Transport Accident Investigation Commission
Te Komihana Tirotiro Aitua Waka

Statement of Performance Expectations 2014 – 2015

June 2014

Prepared in accordance with
section 149L of the Crown Entities Act 2004
(as amended by the Crown Entities Amendment Act 2013)

TAIC Statement of Performance Expectations 2014-2015

29 May 2014

Hon Michael Woodhouse MP
Associate Minister of Transport
Executive Wing
Parliament Buildings
Wellington

Dear Minister

We have the honour to present to you the Statement of Performance Expectations by the Transport Accident Investigation Commission for the 12 months commencing 1 July 2014.

It has been prepared and is signed in accordance with Section 149E of the Crown Entities Act 2004 as amended by the Crown Entities Amendment Act 2013.

The strategic context for this document is set out in the current Transport Accident Investigation Commission Statement of Intent 2014 – 2018.

John Marshall QC
Chief Commissioner

Helen Cull QC
Deputy Chief Commissioner

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1. Output Class: Accident or Incident Investigation and Reporting

What the class of outputs is intended to achieve

The Transport Accident Investigation Commission is funded for a single output. This involves conducting inquiries into qualifying transport incidents and accidents in accordance with its empowering legislation.

Improving transport safety involves many participants in the transport sector. The quality of rules and regulations, operating practices, and public awareness of safety issues all contribute to building a safe transport system. In our work to prevent accidents and incidents, we work with the Ministry of Transport and transport sector regulators, operators and transport services providers, and the public to achieve the following:

	Outputs		Target audiences		Commission's outcomes
The Commission delivers…	accident and incident investigations and inquiry reports	**so that…**	Ministry of Transport, transport sector regulators, operators, transport service providers, and the public	**can…**	improve policy and practice have confidence that safety issues are properly investigated and reported

In accordance with international conventions the Commission also participates in:

- the inquiries of international peer organisations;
- into events in overseas jurisdictions where a New Zealand registered or manufactured vehicle is involved; or
- in which a significant number of New Zealanders are involved.

How our outputs contribute to our strategic goal and governmental outcomes

The figure below illustrates the alignment of the Commission's output with the Minister of Transport's priorities and desired impacts and outcomes for the transport sector.

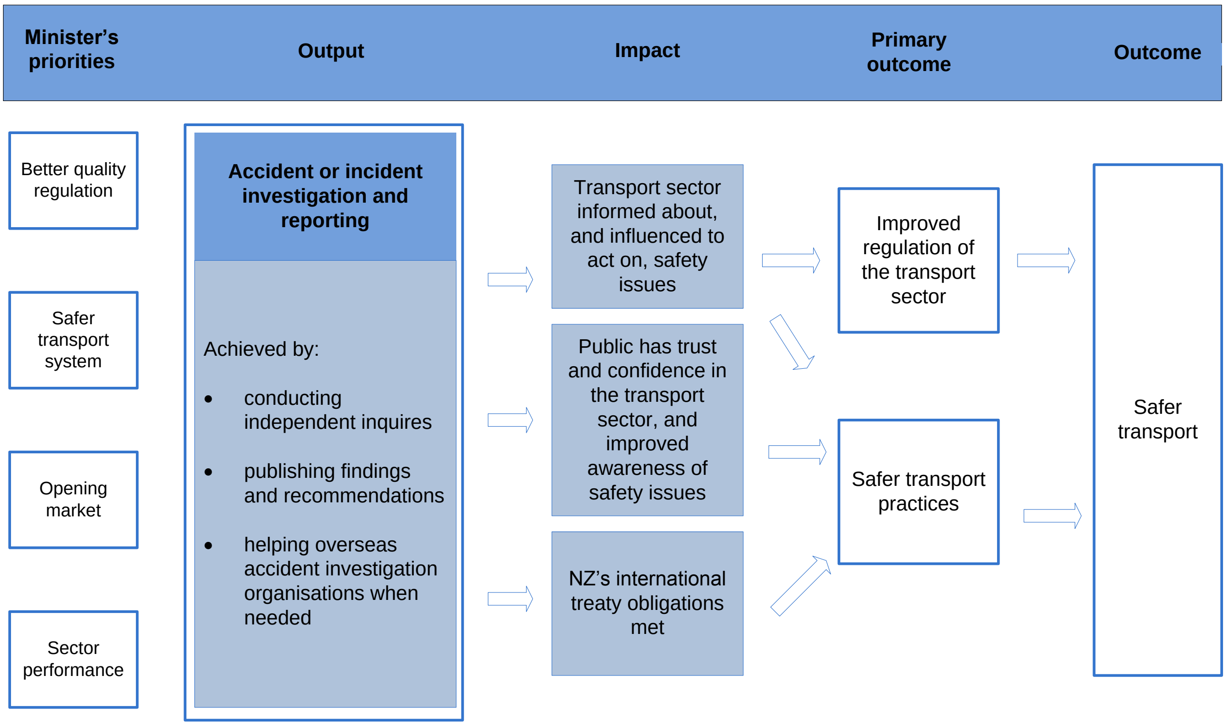

Figure 1

How will the performance for the class of outputs be assessed?

Performance of the output class is assessed through a range of measures reflective of the balanced score card approach. These measures are presented in the table opposite.

Table 1: Performance measures

	Measure	Instrument	2013/14 target	2013/14 estimated actual	2014/15 target
Financial	Average cost of domestic inquiries closed	Timesheet and financial data analysis	New costing formula to be developed, and utilized in year-end reporting	New costing formula developed and utilized in year-end reporting.	New costing formula in ongoing use, and trend information being gathered to inform future targets.
Volume	Number of domestic inquiries completed	Casebook data analysis	20-25	20	20 - 25
	Number of inquiries by overseas jurisdictions assisted	Casebook data analysis	4-8	6	4 - 8
	12 month rolling average of number of domestic inquiries in progress at each month's end	Casebook data analysis	30	34	30
Timeliness	12 month rolling average of age (working days) of domestic inquiries in progress at each month's end	Casebook data analysis	330	275	330
Quality	Successful judicial review of Commission inquiry process or decision	Review of any court judgments	0	0	0
	Successful challenge to an Ombudsman, the Privacy Commissioner, or Human Rights Commission of an administrative decision or action	Review of any decisions	0	0	0

	Measure	Instrument	2013/14 target	2013/14 Estimated actual	2014/15 target
Impact	Stakeholders' assessments of the Commission's work	Small-sample qualitative and quantitative surveys by an independent researcher	Most stakeholders believe the Commission is having a positive impact	Most stakeholders believe the Commission is having a positive impact	Most stakeholders believe the Commission's work is contributing to an improvement in transport safety.
	Average age of open safety recommendations	Casebook data analysis	-	-	New measure: Average age declines
	Agencies' response to investigations	Casebook data analysis	-	-	90% of safety recommendations made are accepted by recipient upon issue New measure. Ratios of safety issues identified in inquiries to safety actions (taken before publication) and safety recommendations made.
	Historical impact review	Research project	Review determines that the Commission has had an impact (assessed by examining specific types of accidents/incidents)	Impact on regulatory environment re impairment due fatigue or substance use	Topic to be determined

2. Statement of accounting policies

Reporting entity

The Commission is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990. The Commission is also a Public Benefit Entity (PBE) for financial reporting under International Public Sector Accounting Standards (IPSAS).

The Commission investigates aviation, marine and rail accidents and incidents, the circumstances of which have, or are likely to have, significant implications for transport safety. The Commission publishes recommendations and reports on accidents and incidents in order to avoid similar occurrences in the future.

The Commission also represents New Zealand at accident investigations conducted by overseas authorities for which New Zealand has a specific interest, and exchanges incident and accident information with overseas government accident investigation authorities.

The Commission's accident investigation capability is occasionally extended, on a cost recovery basis where possible, to Pacific Island states with no similar agency.

The Prospective Financial Statements of the Commission are for the years 2014-2017. The Prospective Financial Statements were authorised for issue by the Board on 28 May 2014. The Board is responsible for the Prospective Financial Statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Accounting policies and changes in accounting policies

Accounting policies

Overall considerations

The prospective financial statements have been prepared in accordance with the Transport Accident Investigation Commission Act 1990, the Crown Entities Act 2004, FRS-42 and New Zealand's generally accepted accounting practice (NZ GAAP) as it relates to prospective financial statements.

The Prospective Financial Statements have been prepared on a historical cost basis.

The Prospective Financial Statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

The Prospective Financial Statements will not be further updated subsequent to publication.

The Prospective Financial Statements contain information that may not be appropriate for purposes other than those described in the Statement of Responsibility.

Changes in accounting policies

The accounting policies are consistent with those used in previous Prospective Financial Statements.

It should be noted that the External Reporting Board is introducing a new accounting standards framework for public benefit entities.

It is expected that all new IPSAS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2014 will not be applicable to full public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended IPSAS.

Particular accounting policies

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied:

(a) Revenue

Revenue from Crown

The Commission derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised at fair value when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised as it accrues on bank account balances, on-call and short-term deposits.

(b) Financial Instruments

The Commission's financial instruments comprise cash and cash equivalents, trade and other receivables and creditors and other payables. A financial instrument is recognised when the Commission becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all the substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial instruments are initially recognised at their fair value and classified into one of the following categories. Financial assets and financial liabilities are measured subsequently as described below.

Financial Assets

For the purpose of subsequent measurement, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit and loss;
- held to maturity investments; and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except those at fair value through the profit and loss are subject to review for impairment at least each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Commission's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method.

Financial Liabilities

The Commission's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method, except for financial liabilities, held for trading or designated at fair value through profit and loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. The Commission does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

(c) Cash and cash equivalents

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

(d) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest rate method.

(e) Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses

Additions

The cost of an item of property plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Prospective Statement of Comprehensive Income.

Depreciation

Depreciation is provided on a straight line basis at rates that will write the assets off over their estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Fixed Asset Type	Useful Life (Years)	Depreciation Rate %
Buildings (store)	5 - 50	2% to 20%
Computer equipment	2.0 – 10	10% to 67%
Furniture and equipment	1.24 – 14.28	7% to 80.4%
Software (AIIMS)	10	10%

(g) *Intangible assets*

Software acquisition

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

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

Amortisation

Computer software licenses are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date the asset is disposed of. The amortisation charge is recognised in the Prospective Statement of Comprehensive Income.

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment at each financial reporting date and 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.

(h) GST

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Prospective Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

(i) *Forecast of cash flows*

Cash comprises monies held in the Commission's bank accounts and short term deposits.

Financing activities comprise the change in equity and debt capital structure of the Commission.

Investing activities relate to the sale and purchase of fixed assets.

Operating activities include all transactions and other events that are not investing or financing activities. Interest received is included in operating activities.

(j) *Employee entitlements*

Employee entitlements that the Commission expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within the next 12 months.

(k) *Superannuation scheme*

Defined contribution scheme

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Income as incurred.

(l) *Taxation*

The Commission is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

(m) *Operating leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as incurred over the lease term of the lease in the Prospective Statement of Comprehensive Income.

Lease incentives received are recognised in the Prospective Statement of Comprehensive Income over the lease term as an integral part of the total lease term.

The Commissions lease and sublease for Level 11, Cigna House was surrendered in February 2014 as this was surplus to requirements.

(n) *Financial instrument risks*

The Commission has policies to manage the risks associated with financial instruments. The Commission is risk averse and seeks to minimise exposure from its treasury activities. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission's exposure to fair value interest rate risk is limited to its short-term bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Commission to cash flow interest rate risk. The Commission has no variable interest rate investments.

Currency risk

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

Credit risk

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

Due to the timing of its cash inflows and outflows, the Commission invests surplus cash with registered banks. The Commission's investment policy limits the amount of credit exposure to any one institution.

The Commission's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents, investments and trade and other receivables. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Commission has no significant concentrations of credit risk as it does not have any credit customers and only invests funds with registered banks with specified credit ratings.

Liquidity risk

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

In meeting its liquidity requirements, the Commission maintains a target level of investments that must mature within specified timeframes.

The Commission holds cash with Kiwibank, ANZ Bank New Zealand, and Bank of New Zealand.

(o) Critical accounting estimates and assumptions

In preparing these Prospective Financial Statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectation or 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 disclosed below:

(p) Property, plant and equipment useful lives and residual values

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

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Prospective Statement of Comprehensive Income, and carrying amount of the asset in the Prospective Statement of Financial Position. The Commission minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- analysis of prior asset sales.

The Commission has not made any significant changes to past assumptions concerning useful lives and residual values.

(q) Critical judgements in applying the Commission's accounting policies

Management has exercised the following critical judgements in applying the Commission's accounting policies.

(r) Lease classification

Determining whether a lease agreement is finance or an operating lease requires judgment as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognized in the Prospective Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognized.

The Commission does not have any finance leases.

(s) Actual results

Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

3. 2014 Forecasts and Projection to 2017

2014 forecast and projection to 2017

Prospective statement of comprehensive income

Figures exclude GST unless specified

	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Revenue:	$000	$000	$000	$000	$000
Crown	3,865	3,865	3,865	3,865	3,865
Rental income	123	91	18	18	18
Cost recoveries	-	5	5	5	5
Other Income	8	1	2	2	2
Interest Income	26	27	27	27	27
Profit on sale of fixed assets	-	-	-	-	-
Total revenue	**4,022**	**3,989**	**3,917**	**3,917**	**3,917**
Expenses:					
Audit	18	18	18	18	19
Commissioners' fees	123	159	172	173	175
Depreciation	143	151	161	170	170
Personnel costs	1,966	2,029	2,203	2,225	2,248
Lease, rentals and outgoings	769	724	645	652	658
Other losses (Fraud and costs)	-	-	-	-	-
Loss on sale of fixed assets	-	-	-	-	-
Other operating costs	921	887	718	679	647
Total expenses	**3,940**	**3,968**	**3,917**	**3,917**	**3,917**
Surplus (deficit)	**82**	**21**	-	-	-

2014 forecast and projection to 2017 Prospective statement of financial position					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Assets	$000	$000	$000	$000	$000
Current Assets					
Cash and Cash Equivalent	1,036	901	1,014	1,139	1,260
Prepayments	35	24	24	24	24
Trade and other Receivables	2	2	2	3	2
Non-Current Assets					
Total Non-Current Assets	933	913	800	674	554
Total Assets	2,006	1,840	1,840	1,840	1,840
Liabilities					
Current Liabilities					
Trade and other payables	174	145	145	145	145
Employee benefits	184	140	140	140	140
Finance Lease	6	-	-	-	-
Provision for rental loss	43	-	-	-	-
Non-Current Liabilities					
Finance Lease	-	-	-	-	-
Provision for rental loss	65	-	-	-	-
Total liabilities	472	285	285	285	285
Taxpayers' funds	**1,534**	**1,555**	**1,555**	**1,555**	**1,555**
Taxpayer's funds as a percentage of total assets.	**76%**	**85%**	**85%**	**85%**	**85%**
Ratio of current assets to current liabilities	**2.6**	**3.3**	**3.7**	**4.2**	**4.5**
Ratio of fixed assets to total assets.	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**
Taxpayers' funds:					
Taxpayers' funds at beginning of year	1,452	1,534	1,555	1,555	1,555
Surplus (deficit) for year	82	21	-	-	-
Capital injection	-	-	-	-	-
Taxpayers' funds at end of year	**1,534**	**1,555**	**1,555**	**1,555**	**1,555**

2014 Forecast and projection to 2017

Prospective statement of movements in taxpayers' equity

Year ending:	Actual Jun-13	Forecast Jun-14	Forecast Jun-15	Forecast Jun-16	Forecast Jun-17
	$000	$000	$000	$000	$000
Opening balance	1,452	1,534	1,555	1,555	1,555
Capital contribution from the Crown	-	-	-	-	-
Net surplus/(deficit)	82	21	-	-	-
Closing taxpayer's funds	1,534	1,555	1,555	1,555	1,555

2014 forecast and projection to 2017 Prospective statement of cash flow					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Cash flows from operating activities:	$000	$000	$000	$000	$000
Cash provided from:					
Supply of outputs - to Crown	3,865	3,865	3,865	3,865	3,865
Supply of outputs - to other	140	97	25	25	25
Interest	26	27	27	27	27
Cash disbursed to:					
Cost of producing outputs	(3,956)	(3,987)	(3,756)	(3,748)	(3,746)
Payment of capital charge to Crown	-	-	-	-	-
Net cash flows from operating activities	**75**	**2**	**161**	**169**	**171**
Cash flows from investing activities:	-	-	-	-	-
Cash provided from:	-	-	-	-	-
Sale of investments	-	-	-	-	-
Cash disbursed to:	-	-	-	-	-
Purchase of fixed assets	(75)	(131)	(48)	(44)	(50)
Net cash flows from investing activities	**(75)**	**(131)**	**(48)**	**(44)**	**(50)**
Cash flows from financing activities:	-	-	-	-	-
Cash provided from:	-	-	-	-	-
Capital contribution from Crown	-	-	-	-	-
Cash disbursed to:	-	-	-	-	-
Payment to finance lease	(25)	(6)	0	0	0
Net cash flows from financing activities	**(25)**	**(6)**	**0**	0	0
Net increase (decrease) in cash held -	(25)	(135)	113	125	121
Cash at beginning of period	1,061	1,036	901	1,014	1,139
Gain (loss) effect of exchange rate changes	-	-	-	-	-
Cash at end of period	**1,036**	**901**	**1,014**	**1,139**	**1,260**

2014 forecast and projection to 2017 Prospective capital expenditure					
	Actual	Forecast	Forecast	Forecast	Forecast
Year ending:	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Fixed asset programme	$000	$000	$000	$000	$000
Revenue Capital	-	-	-	-	-
Depreciation	143	151	161	170	170
AIIMS Hardware and Software	43	124	-	11	-
Computer equipment	28	7	43	23	-
Investigation, Furniture & fittings, office equipment	4	-	5	10	50
Total acquisition cost	**75**	**131**	**48**	**44**	**50**
Average total acquisition cost over forecast 5 years	-	-	-	-	69
Capital expenditure as a percentage of fixed assets	8%	14%	6%	6%	9%
Average capital expenditure as a % of fixed assets over forecast 5 years					9%
Sale value of surplus capital items	-	-	-	-	-
Profit/(loss) on sale of surplus capital items	-	-	-	-	-
Average sale value over forecast 5 years	-	-	-	-	-
Average net cost of fixed assets					69

4. Statement of significant underlying assumptions

The following assumptions have been applied in preparing the financial statements for the Commission.

Personnel costs
For the 2015/16 and out-year forecasts, salary increases have been limited to a one percent increase. It has been assumed that staff numbers will remain consistent.

Other operating costs
It is assumed staff training costs will need to be significantly reduced in 2015/16 and out-year forecasts to keep within the other operating budget amount.

Revenue
It is assumed Crown revenue will be consistent with 2013/2014. A funding review underway may change the amount of future revenue for 2015/16 and out-years.

Investigations
Investigation costs are assumed to be consistent with 2013/2014 activity.

John Marshall QC
Chief Commissioner

Helen Cull QC
Deputy Chief Commissioner

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