO ceased post-review assistance workshops for schools in 2009/10. These took the form of specific ERO assistance to help boards of trustees develop a plan of action to address serious issues identified during an education review relating to the education of students or the governance of schools. As a result of the work currently being performed on the differentiated approach to school reviews, this assistance will be incorporated in the new approach that ERO is intending with its reviews of schools.

Note 6: All education review reports on school service providers passed a quality assurance check (30 June 2009: 100 percent). This quality check involves a formal process of peer review and management sign-off confirming adherence with standard procedures. ERO's *Manual of Standard Procedures* provides a detailed description of ERO's quality standards.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

2008/09 Actual Timeliness %		2009/10 Actual Timeliness %	2009/10 Forecast Timeliness Standard %
	2.1 Education Reviews of State Schools		
	Unconfirmed report sent within:		
86	20 working days	85	75
92	25 working days	94	85
98	35 working days	98	98
	2.2 Homeschooling Reviews		
	Unconfirmed report sent within:		
98	20 working days	100	75
100	25 working days	100	85
100	35 working days	100	98
	2.3 Private School Reviews		
	Unconfirmed report sent within:		
100	20 working days	94	75
100	25 working days	100	85
100	35 working days	100	98

Unconfirmed (near-final) reports are sent to schools for comment on any issues of fact or matters relating to findings. The timeliness criteria require 75 percent of near-final reports to be sent within 20 working days of the end of the last week on site, 85 percent of near-final reports within 25 working days and 98 percent of near-final reports within 35 working days. ERO met all the timeliness criteria for schools and other education service providers.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Cost

The cost of services for Accountability Reviews – Schools and Other Education Service Providers for the year ended 30 June 2010 was:

30 June 2009 Actual \$000		30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Estimates \$000
	Revenue			
16,900	Revenue Crown	16,491	15,847	16,491
193	Revenue Department and Other	191	280	158
17,093	Total Revenue	16,682	16,127	16,649
	Cost			
12,203	Personnel	11,562	11,743	11,787
4,237	Operating	4,125	3,619	4,079
648	Depreciation and Amortisation	604	701	626
46	Capital Charge	156	64	157
17,134	Total Costs	16,447	16,127	16,649
(41)	Net Surplus/(Deficit)	235	-	-

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Quality of Education Reports and Services

Description

This class of outputs comprises:

- education evaluation reports
- policy services
- ministerial services
- contractual services.

Each year ERO reports on educational matters such as delivery of the curriculum, governance, management structures and systems, student achievement, the delivery of teaching services and barriers to learning across a number of institutions. These education evaluation reports may also include case studies of good practice.

Education evaluation reports tend to follow specific themes. A theme may arise out of the Government's education initiatives or may surface as an issue of strategic importance identified by ERO in its regular reporting on schools and early childhood education services.

Policy services involve comment to, or on behalf of, the Minister responsible for the Education Review Office, on policy proposals or any other issues referred to, or identified by, the Chief Review Officer.

ERO is not primarily a provider of evaluative comment on policy. From its regular presence in schools and early childhood services it is, however, in a position to make a useful contribution to assist the policy agencies. This service contributes to the Government's policy priorities for schools and early childhood education service providers.

Ministerial services include the provision of oral briefings and briefing papers to the Minister, preparation of answers to parliamentary questions, drafting of ministerial correspondence and speech notes, and responding to general and official information requests. Ministerial services also include advice to the Minister on the implementation of recommendations arising from institutional evaluations and evaluation reports, or any other matter on which the Minister seeks additional information or feedback.

Contractual services include one-off reviews of institutions (or certain aspects of them), and analyses of particular matters under specific terms of reference agreed with ERO. Contractual reviews are conducted on a fee-for-service basis.

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Quantity, Quality and Timeliness

ERO estimated and provided the following numbers of Quality of Education Reports and Services for the year ended 30 June 2010:

2008/09 Quantity Delivered		Note	2009/10 Quantity Delivered	2009/10 Quantity Estimated	Percentage of Estimated ^b
18	3.1 Education Evaluation Reports		13	12–20	100
	<i>Quality</i>				
	Consistent with approved presentational standards and agreed terms of reference		100%	–	–
100%					
33	3.2 Policy Services	7	23	25–30	92
	<i>Quality</i>				
	Consistent with approved presentational standards		100%	–	–
100%					
136	3.3 Ministerial Services	7	174	145–210	100
	<i>Quality</i>				
	Consistent with Cabinet Office Manual and Minister's requirements	8	100%	–	–
100%					
7	3.4 Contractual Services		7	5–10	100
	<i>Quality</i>				
	Consistent with terms of contracts		100%	–	–
100%					

Note 7: The majority of services provided under this output are subject to external demand factors. ERO met these demands and supplied the requested services to the Minister responsible for the Education Review Office.

Note 8: In no cases did the information gathering and consultation process exceed 15 days (30 June 2009: nil). There were also no first drafts returned by the Minister (30 June 2009: nil).

Statement of Service Performance

for the year ended 30 June 2010 (continued)

Cost

The cost of services for Quality of Education Reports and Services for the year ended 30 June 2010 was:

30 June 2009 Actual \$000		30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Estimates \$000
	Revenue			
2,391	Revenue Crown	2,447	2,226	2,447
480	Revenue Department and Other	218	453	248
2,871	Total Revenue	2,665	2,679	2,695
	Cost			
2,018	Personnel	1,912	1,951	1,908
699	Operating	681	602	661
108	Depreciation and Amortisation	100	116	101
8	Capital Charge	26	10	25
2,833	Total Costs	2,719	2,679	2,695
38	Net (Deficit)/Surplus	(54)	-	-

Statement of Comprehensive Income

for the year ended 30 June 2010

30 June 2009 Actual \$000		Note	30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Forecasts \$000
Revenue					
28,675	Crown		28,052	27,959	28,052
734	Departments		464	803	428
47	Other	1	34	40	40
–	Net Gain on Disposal of Property, Plant and Equipment		15	–	–
<u>29,456</u>	Total Revenue		<u>28,565</u>	<u>28,802</u>	<u>28,520</u>
Expenses					
20,961	Personnel		19,935	20,971	20,192
7,276	Operating	2	7,112	6,462	6,986
1,114	Depreciation and Amortisation	5,6	1,043	1,253	1,073
79	Capital Charge	3	269	116	269
<u>29,430</u>	Total Expenses		<u>28,359</u>	<u>28,802</u>	<u>28,520</u>
<u>26</u>	Net Surplus		<u>206</u>	<u>–</u>	<u>–</u>
–	Other Comprehensive Income		–	–	–
<u>26</u>	Total Comprehensive Income		<u>206</u>	<u>–</u>	<u>–</u>

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Changes in Taxpayers' Funds

for the year ended 30 June 2010

30 June 2009 Actual \$000	30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Forecasts \$000
26	206	–	–
(26)	(206)	–	–
–	(26)	(26)	(26)
–	(26)	(26)	(26)
3,598	3,598	3,598	3,598
3,598	3,572	3,572	3,572

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Financial Position

as at 30 June 2010

30 June 2009 Actual		Note	30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Forecasts \$000
	Assets				
	<i>Current Assets</i>				
4,523	Cash		4,479	3,160	2,796
141	Debtors and Other Receivables	4	84	230	230
147	Prepayments		89	100	100
4,811	<i>Total Current Assets</i>		4,652	3,490	3,126
	<i>Non-Current Assets</i>				
3,364	Property, Plant and Equipment	5	3,289	3,361	3,370
293	Intangibles	6	610	1,074	976
3,657	<i>Total Non-Current Assets</i>		3,899	4,435	4,346
8,468	Total Assets		8,551	7,925	7,472
	Liabilities				
	<i>Current Liabilities</i>				
1,934	Creditors and Other Payables	7	1,753	1,986	990
99	Provisions	8	54	–	–
26	Repayment of Surplus to the Crown		206	–	–
1,359	Employee Entitlements	9	1,475	1,096	1,368
3,418	<i>Total Current Liabilities</i>		3,488	3,082	2,358
	<i>Non-Current Liabilities</i>				
36	Provisions	8	–	–	–
1,416	Employee Entitlements	9	1,491	1,271	1,542
1,452	<i>Total Non-Current Liabilities</i>		1,491	1,271	1,542
4,870	Total Liabilities		4,979	4,353	3,900
	Taxpayers' Funds				
3,598	Taxpayers' Funds		3,572	3,572	3,572
3,598	Total Taxpayers' Funds		3,572	3,572	3,572
8,468	Total Liabilities and Taxpayers' Funds		8,551	7,925	7,472

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Cash Flows

for the year ended 30 June 2010

30 June 2009 Actual		Note	30 June 2010 Actual	30 June 2010 Main Estimates	30 June 2010 Supp. Forecasts
\$000			\$000	\$000	\$000
Cash Flows from Operating Activities					
<i>Cash provided from:</i>					
28,675	Crown		28,052	27,959	28,052
838	Departments		503	803	309
33	Other		52	40	53
<i>Cash applied to:</i>					
(20,603)	Personnel		(19,744)	(21,216)	(20,057)
(7,035)	Operating		(7,343)	(6,464)	(8,018)
(82)	Capital Charge		(252)	(116)	(252)
(53)	Goods and Services Tax (net)		10	–	–
1,773	Net Cash Inflow from Operating Activities	10	1,278	1,006	87
Cash Flows from Investing Activities					
<i>Cash provided from:</i>					
204	Sale of Property, Plant and Equipment		386	100	333
<i>Cash applied to:</i>					
(1,190)	Purchase of Property, Plant and Equipment		(1,081)	(900)	(1,143)
(12)	Purchase of Intangible Assets		(575)	(300)	(952)
(998)	Net Cash Outflow from Investing Activities		(1,270)	(1,100)	(1,762)
Cash Flows from Financing Activities					
<i>Cash applied to:</i>					
–	Repayment of Surplus to the Crown		(26)	–	(26)
–	Capital Withdrawal		(26)	(26)	(26)
–	Net Cash Outflow from Financing Activities		(52)	(26)	(52)
775	Net (Decrease)/Increase in Cash		(44)	(120)	(1,727)
3,748	Cash at Start of the Year		4,523	3,280	4,523
4,523	Cash at the End of the Year		4,479	3,160	2,796

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2010

There are no contingent liabilities and assets as at 30 June 2010 (30 June 2009: nil).

Statement of Unappropriated Expenditure

for the year ended 30 June 2010

ERO has not incurred expenses in excess of or without appropriation by Parliament (30 June 2009: nil).

Statement of Departmental Expenses and Capital Expenditure against Appropriations

for the year ended 30 June 2010

30 June 2009 Expenditure Actual \$000		30 June 2010 Expenditure Actual \$000	30 June 2010 Appropriation \$000
	Vote Education Review Office		
	Departmental Output Expenses		
	Multi-class Output Expense Appropriation		
	Accountability Reviews		
9,463	Early Childhood Education Services	9,193	9,230
17,134	Schools and Other Education Service Providers	16,447	16,787
<u>26,597</u>	Total Accountability Reviews	<u>25,640</u>	<u>26,017</u>
2,833	Quality of Education Reports and Services	2,719	2,928
<u>29,430</u>	Total Departmental Output Expenses	<u>28,359</u>	<u>28,945</u>
	Permanent Legislative Authority (PLA)		
<u>1,202</u>	Capital Expenditure – PLA	<u>1,656</u>	<u>2,095</u>

The appropriation figures are those presented in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2010, as amended by the Supplementary Estimates.

The Capital Expenditure – Permanent Legislative Authority appropriation is limited to the purchase or development of assets by and for the use of ERO, as authorised by section 24(1) of the Public Finance Act 1989. No amount is appropriated for Capital Expenditure – Permanent Legislative Authority.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Commitments

as at 30 June 2010

ERO leases all of its office premises in New Zealand. The annual lease rental payments are subject to regular reviews. The amounts disclosed below as future commitments are based on the current rental rates.

ERO has also entered into non-cancellable contracts for computer network services totalling \$245,000 as at 30 June 2010 (30 June 2009: \$42,000).

30 June 2009 Actual \$000		30 June 2010 Actual \$000
	Non-Cancellable Operating Lease Commitments	
1,610	Less than one year	1,562
1,082	One to two years	799
1,251	Two to five years	1,732
<u>1,080</u>	More than five years	<u>–</u>
<u>5,023</u>	Total Non-Cancellable Operating Commitments	<u>4,093</u>

The Statement of Accounting Policies and the Notes to the Financial Statements form part of these Financial Statements.

Statement of Accounting Policies

for the year ended 30 June 2010

Reporting Entity

The Education Review Office (ERO) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. The primary objective of ERO is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, ERO has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of ERO are for the year ended 30 June 2010 and were authorised for issue by the Chief Review Officer on 30 September 2010.

Basis of Preparation

These financial statements include all the activities of ERO, are reported as required by the Public Finance Act 1989, and comply with generally accepted accounting practice (and therefore comply with NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The measurement base applied is historical cost unless otherwise stated and the information is presented in New Zealand dollars.

ERO has reviewed all standards, amendments and interpretations issued by the Financial Reporting Standards Board, which are not yet effective. ERO has not adopted these standards early as they are considered not to have any material impact on the financial statements of ERO.

Accounting Policies

The following are the accounting policies, which may have a material effect on the measurement of the financial position of ERO and the results of its operations.

Revenue

ERO derives revenue from the provision of outputs to the Crown, the provision of services to third parties and rent recoveries. ERO also receives departmental funding for the state sector retirement and KiwiSaver schemes.

ERO recognises Revenue Crown at fair value when earned and it is reported in the financial period to which it relates. Other Revenue is recognised at fair value at the time of completion of the service or in accordance with the terms of specific contracts and is reported in the financial period to which it relates.

Superannuation Schemes – Defined Contribution Schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Income as incurred.

Financial Instruments

ERO is party to financial instruments entered into in the course of its normal operations. These include cash, debtors and creditors. All financial instruments are measured at fair value and are recognised in the Statement of Financial Position. All associated revenue and expenses are credited to or charged against the Statement of Comprehensive Income.

Cash

Cash includes cash on hand and funds on deposit with banks.

Debtors and Other Receivables

Debtors and other receivables are recognised and carried at fair value less any allowance for any uncollectible amounts. Impairment of debtors and other receivables are reviewed monthly.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised.

Capitalisation thresholds applied for individual assets or group of assets are set out as follows:

	Capitalisation Threshold (\$)
Computer Hardware	1,000
Motor Vehicles	500
Office Equipment	1,000
Furniture and Fittings	1,500
Leasehold Improvements	1,500

Depreciation

Depreciation is charged on property, plant and equipment on a straight-line basis over their estimated useful lives, which will write off the cost of the assets to their estimated residual value. The estimated useful life, residual values and associated depreciation rates applied to each class of property, plant and equipment are as follows:

	Estimated Useful Life (Years)	Depreciation Rates (%)	Residual Values (%)
Computer Hardware	4	25	–
Motor Vehicles	4–5	20–25	25
Office Equipment	5	20	–
Furniture and Fittings	10	10	–
Leasehold Improvements	10	10	–

Depreciation is not charged on capital work in progress.

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

Intangible Assets

Intangible assets with finite lives are stated at cost less amortisation and any impairment losses.

Acquired intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and when the development expenditure can be reliably measured.

Capitalisation thresholds applied for individual assets or group of intangible assets are set out as follows:

	Capitalisation Threshold (\$)
Computer Software	1,000
Review Procedures	20,000

Amortisation

Amortisation is charged on intangible assets on a straight-line basis over their estimated useful lives. The estimated useful lives and associated amortisation rates applied to these assets are as follows:

	Estimated Useful Life (Years)	Amortisation Rates (%)
Review Procedures	5	20
Computer Software	4	25

Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Creditors and Other Payables

Creditors and other payables are recognised and carried at fair value.

Employee Entitlements

Provision is made in respect of ERO's liability for accrued salary, annual leave, special leave, retirement leave and long service leave. All associated expenses are charged against the Statement of Comprehensive Income.

Short-term Employee Entitlements

Accrued salary, annual leave, special leave and sick leave are recognised on an entitlement (nominal) basis.

Long-term Employee Entitlements

Retirement leave and long service leave are recognised on a present value (actuarial) basis. The calculations are based on:

- likely future entitlements based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated cash flows. Discount rates of 3.48 percent for one year, 4.45 percent for two years and 6 percent for over three years were used. The discount rates are based on the figures published by the Treasury. Also a salary inflation factor of 3.5 percent was used. The inflation factor published by the Treasury is based on the expected long-term increase in remuneration for employees.

Commitments

Future expenses and liabilities to be incurred, on contracts that have been entered into as at balance date, are disclosed as commitments to the extent that there are equally unperformed obligations.

Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Goods and Services Tax (GST)

The Statement of Financial Position is exclusive of GST, except for Creditors and Payables and Debtors and Receivables, which are GST inclusive. All other statements are GST exclusive. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors or Debtors.

Provisions

ERO recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either constructive or legal) as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount or timing of the obligation.

Provisions are measured at the present value of the expenditures expected to settle the obligations.

Taxation

ERO, as a government department, is exempt from the payment of income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided.

Budget figures

The budget figures are the latest set of supplementary forecast (Supp. Forecasts) and those presented in the *Estimates of Appropriations 2009/10* (Main Estimates).

Cost Allocation

Direct costs are costs incurred by output delivery management units.

Direct costs are attributed to the three classes of outputs based on time spent on each class from ERO's time recording system. For the year ended 30 June 2010, 74 percent of total output costs were direct costs (30 June 2009: 76 percent).

Indirect costs are the costs of corporate management and support services which cannot be identified with a specific output in an economically feasible manner. Indirect costs are allocated to output-delivery management units (excluding 3.2 Policy Services and 3.3 Ministerial Services) through the most appropriate cost driver as a proxy for consumption. Indirect costs amounted to 26 percent of total output costs for the year ended 30 June 2010 (30 June 2009: 24 percent).

The cost of 3.1 Education Evaluation Reports includes a transfer of time from institutional reporting activities. This transfer represents time spent by review officers in institutions collecting overview information.

The costs of 3.2 Policy Services and 3.3 Ministerial Services are based on the estimated hours at the average charge-out rate.

Critical Accounting Estimates and Assumptions

In preparing these financial statements ERO has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are retirement leave and long service leave. Note 9 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement leave and long service leave liabilities.

Changes in Accounting Policies

There have been no changes in accounting policies, including cost allocation policies, and all policies have been applied on a basis consistent with those adopted in the last audited financial statements.

Notes to the Financial Statements

for the year ended 30 June 2010

30 June 2009 Actual \$000	30 June 2010 Actual \$000
------------------------------------	------------------------------------

1. Other Revenue

14	Rent Recoveries	4
33	Other	30
47	Total Other Revenue	34

2. Operating Costs

2,109	Leasing and Rental Costs	2,066
49	Fees paid to Auditors for Audit of Financial Statements	49
315	Consultancy	332
11	Net Loss on Sale of Property, Plant and Equipment	–
4,792	Other	4,665
7,276	Total Operating Costs	7,112

3. Capital Charge

ERO pays a Capital Charge to the Crown based on its Taxpayers' Funds as at 30 June and 31 December each year. The Capital Charge rate for the year ended 30 June 2010 was 7.5 percent (30 June 2009: 7.5 percent).

4. Debtors and Other Receivables

139	Sundry Debtors	84
2	Personnel Recoveries	–
141	Total Debtors and Other Receivables	84

The carrying value of debtors and other receivables approximate their fair value as they are normally issued with duration of not more than three months. The total debtors and other receivables reported above are less than one month.

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

5. Property, Plant and Equipment

	Computer Hardware	Motor Vehicles	Office Equipment	Furniture and Fittings	Leasehold Improvements	Total Property, Plant and Equipment
	\$000	\$000	\$000	\$000	\$000	\$000
1 July 2008						
Cost	1,404	2,242	395	258	2,854	7,153
Accumulated Depreciation	(1,087)	(1,158)	(317)	(158)	(1,191)	(3,911)
Carrying amount at 1 July 2008	317	1,084	78	100	1,663	3,242
Year ended 30 June 2009						
Carrying amount at 1 July 2008	317	1,084	78	100	1,663	3,242
Additions	189	925	30	–	46	1,190
Disposals	(35)	(179)	–	(1)	–	(215)
Depreciation	(131)	(272)	(25)	(18)	(407)	(853)
Carrying amount at 30 June 2009	340	1,558	83	81	1,302	3,364
30 June 2009						
Cost	1,259	2,551	386	249	2,900	7,345
Accumulated Depreciation	(919)	(993)	(303)	(168)	(1,598)	(3,981)
Carrying amount at 30 June 2009	340	1,558	83	81	1,302	3,364
Year ended 30 June 2010						
Carrying amount at 1 July 2009	340	1,558	83	81	1,302	3,364
Additions	302	443	149	–	187	1,081
Disposals	(8)	(281)	(1)	(2)	(79)	(371)
Depreciation	(144)	(319)	(33)	(14)	(275)	(785)
Carrying amount at 30 June 2010	490	1,401	198	65	1,135	3,289
30 June 2010						
Cost	1,389	2,040	502	185	2,651	6,767
Accumulated Depreciation	(899)	(639)	(304)	(120)	(1,516)	(3,478)
Carrying amount at 30 June 2010	490	1,401	198	65	1,135	3,289

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

6. Intangibles

	Computer Software \$000	Review Procedures \$000	Total Intangible Assets \$000
1 July 2008			
Cost	1,157	632	1,789
Accumulated Amortisation	(633)	(614)	(1,247)
Carrying amount at 1 July 2008	524	18	542
Year ended 30 June 2009			
Carrying amount at 1 July 2008	524	18	542
Additions	12	–	12
Amortisation	(243)	(18)	(261)
Carrying amount at 30 June 2009	293	–	293
30 June 2009			
Cost	1,168	632	1,800
Accumulated Amortisation	(875)	(632)	(1,507)
Carrying amount at 30 June 2009	293	–	293
Year ended 30 June 2010			
Carrying amount at 1 July 2009	293	–	293
Additions	415	160	575
Amortisation	(253)	(5)	(258)
Carrying amount at 30 June 2010	455	155	610
30 June 2010			
Cost	1,580	160	1,740
Accumulated Amortisation	(1,125)	(5)	(1,130)
Carrying amount at 30 June 2010	455	155	610

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

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

30 June 2009 Actual \$000	30 June 2010 Actual \$000
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7. Creditors and Other Payables

520	Trade Creditors	742
981	Accrued Expenses	631
433	Tax Payables – GST, FBT and PAYE	380
1,934	Total Creditors and Other Payables	1,753

The carrying value of creditors and other payables approximate their fair value as they are normally settled within three months.

8. Provisions

Restructuring Provision

During April 2009, the Chief Review Officer announced detailed plans on the new structure for ERO. Three new regions were created (Northern, Central and Southern), with three new roles of National Manager Review Services responsible for each region. ERO's offices in Auckland and Hamilton form the Northern Region; Napier, Whanganui and Wellington form the Central Region; and Christchurch and Dunedin form the Southern Region. ERO's Rotorua office closed in November 2009, followed by the Nelson office in May 2010.

Onerous Contract

The provision for onerous contract arises from a non-cancellable lease for the Nelson office where ERO is no longer able to utilise this space due to restructuring. ERO has four months remaining on this lease.

	Restructuring	
–	Balance at Start of Year	135
135	Additional Provision during the Year	–
–	Provision used during the Year	(95)
135	Total Restructuring Provision at End of Year	40
	Onerous Contract	
–	Balance at Start of Year	–
–	Additional Provision during the Year	14
–	Total Onerous Contract Provision at End of Year	14
135	Total Current Provisions	54

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

30 June 2009 Actual \$000	30 June 2010 Actual \$000
------------------------------------	------------------------------------

9. Employee Entitlements

	Current Liabilities	
1,040	Annual Leave, Special Leave and Sick Leave	1,091
319	Accrued Salaries	384
<u>1,359</u>	Total Current Portion	<u>1,475</u>
	Non-Current Liabilities	
1,416	Retirement Leave and Long Service Leave	1,491
<u>1,416</u>	Total Non-Current Portion	<u>1,491</u>
<u>2,775</u>	Total Employee Entitlements	<u>2,966</u>

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

In determining the appropriate discount rate, ERO considered the interest rates on New Zealand government bonds, which have terms to maturity that match as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and advice from the Treasury.

If the risk-free discount rates were to differ by one percent from ERO's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$37,984 higher/lower.

If the salary inflation factor was to differ by one percent from ERO's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$36,711 higher/lower.

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

10. Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

30 June 2009 Actual \$000	30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2010 Supp. Forecasts \$000
26	206	–	–
<i>Net Surplus/(Deficit)</i>			
<i>Add/(deduct) Non-Cash Items from Statement of Financial Performance</i>			
1,114	1,043	1,253	1,073
<i>Depreciation and Amortisation</i>			
<i>Add/(deduct) Movements in Working Capital Items</i>			
90	57	–	(119)
(39)	58	–	60
90	(181)	239	(927)
123	(81)	(241)	(135)
358	191	(245)	135
<i>Increase/(Decrease) in Employee Entitlements</i>			
<i>Items Classified as Investing Activities</i>			
11	(15)	–	–
<i>Net (Gain)Loss on Sale of Fixed Assets</i>			
1,773	1,278	1,006	87
Net Cash Flows from Operating Activities			

11. Related Parties

ERO is a wholly owned entity of the Crown. The Government significantly influences the roles of ERO as well as being its major source of revenue.

ERO enters into transactions with other government departments, crown entities, and state-owned enterprises on an arm's length basis. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect ERO would have adopted if dealing with that entity at arm's length in the same circumstance are not disclosed.

Apart from those transactions described above, ERO has not entered into any related party transactions.

Key Management Personnel Compensation

30 June 2009 Actual \$000	30 June 2010 Actual \$000
1,591	1,726
47	51
106	–
<i>Salaries and Other Short-Term Employee Benefits</i>	
<i>Post-Employment Benefits</i>	
<i>Termination Benefits</i>	
1,744	1,777
Total Key Management Personnel Compensation	

Key management personnel include the Chief Review Officer and six members of the Senior Management Team.

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

12. Financial Instruments

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

ERO has minimal exposure to foreign currency risk arising from transactions denominated in foreign currency. ERO has no forward foreign exchange contracts at balance date (30 June 2009: nil).

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

ERO has no short or long-term debt and does not use financial instruments to manage interest rate risk. Therefore ERO does not have any interest rate risk exposure.

Credit Risk

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

In the normal course of its business, ERO incurs credit risk from debtors, and transactions with Westpac Banking Corporation and the New Zealand Debt Management Office (NZDMO).

ERO does not require any collateral or security to support financial instruments with financial institutions that ERO deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, ERO does not have significant concentrations of credit risk.

ERO's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash, debtors and other receivables (note 4).

Liquidity Risk

Liquidity risk is the risk that there will be insufficient liquid assets to meet liabilities due. As all but an insignificant amount of funds come from the New Zealand Government and cash is drawn down on a monthly basis, ERO does not have significant liquidity risk.

ERO's financial liabilities comprising of creditors and other payables will be settled within three months based on the remaining period at the balance sheet date to the due dates of creditors and other payables.

Notes to the Financial Statements

for the year ended 30 June 2010 (continued)

Categories of Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 *Financial Instruments: Recognition and Measurement* categories are as follows:

30 June 2009 Actual \$000		30 June 2010 Actual \$000
	Loans and Receivables	
4,523	Cash	4,479
141	Debtors and Other Receivables (note 4)	84
4,664	Total Loans and Receivables	4,563
	Financial Liabilities measured at Amortised Cost	
1,934	Creditors and Other Payables (note 7)	1,753

13. Capital Management

ERO's capital is its equity (or taxpayers' funds), which is represented by its net assets.

ERO manages its revenues, expenses, assets, liabilities and general financial dealings prudently. ERO's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities and compliance with the Government Budget processes and with the Treasury Instructions.

The objective of managing ERO's equity is to ensure ERO effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

14. Major Variances from Budget

	30 June 2010 Actual \$000	30 June 2010 Main Estimates \$000	30 June 2009 Variance \$000
Statement of Financial Position			
Cash	4,479	3,160	1,319

Cash was \$1,319,000 over budget due to a combination of higher levels of employee entitlement liabilities and less capital expenditure being incurred than was forecast in ERO's Main Estimates.

15. Post Balance Date Events

There are no significant post balance date events.

Performance Indicators

30 June 2009 Actual		Unit	30 June 2010 Actual	30 June 2010 Main Estimates	30 June 2010 Supp. Forecasts
Working Capital⁴					
1,393	Net Current Assets ⁵	\$000	1,164	768	408
1.41	Current Ratio ⁶		1.33	1.33	1.13
42.4	Average Creditors Outstanding ⁷	Days	43.3	37.9	50.2
Resource Utilisation					
Fixed Assets:					
3,657	Total Non-Current Assets at year end	\$000	3,899	4,346	4,435
16.9	Value per Employee	\$000	18.7	19.4	19.8
32.9	Additions as % of Non-Current Assets	%	42.5	48.2	27.1
Taxpayers' Funds:					
3,598	Level at year end	\$000	3,572	3,572	3,572
16.6	Level per Employee	\$000	17.1	15.9	15.9
Human Resources					
3.16	Staff Turnover ⁸	%	8.34	–	–
7.66	Average Length of Service ⁹	Years	8.42	–	–
216.6	Total Staff ¹⁰	FTEs	208.52	224.0	224.0

4 The indicator for average debtors outstanding is not meaningful for ERO given the low level of external debtors with third party revenue at less than five percent of the Vote. ERO's policy is a collection rate of less than 30 days.

5 Current assets minus current liabilities.

6 Current assets as a proportion of current liabilities.

7 Calculated using ratios of estimated average accounts payable as at 30 June to total operating expenses.

8 Staff turnover is not reported in the Main and Supplementary Estimates.

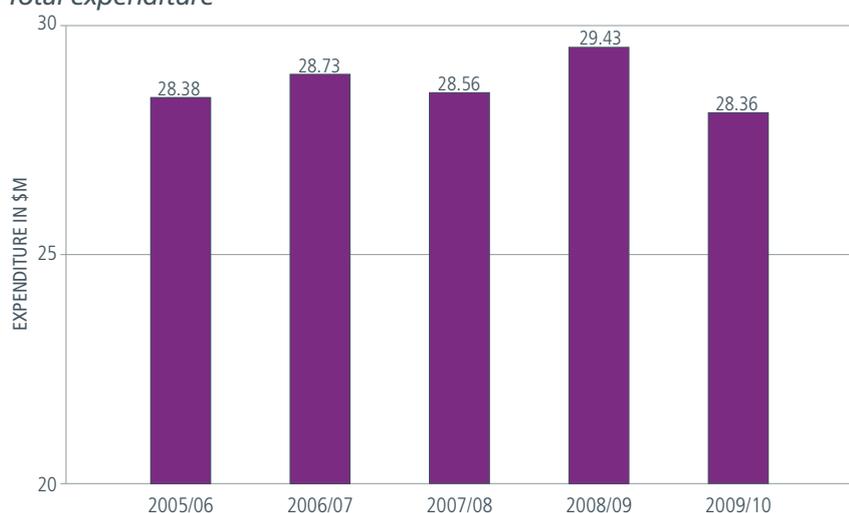
9 Average length of service is not reported in the Main and Supplementary Estimates.

10 FTEs comprise of permanent full-time and part-time staff. Temporary staff on fixed-term contracts and casual staff are excluded. ERO's establishment numbers have been capped at 226 FTEs.

APPENDIX 1: ERO TRENDS AND DIMENSIONS

This section summarises ERO's review patterns and staff trends over the last five years.

Total expenditure



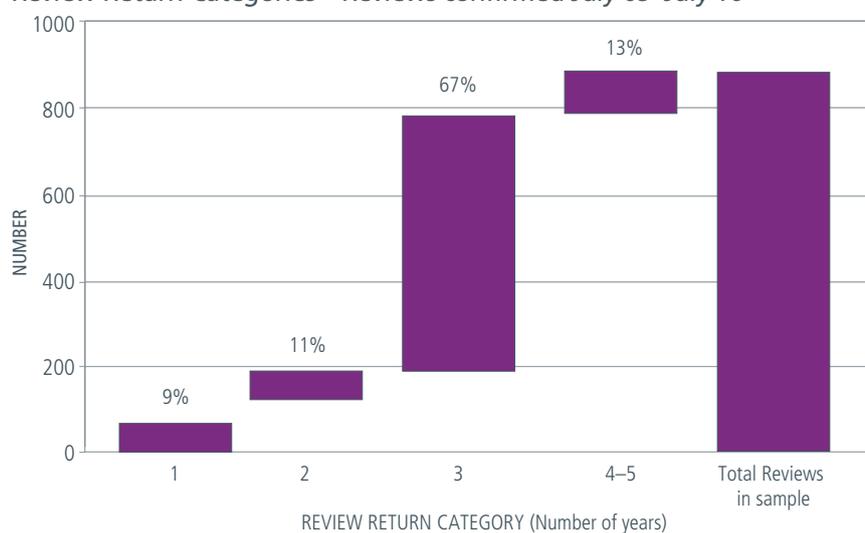
Annual review numbers

	QUANTITY DELIVERED				
	2009/10	2008/09	2007/08	2006/07	2005/06
Early childhood services reviews	1,283	1,222	1,289	1,353	1,301
School reviews	901	866	984	949	963

Monitoring the Differentiated Review Cycle

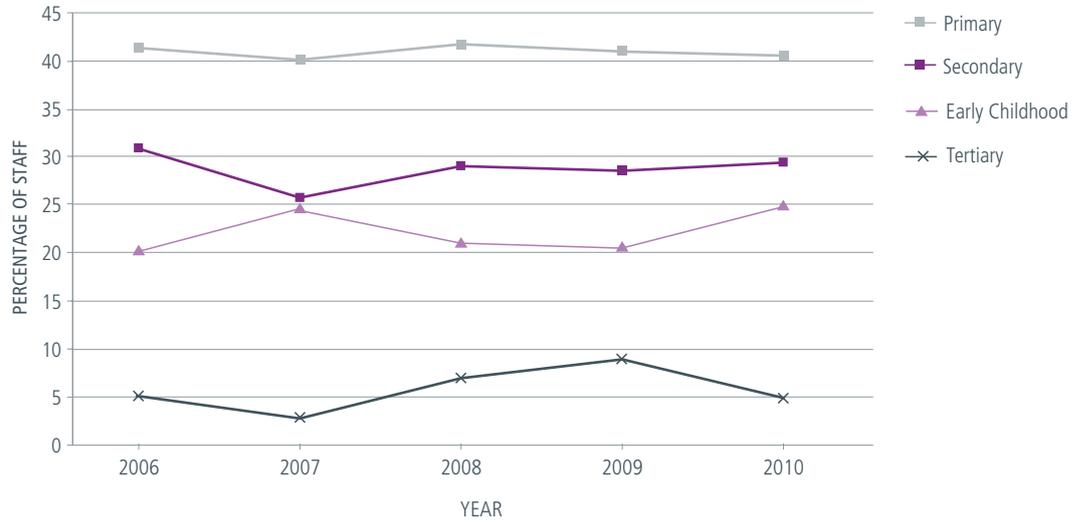
Of the reviews completed between 1 July 2009 and 30 June 2010, the return categories are as follows:

Review Return Categories – Reviews confirmed July 09–July 10

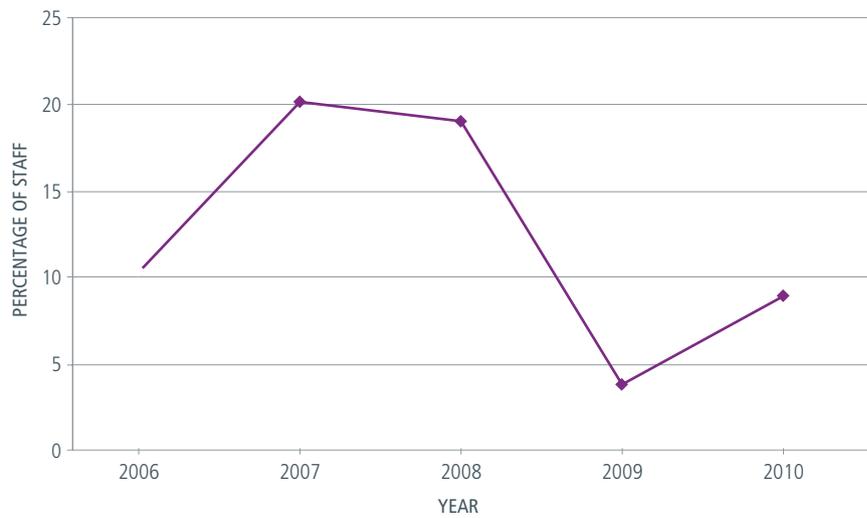


Staff Trends

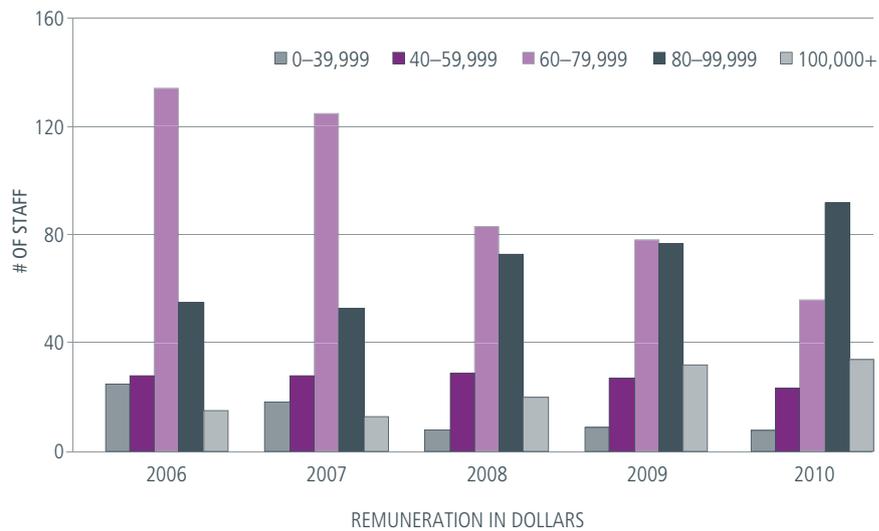
Review officer sector background



Staff turnover



Remuneration bands



APPENDIX 2: CRITERIA FOR DIFFERENTIATED REVIEW CYCLE

The differentiated cycle of reviews provides four options for the timing of a school's subsequent review:

TIMING	CRITERIA
Next review over one year	Schools will have a longitudinal review over a period of a year where there are significant concerns that require urgent action about the education of students.
Next review over two years	ERO will decide to carry out a longitudinal review over a period of two years if there are concerns about the education and or safety of students and there is also evidence of a board focus on improvement and improvements have begun but it is still too early to tell if the improvements will be sustained.
Next review in three years	The majority of schools will come into this category and ERO will decide to carry out the next review in three years where there is convincing evidence over time that the school's curriculum is effective in promoting students, learning engagement, progress and achievement. In addition, a range of good practices are evident including that Māori learners are actively engaged in their learning and are progressing well and succeeding as Māori.
Next ERO review in four-to-five years	ERO will decide to carry out the next review in four-to-five years where there is convincing evidence over time that the school's curriculum is highly effective in promoting student learning engagement, progress and achievement. In addition, a range of good practice is evident including that Māori learners are actively engaged in their learning and are progressing very well and succeeding as Māori.

APPENDIX 2: CRITERIA FOR DIFFERENTIATED REVIEW CYCLE



Education Review Office
PO Box 2799
Wellington
New Zealand
www.ero.govt.nz