



E13

(Print) ISBN 978-1-77669-611-6
(Online) ISBN 978-1-77669-612-3

Export Education Levy Annual Report

For the financial year ended 30 June 2018



Contents

Background	3
Purposes of the Export Education Levy	3
Government agencies' responsibilities.....	4
Policy context.....	6
International Education Strategy.....	6
The current financial situation of the Export Education Levy	6
Future sustainability of the Export Education Levy	7
The Unfunded International Providers data project.....	7
Export Education Levy income and expenditure	8
Student numbers	9
Tuition fee income	10
Details of expenditure.....	11
Administration of the Export Education Levy.....	11
Education New Zealand funding for 2017/18	11
International Student Wellbeing Strategy funding for 2017/18	13
Administration and monitoring of the Code of Practice	14
The International Student Contract Dispute Resolution Scheme	16
Reimbursement of international students and the Crown.....	17
Financial statements for the year ended 30 June 2018	20
Statement of responsibility.....	21
Independent Auditors Report.....	22
Statement of Financial Performance.....	25
Statement of Financial Position	27
Statement of Changes in Equity	29
Statement of Cash Flows.....	30
Statement of Commitments, Contingent Assets and Liabilities	32
Notes to the Financial Statements.....	33

Background

This document reports on the administration of the Export Education Levy (the EEL) and provides financial statements for the EEL, for the financial year ended 30 June 2018, as required by section 238I of the Education Act 1989.

In 2003, the Government introduced the EEL to fund a specific, clearly defined set of activities that benefit the international education sector. The EEL is authorised by section 238H of the Education Act 1989. Regulations prescribing the EEL first came into force on 10 January 2003. The EEL is payable by any education provider that enrolls international fee-paying students. For the year 2017-18, the EEL was set at 0.45% of international student tuition fee income.

Purposes of the Export Education Levy

Section 238I of the Education Act 1989 states the purposes of the EEL, and stipulates that:

- (1) *The purposes to which the funds of the levy may be put are as follows:*
 - (a) *the development, promotion, and quality assurance of the export education sector, which may include (without limitation) —*
 - (i) *professional and institutional development; and*
 - (ii) *marketing; and*
 - (iii) *implementation of scholarship schemes; and*
 - (iv) *research, and resource development; and*
 - (v) *support (financial or otherwise) of other bodies engaged in the development, promotion, or quality assurance of the export education sector;*
 - (ab) *the making of payments as set out in subsections (1A) and (1B):*
 - (b) *the administration and audit of the code:*
 - (ba) *the funding of the operation of the International Student Contract Dispute Resolution Scheme provided for by section 238J:*
 - (c) *the general administration of the levy and associated purposes.*
- (1A) *Subsection (1B) applies if —*
 - (a) *an international student is or was enrolled with a private training establishment for a course of study or training; and*
 - (b) *at the time of the student's enrolment the private training establishment held a current registration under Part 18 or the private school held a current registration under section 35A; and*
 - (c) *the private training establishment has not, cannot, or will not provide, in whole or in part, the course of study or training.*

- (1B) *If this subsection applies, the funds of the levy may be used for any of the following:*
- (a) *to make payment to any person to ensure the reimbursement of the student, in whole or in part, for tuition fees or for any payment other than tuition fees made by or on behalf of that student to the private training establishment in respect of the student's course of study or training if, and to the extent that,*
 - (i) *the private training establishment has not refunded the tuition fees or other payment; and*
 - (ii) *the agency responsible for the administration of the levy approves the reimbursement of the student as necessary and appropriate in the circumstances:*
 - (b) *with the approval of the Minister, to reimburse the Crown for any sum provided by the Crown and paid to any person to ensure the reimbursement of the student, in whole or in part, for tuition fees or for any payment other than tuition fees made by or on behalf of that student to the private training establishment in respect of the student's course of study or training if, and to the extent that, -*
 - (i) *the private training establishment had not refunded the tuition fees or other payment; and*
 - (ii) *the agency responsible for the administration of the levy approved the reimbursement of the student as necessary and appropriate in the circumstances:*
 - (c) *with the approval of the Minister, to reimburse, in whole or in part, the agency responsible for the administration of the levy, or any Crown entity, for –*
 - (i) *costs incurred by that agency or Crown entity in placing the student with an alternative provider; or*
 - (ii) *other costs incurred by that agency or Crown entity as a direct result of the private training establishment not providing the course of study or training.*

Government agencies' responsibilities

Ministry of Education

Annual Report to Parliament

Section 238I(3) of the Education Act 1989 refers to the requirement for an annual report:

As soon as practicable after 1 July in each year, the agency responsible for the administration of the levy must present to the Minister an annual report on the administration of the levy, which must include audited financial statements prepared in accordance with generally accepted accounting practice; and the Minister must present a copy of the report to the House of Representatives.

Administration of the Export Education Levy

The EEL is collected from education providers by the Ministry of Education (the Ministry) and held in a separate EEL Account, administered by the Ministry.

Policy Development

The Ministry leads the development of policy on the EEL and reports to the Minister of Education. The Ministry works in consultation with other agencies and with the international education sector.

Reimbursement for international students

The Ministry, in conjunction with the New Zealand Qualifications Authority (NZQA), has responsibility for reimbursing international students affected by the closure of private training establishments (PTEs), individual PTE programmes, or private schools. This can include direct refunds to international students of tuition fees paid or funding costs incurred in transferring international students to another provider.

New Zealand Qualifications Authority

NZQA is responsible for the quality assurance of non-university tertiary education organisations (TEOs) and the administration of the Education (Pastoral Care of International Students) Code of Practice 2016 (the Code of Practice).

Education New Zealand

Education New Zealand (ENZ) is responsible for the promotions, market research and professional development projects which are partly funded from the EEL. The bulk of ENZ operations are funded by the Crown through Vote Tertiary Education.



Policy context

International Education Strategy

The Ministry released a draft International Education Strategy for sector consultation during the month of June 2018.¹ Consultation occurred through an online survey, and through stakeholder meetings.

This draft Strategy shifted the focus from an emphasis on increasing international student numbers to improving and safeguarding the quality of New Zealand's international education sector. Quality provision underpins the Strategy's aim of providing international students with an excellent education and overall student experience while in New Zealand, and of ensuring sustainable growth in a high-value, high-quality sector sought out for its distinctive New Zealand proposition. A key action under the draft Strategy's second goal of achieving sustainable growth is to "Ensure the Export Education Levy is sustainable and remains fit for purpose."

The current financial situation of the Export Education Levy

Historically, student reimbursement and transfer costs due to provider closure have been low. Aside from a spike in 2012 (\$663,953), reimbursements fluctuated between zero and \$288,000, with an average of \$150,827 per year up to 2015. The total for 2016/17 was \$908,182. Until this financial year, the EEL had carried sufficient cash reserves to cover student reimbursements and other closure-related costs.

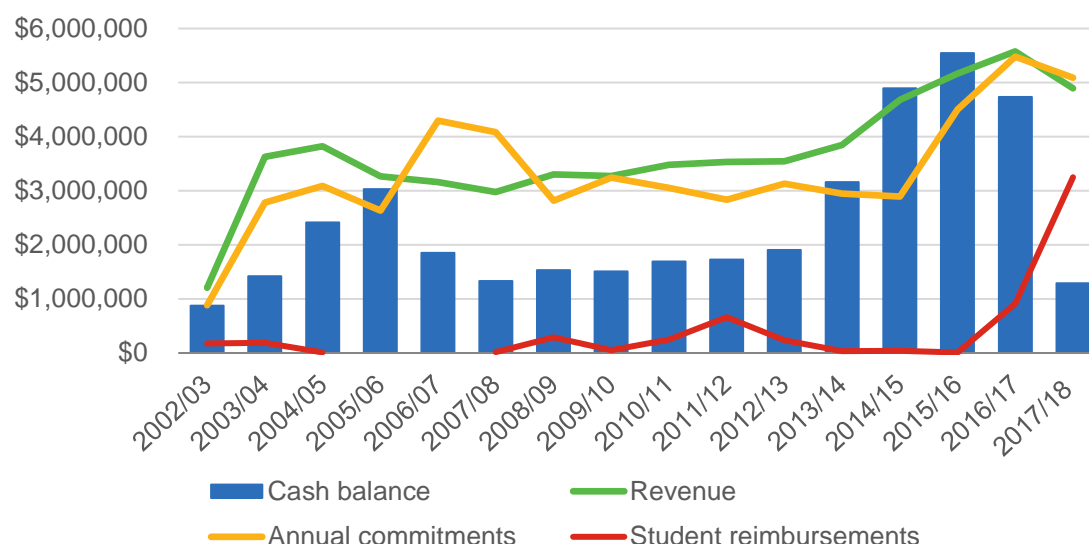
By the end of the 2017/18 financial year, the EEL was operating in a very different context. There were seven claims against the EEL in the period from April 2017 to June 2018, resulting from five provider closures and two programme closures. These resulted in \$3.2 million being paid out of the EEL account. Rapid growth in international students from 2012 to 2016 has resulted in a number of quality issues that are being addressed through a range of statutory actions, some of which result in closures.

Due to the unprecedented reimbursement costs, with continued high costs projected for the next financial year, it became evident that the EEL could run out of funds to pay these costs.

Figure 1 overleaf shows the relative mapping of the EEL cash balance, revenue, annual planned costs, and student and agency reimbursements since it was introduced.

¹ The *New Zealand International Education Strategy 2018-2030* was approved by Cabinet on 6 August 2018, and was released by the Minister of Education on 10 August 2018 at the New Zealand International Education Conference. Changes between the draft and the final version focused on greater clarity on implementation actions, and increasing the relevance of the Strategy for schools.

Figure 1: EEL cash balance, revenue, annual costs and reimbursements 2002-2018



Future sustainability of the Export Education Levy

Given the higher than anticipated expenditure from the EEL account in 2017/18, the Ministry has undertaken urgent work in the second half of 2018 to address short-term financial pressures on the EEL, and to manage its long-term sustainability. Following consultation, new EEL rates were introduced, to take effect from 1 January 2019. PTEs will pay 0.89% in 2019, while other providers will pay 0.50%. The rates are differentiated to reflect that PTEs are the only providers that cause reimbursement from the fund in the event of closure. There will also be a reduction of \$300,000 in annual expenditure commitments from the EEL account.

The Unfunded International Providers data project

Unfunded international providers (UIPs) are PTEs that enrol international students and do not receive government funding². Some UIPs offer courses leading to a qualification on the New Zealand Qualifications Framework. Other UIPs, such as the majority of English-language providers, do not offer formal qualifications.

From 2018, the unfunded PTE sector, including previously exempted English-language schools, was required to submit unit record data to the Ministry for the first time. Prior to this, unfunded PTEs submitted aggregate data to the Ministry via a spreadsheet.

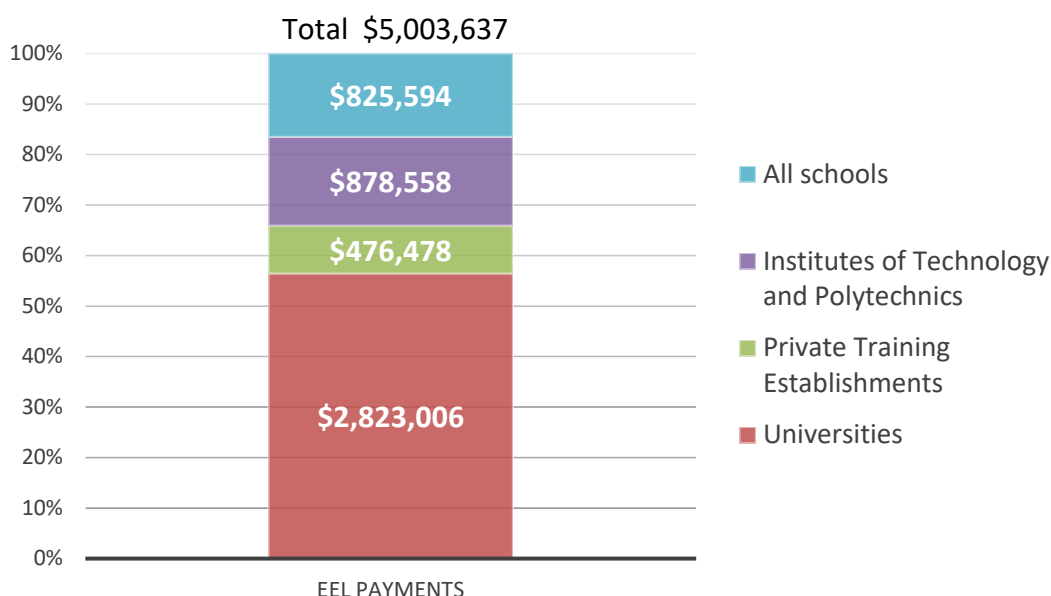
The UIP data is used to determine EEL payments for the UIP sector. The new UIP data collection system also fills a gap in knowledge about international students enrolled at UIPs, their pathways through the system, and the contribution they make to the overall success of the international education sector.

² In 2017, there were 92 UIPs and 101 funded tertiary providers.

Export Education Levy income and expenditure

The EEL received income of \$5,003,637 for the financial year ended 30 June 2018. This is a decrease of 7% compared with the income the EEL received for the year ended 30 June 2017. Combined with interest income and other income, total income for 2017/18 was \$5,092,113.

Figure 2: EEL collected by sector for the 2017/18 financial year



Total expenditure from the EEL, budgeted and actual, is shown in Table 1 below.

Table 1: Budgeted and actual expenditure

Component of expenditure	Budgeted	Actual
Marketing, research and industry development (ENZ)	\$3,265,000	\$3,265,000
Code of Practice administration (NZQA)	\$723,000	\$723,000
Dispute resolution service (FairWay Resolution)	\$218,200	\$218,200
EEL administration costs (Ministry of Education)	\$148,254	\$145,702
Audit fee	\$8,100	\$8,100
International Student Wellbeing Strategy initiatives	\$750,000	\$527,420
International Education Appeal Authority		\$1,945 ¹
Reimbursements resulting from PTE closures		\$3,214,443 ²
Total	\$5,112,554	\$8,103,810.00

Notes:

1. The International Education Appeal Authority was the precursor to the Dispute Resolution Service, and this was an unforeseen residual payment.
2. The EEL has historically carried sufficient balance to cover the low amount needed annually for reimbursements; no funding was budgeted for this purpose.

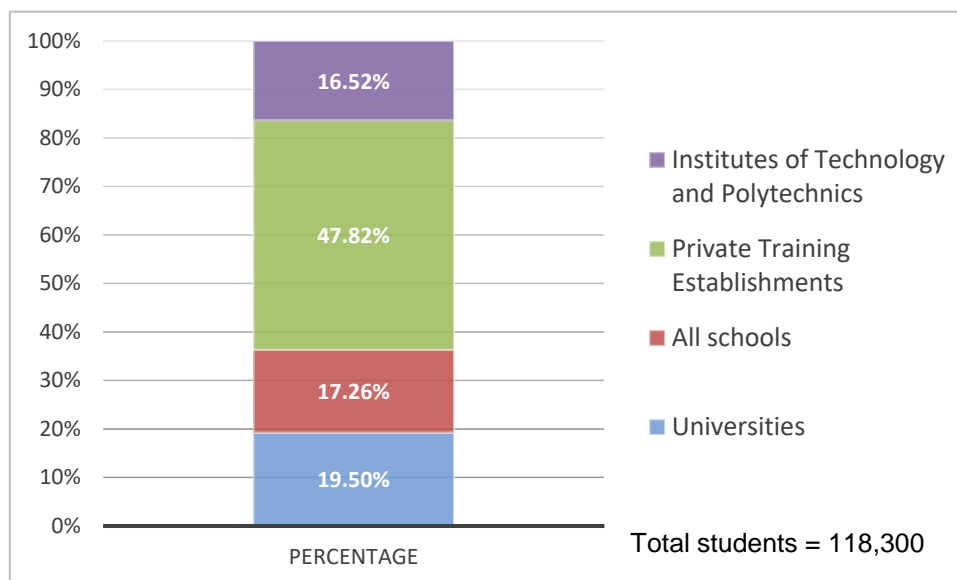
The total expenditure of \$8,103,810 against the income of \$5,092,113 left an operating deficit of \$3,011,697, as reported in the Statement of Financial Performance for the year ended 30 June 2018. This deficit reduced the equity balance of the EEL account from \$4,734,334 on 1 July 2017 to \$1,722,637 at 30 June 2018.

Student numbers

During the 2017 calendar year, the number of international fee-paying students in New Zealand was 118,300. This represents a reduction of 5.7% from the 2016 calendar year figure of 125,425³.

The university sector experienced the largest growth in student numbers, at 7.4%. The school sector experienced growth of 5.4%. Student numbers were steady for Institutes of Technology and Polytechnics (ITPs), with negligible change. Student numbers at unfunded PTEs dropped by 13.6%, with numbers at funded PTEs experiencing a small decrease of 2.5%.

Figure 3: Percentage of international fee-paying students by sector for 2017



³ Data for student numbers has been revised since the figure of 121,735 was published in the 2016/17 Export Education Levy Annual Report.

Tuition fee income

Total tuition fee revenue from international students as reported by education providers exceeded one billion dollars (\$1.110 billion) in the 2017 calendar year, a growth of 2.4% over 2016 calendar year revenue. Tertiary education institutions (TEIs) earned 58.1% of this total, followed by PTEs with 24.5%. The school sector accounted for 16.3% of tuition fee revenue.

Table 2: Tuition fee income during the calendar years 2016 and 2017

International tuition revenues by provider groups	2016		2017		% change 2016-17
	(\$ million)	% of total	(\$ million)	% of total	
Schools					
Primary/Intermediate	15.27	1.40%	18.11	1.60%	18.60%
Secondary/Composite/ Special	148.45	13.70%	162.88	14.70%	9.70%
Tertiary education institutions					
Institutes of Technology/ Polytechnics	185.29	17.10%	189.95	17.10%	2.50%
Universities	404.2	37.30%	454.67	41.00%	12.50%
Private training establishments (PTEs)					
SDR-PTEs ⁴	133.82	12.40%	124.82	11.20%	-6.70%
Non-SDR PTEs ⁵ (unfunded)	181.04	16.70%	147.5	13.30%	-18.54%
Subsidiary Providers	15.47	1.40%	11.8	1.10%	-23.70%
Totals	\$1,083.54		\$1,109.73		2.40%

Source: data submitted by education providers

⁴ These PTEs receive government funding for their domestic students, so they are required to complete the Single Data Return (SDR).

⁵ These PTEs do not receive government funding for their domestic students. Due to the transition in systems discussed on page 7, these figures are currently less reliable than the SDR data.

Details of expenditure

Administration of the Export Education Levy

The administration of the EEL is carried out by the Ministry of Education. The Ministry's administration costs of \$145,702 during the year ended 30 June 2018 were paid from the EEL account. Administration includes levy collection, management of the EEL funds, policy work associated with the EEL, computer hardware and software costs, and the publication of the EEL annual report.

Education New Zealand funding for 2017/18

International Education Programmes

Education New Zealand (ENZ) has responsibility for managing and operating the international education industry work programme, which received baseline funding of \$3.265 million from the EEL in 2017/18. EEL funding is included within ENZ's allocation from Vote Tertiary Education for international education programmes, which was \$30.689 million for 2017/18.

International promotion and marketing

ENZ's promotion and marketing activities are mainly funded from Vote Tertiary Education. During the 2017/18 financial year, ENZ allocated \$2.316 million of the baseline EEL funding it received to this work stream, with the intended impact of increasing the economic value of the industry from \$4.280 billion in 2015 to \$5 billion by 2025. The EEL funding supported promotional activities in priority markets including:

- digital marketing via the Study in New Zealand website
- social media campaigns
- education fairs, events and agent seminars held overseas
- in-bound agent visits to New Zealand's regions
- international media familiarisation visits to New Zealand.

ENZ prioritised its international student attraction markets for the 2017 academic year into three categories:

- **Promote:** This is a group of countries and regions where strategic investment was focused on delivering strong growth - Brazil, China, Colombia, Europe (France, Germany, Italy, Spain, UK, Switzerland, and Netherlands), India, Indonesia, Japan, Korea, Philippines, Thailand, Viet Nam, and United States.
- **Project based:** These are countries where investment was targeted on a specific project – Chile, Malaysia, Saudi Arabia.
- **Explore:** Primarily research and intelligence gathering to assess prospects in countries where there is a long-term potential for growth – Mexico.

Further detail on marketing and promotions activity led by ENZ can be found in the *Education New Zealand Annual Report 2017/18*.

Industry Development

In 2017/18, ENZ allocated \$40,585 of the baseline EEL funding it received for the delivery of professional development seminars for the international education industry. The seminars included capability building and professional development opportunities

for regional international education professionals, and a series of 'Connect' seminars to update the international education industry on ENZ's strategic direction and current priorities.

Market research

ENZ allocated \$368,569 of EEL funding to market research including its twice-yearly quantitative brand health monitor. This gathers insight into the student decision making journey and explores perceptions of New Zealand's 'Think New' education brand.

During 2017/18, ENZ evolved its regular TNS brand health monitor to test a refreshed brand framework and draft key messages developed by ENZ during the year. This brand strategy builds on factors identified by the Economic Intelligence Unit's "Educating for the Future Index", which ranked New Zealand as the number one country in the world for educating for the future.

The research reinforced that the messaging resonated with students and their parents, and recommended the brand should be expressed via a story with three elements. This led to fine-tuning of the brand strategy and story which was then presented at the New Zealand International Education Conference and Expo 2018.

The brand health monitor research also provided on-going measurement of brand preference for New Zealand. This continued to grow, moving upwards from 12% in February 2017 to 15% March 2018.

Regional Partnership Programme

ENZ allocated \$539,842 of EEL funding to its Regional Partnership Programme (RPP).

Through the RPP, ENZ worked with international education providers, local government and regional economic development agencies, and communities in New Zealand's regions to encourage regional growth in international education. ENZ's aim is to support each region towards a sustainable model whereby the local economic development agency and education providers are self-driven and self-funded to grow international education in their regions. In 2017/18, the RPP provided support and co-funding for a range of activities focused on regional international education growth:

- Supporting the ongoing implementation of regional international education growth and development strategies.
- Development of regional collaborative approaches to marketing and promotion of international education.
- Sharing and implementation of best practice in international education across regional providers.
- Identification and removal of barriers and constraints to growth in international education.
- Raising regional awareness and social license around the economic, social and cultural impact of international education.

International Student Wellbeing Strategy funding for 2017/18

The first funding round under the International Student Wellbeing Strategy was held in the 2017/18 financial year to allocate funds of \$750,000 from the EEL. The funding round focused on inclusion and social connectedness, mental health and information provision. Initiatives were selected by international education leaders representing students, communities, education providers and government.

In total, 11 projects from across New Zealand were allocated funding totalling \$619,928. Projects included mental health support for international students, sports day, Noho Marae, radio/podcast programmes made by/for international students and a social media campaign on the importance of inclusion and diversity. The projects are funded on a calendar basis (Jan-Dec 2018), and are required to submit a final report and evaluation by the end of January of the following year.

From the fund of \$750,000, \$50,000 was also allocated to develop a monitoring and evaluation framework for the wellbeing projects funded under the strategy.

Table 3: Distribution of International Student Wellbeing Strategy 2018 funding

Organisation	Location	Focus	Price (GST ex)
Human Rights Commission	Nationwide	Social campaign on importance of full inclusion for international students	\$72,000
ISANA NZ	Nationwide; online	Professional development workshops, community engagement training and mental health training for education provider staff working with international students	\$152,000
Islamic Women's Council	Auckland region	Inclusion, safety and wellbeing workshops for female international students and partners of male international students	\$50,000
NZ Federation of Multicultural Councils Inc.	Wellington region	Online information for students and education providers about Wellington services, sports day and Noho Marae	\$70,604
NZ International Students' Association	Nationwide	Host symposium on issues and opportunities facing international students (such as mental health and student inclusion)	\$66,200
Plains FM trading as The Canterbury Communications Trust	Canterbury; online	Radio/podcast programme designed for international students	\$8,964
South Asian Trust	Canterbury	Workshops on preventing victimisation and family violence offending for international and domestic students	\$33,120
Auckland Tourism Events and Economic Development	Auckland	Rukuhia Global Leadership Programmes	\$50,000
Venture Southland	Southland	Workshops and seminars on in-study employment rights and opportunities for international students	\$7,500
Waikato University, Wintec, Waikato	Hamilton	Programme of events to support inclusion and wellbeing (including rugby experience and Noho Marae)	\$74,540

Organisation	Location	Focus	Price (GST ex)
District Police, Hamilton City Council			
Waikato Institute of Technology	Nationwide	Mental health first aid training for education provider staff working with international students	\$35,000
Total:			\$ 619,928

Administration and monitoring of the Code of Practice

NZQA is the appointed Administrator of the Code of Practice (the Code Administrator). During the 2017/18 financial year, NZQA spent a total of \$723,000 of EEL funding on the administration of the Code of Practice.

Key functions of the Code Administrator

The key functions of the Code Administrator under the 2016 Code of Practice include the following:

- assessing education provider Code signatory applications and removing Code signatory status when requested
- dealing with complaints and referrals of alleged breaches of the Code of Practice
- monitoring and investigating Code signatories' compliance with the Code of Practice
- conducting investigations into issues and identified areas of non-compliance where warranted
- identifying areas for improvement, issuing compliance notices and imposing sanctions
- developing and maintaining guidelines and toolkits to support the implementation of the Code of Practice.

Assessing signatory applications

In 2017/18, NZQA approved 13 out of 27 applications considered for Code Signatory status.

Thirty-five providers requested removal of their status as a signatory, resulting in a reduction in the overall number of signatories. During 2016/17, eight new providers became signatories and 68 requested removal of their status as signatories. At 30 June 2018, there were 986 Code signatories, down from 1,008 at 30 June 2017.

NZQA is reviewing the information on applying to become a signatory to ensure requirements are clear to applicants.

Table 4 overleaf shows the change in the number of Code signatories between 2013 and 2018, by sector.

Table 4: Code signatories by sector to 30 June 2018

	2013	2014	2015	2016	2017	2018
Schools	892	855	830	816	780	765
Public Tertiary Education Institutions	30	28	28	26	26	26
Private training establishments	243	231	228	226	202	195
Total tertiary	273	259	256	252	228	221
Total signatories	1,170	1,124	1,096	1,068	1,008	986

Building sector capability

NZQA continues to work closely with the Ministry of Education and relevant agencies to build sector capability. This includes: developing guidance that is consistent and aligned with the intent of the Code and other relevant legislation; the introduction of a Code 101 workshop for new pastoral care staff; and a number of additional resources to assist signatories.

Ongoing monitoring

A range of mechanisms are used to monitor schools and TEOs. These include:

- monitoring the submission of annual self-review attestations
- scrutiny of self-review reports by NZQA and Universities New Zealand
- evaluating international student well-being and Code of Practice compliance in external evaluation and reviews undertaken by NZQA for non-university tertiary Code signatories, and by the Education Review Office for schools
- targeted site visits to organisations.

Managing critical incidents

Critical incidents, particularly those related to poor behaviour and possible mental health issues for international students, have created challenges for some education providers. While some of these incidents are well managed, some education organisations do not have plans in place or know how to access the necessary support services and resources to assist them to manage such incidents.

Where appropriate, NZQA supports and follows up with education organisations involved in critical incidents to ensure requirements of the Code are met. A debrief assists signatories to identify strengths and any gaps in pastoral care. Where necessary, remedial actions are suggested and their implementation monitored.

Complaints and investigations

NZQA received seven complaints about alleged breaches of the Code of Practice this year, four concerning PTEs and three concerning schools. One out of the seven complaints involved financial and contractual issues and was referred to the Dispute Resolution Scheme (DRS).

Three investigations identified breaches of the Code, one in a PTE and two in schools. Breaches were related to ineffective communication with parents, poor record keeping, full cost of study not provided to parents, inadequate support of a student, appropriate measures not put in place to address the needs and issues of a student at risk, and grievance procedures not communicated clearly.

In two of the cases, the signatories accepted NZQA's findings and improved its processes. NZQA is currently monitoring the other school to ensure any future-plans are effectively implemented. One complaint against a secondary school is currently being investigated.

School sector overview

This financial year, all schools submitted their annual self-review attestation to NZQA. During 2017/18, ERO reviewed and reported to NZQA on the quality of education and care for international students in 103 Code signatory schools. The statements from seven schools have required follow-up, mainly in relation to provision of information.

Fifteen investigations were opened in 2017/18 at fifteen individual schools. ERO formally reported four schools to NZQA in the last two quarters of the financial year. Following NZQA's investigations one school withdrew as signatory, one was compliant and the other two investigations are in progress.

Tertiary overview

This year all tertiary signatories submitted their annual attestations. Thirty eight investigations were opened in 2017/18 at 30 individual Code signatory non-university TEOs.

To ensure the quality of educational delivery, NZQA increased its monitoring of programmes which has led to a number of programme closures and PTE deregistrations (see below).

The International Student Contract Dispute Resolution Scheme

The International Student Contract Dispute Resolution Scheme (DRS) came into force on 1 July 2016 and is funded by the EEL. The DRS was set up as an independent way to resolve financial and contractual disputes between international students and their education providers. FairWay Resolution Limited operates the DRS as iStudent Complaints.

The DRS received income for the financial year ended 30 June 2018 of \$218,000, with operating costs of \$199,000. Establishing, delivering and raising awareness about the DRS cost \$271,200 in 2016/17.

For the year ending 30 June 2018, iStudent Complaints received 116 enquiries/complaints from international students, up from 71 complaints in the first year of operation. 51 of these cases entered the formal dispute resolution process, with the remainder resolved during the enquiry phase. The majority of iStudent complaints claims involve refund requests. Five claims related to requests following course closure, four claims related to compensation following NZQA investigation, and one claim related to the quality of academic provision.

Most of the enquiries or complaints received involve a PTE (62). A small number of enquiries or complaints were about universities (five), ITPs (three) and intermediate schools (two). There were no complaints relating to secondary or primary schools, or wānanga.

Reimbursement of international students and the Crown

Under section 238I(1B) of the Education Act 1989, the EEL can be used to reimburse direct costs incurred in assisting international students affected by the closure of a PTE. This is only used as a last resort when other protections are not available. International student tuition fee reimbursements are paid to the students via the Public Trust. Where applicable, NZQA will assist the student to transfer to an alternative provider and associated costs are reimbursed to NZQA from the EEL account.

In 2017/18, the EEL account has paid out \$3,214,443 in closure-related costs - by far the highest amount for this function in any period since the EEL reimbursement function was established in 2004.

Rapid increases in the number of international student enrolments between 2012 and 2016 resulted in a range of quality issues among providers. Since 2016, an increase in quality assurance and monitoring by NZQA, with programme reviews looking deeply at assessment practices, has resulted in a higher than expected number of programme and provider closures.

When programme and provider closures are necessary, the Government is committed to prioritising fairness and student wellbeing, which in some cases includes a full or partial refund of tuition fees. These protections help make New Zealand a desirable study destination. Providers are expected to pay closure-related costs, but when they are unable or unwilling to do so, these costs are paid out of the EEL account.

Table 5: EEL reimbursement costs for the 2017/18 financial year

Provider	Reimbursement cost to international students and the Crown
Aotearoa Tertiary Institute	\$4,932
Linguis	\$54,418
New Zealand National College	\$1,210,718
International College of New Zealand	\$869,587
Pacific Training Institute	\$31,955
Retail Business and Management College	\$125,368
Excellent International Education	\$917,465
Total:	\$3,214,443

Of the total \$3.2 million in reimbursements payments, 78% went directly to international students for tuition fees. The remaining 22% was refunded to the Crown (NZQA) to reimburse them for expenses they incurred while supporting international students facing programme or provider closure, most of which related to student transfer costs.

South Canterbury School of English Language Limited, trading as Aotearoa Tertiary Institute (ATI)

As a result of non-compliance with the PTE registration rules, NZQA cancelled the registration of the Aotearoa Tertiary Institute (ATI) on 17 January 2017. About 150 international students affected by the closure were transferred to NZQA's selected alternative provider. In 2016/17, the cost incurred in transferring the ATI international students totalled \$246,703. In 2017/18, there was an additional transfer cost totalling \$4,932.

Linguis

On 12 May 2017, NZQA cancelled the registration of Linguis because of non-compliance with NZQA Rules. Linguis was delivering Levels 5, 6 and 7 Business programmes. NZQA was reimbursed a total of \$54,418 for direct costs to transfer affected Linguis students to alternative providers. These costs included marking and verifying outstanding student work, assessing English capability and delivery of new courses.

New Zealand National College (NZNC)

In May 2017, NZQA raised concerns about NZNC's ability to deliver and assess their business programmes following NZQA's compliance and monitoring activity. In response, NZNC voluntarily halted delivery of its Level 5 and Level 6 business programmes. The EEL reimbursed NZQA \$461,748 for total costs to transfer the 119 affected NZNC students who wished to continue their studies at NZQA's selected alternative provider.

On December 2017, NZQA cancelled the registration of NZNC due to concerns about their assessment and moderation capabilities. The EEL reimbursed 163 NZNC Level 7 business students due to the infeasibility of transferring any valid gained credits and likely ineligibility to continue studying at Level 7 at a total cost of \$744,328.

The EEL also reimbursed NZQA a total of \$4,642 for two direct costs associated with the closure of NZNC. The first cost was for venue hire to meet with, and support, affected NZNC students with their next steps and to provide them with the necessary documentation and contact details. The second cost was for marking the unmarked assessments to allow NZNC students enrolled in the 'Uni Prep' course to continue their studies.

International College of New Zealand (ICNZ)

On 21 July 2017, NZQA withdrew ICNZ's accreditation to deliver its business programmes (Levels 5, 6 and 7) due to poor post-assessment moderation results. On 12 February 2018, ICNZ requested withdrawal of its accreditation to deliver the Diploma in Homeopathy (Level 7) following poor post-moderation results. The EEL reimbursed the tuition fees to a total of 122 international students across ICNZ's programmes at a total cost of \$856,320.

The EEL also reimbursed NZQA \$13,267 for the costs of English language entry-testing for 41 ICNZ students to allow them to enrol in a new provider.

Pacific Training Institute (PTI)

On 16 August 2017, PTI requested cancellation of their registration due to financial difficulties. This closure impacted seven students enrolled in a Level 6 business programme. NZQA was reimbursed \$31,955 for direct costs to transfer three out of the seven affected PTI students who chose to continue their qualification at NZQA's selected alternative provider. These costs included re-assessing a number of papers due to significant concerns over assessment quality and the delivery of the remaining papers the students needed to complete their qualification.

Retail Business and Management College (RBMC)

On 15 September 2017, NZQA cancelled the registration of RBMC due to compliance and quality issues. NZQA was reimbursed \$125,368 from the EEL account for direct costs to transfer affected 31 RBMC students to NZQA's selected alternative provider.

NZQA funded the delivery of the papers the students needed to complete their qualification and English language testing for 11 students to allow them to transfer.

Excellent International Education (EIA)

On 26 January 2018, NZQA cancelled the registration of EIA due to concerns about their assessment and moderation capabilities. The EEL reimbursed the tuition fees to 193 affected EIA students enrolled in the Level 5 and 6 Business programmes at a total of \$914,555. The EEL also reimbursed NZQA \$2,910 for venue hire costs to meet with, and support, the affected EIA students with their next steps and to provide them with the necessary documentation and contact details.



Export Education Levy

**Financial statements for the year ended 30 June
2018**

Statement of responsibility

In Terms of Section 238I (3) of the Education Act 1989

The Ministry of Education as the agency responsible for administering the Export Education Levy has prepared these financial statements. The Secretary for Education accepts responsibility for the preparation of the annual financial statements and they have been prepared in accordance with generally accepted accounting practice.

Appropriate systems of internal control have been employed to ensure that all transactions are executed with appropriate authorisation, that all transactions are correctly processed and accounted for in the financial records, and that the assets are properly safeguarded.

In our opinion, the financial statements fairly reflect the financial position as at the end of the financial year and the financial performance and cash flows for the financial year ended 30 June 2018. We authorise the issuance of these financial statements on 11 December 2018.

Iona Holsted
Secretary for Education

18 December 2018

Independent Auditors Report

TO THE READERS OF EXPORT EDUCATION LEVY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of the Export Education Levy (the Levy). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Levy on his behalf.

Opinion

We have audited the financial statements of the Levy on pages 25 to 34, that comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Levy:

- present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Our audit was completed on 11 December 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Ministry of Education and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Ministry of Education for the financial statements

The Ministry of Education is responsible on behalf of the Levy for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Ministry of Education is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Ministry of Education is responsible on behalf of the Levy for assessing the Levy's ability to continue as a going concern. The Ministry of Education is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or terminate the activities of the Levy, or there is no realistic alternative but to do so.

The Ministry of Education's responsibilities arise from the Education Act 1989.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Levy's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Levy.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Ministry of Education and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Levy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Levy to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Ministry of Education regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Ministry of Education is responsible for the other information. The other information comprises the information included on pages 3 to 19, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Levy in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements for the Ministry of Education in the areas of school payroll reporting assurance, assurance in relation to a new financial management information system and accreditation in relation to cyber security.

Other than the audit and these engagements, we have no relationship with or interests in the Levy.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Financial Performance

For the year ended 30 June 2018

The Statement of Financial Performance details the income and expenditure relating to all goods and services produced for the Export Education Levy.

	Notes	Jun-18 \$	Jun-17 \$
Income			
Export education levies		5,003,637	5,395,734
Interest received		86,396	128,365
Other income		2,080	52,845
Total Income		5,092,113	5,576,944
Expenditure			
Audit fee		8,100	8,100
Code of practice		723,000	823,000
Dispute resolution service		218,200	271,200
International Education Appeal Authority		1,945	44,926
Marketing and promotions	3	2,316,004	2,176,052
Operating costs		145,702	147,543
Professional and industry development	4	580,427	1,531,752
Research		368,569	477,700
Students wellbeing initiatives		527,420	-
Support for students affected by failure of providers	5	3,214,443	908,182
Total Expenditure		8,103,810	6,388,455
Net Surplus/(Deficit)		(3,011,697)	(811,511)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2018

The Statement of Financial Position reports the total assets and liabilities for the Export Education Levy. The difference between the assets and liabilities is the equity.

	Note	Jun-18	Jun-17
		\$	\$
Equity		1,722,637	4,734,334
Current Assets			
Cash at bank		1,047,518	6,130,031
Term deposits		1,600,000	1,630,232
Accounts receivable	2	1,280,754	962,190
GST receivable		166,473	325,098
Total current assets		4,094,745	9,047,551
Current Liabilities			
Accounts payable		2,090,016	4,149,052
Accrued creditors		282,092	164,165
Total current liabilities		2,372,108	4,313,217
Net Assets		1,722,637	4,734,334

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2018

The Statement of Changes in Equity shows the increase or decrease in the net assets between the start and end of the financial year.

	Jun-18	Jun-17
	\$	\$
Equity 1 July	4,734,334	5,545,845
Net Surplus (Deficit)	(3,011,697)	(811,511)
Equity 30 June	1,722,637	4,734,334

The above Statement of Movement in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2018

The Statement of Cash Flows summarises the cash movements in and out of the Export Education Levy Account during the financial year. It takes no account of money owed to it or by it and therefore differs from the Statement of Financial Performance.

	Jun-18	Jun-17
	\$	\$
Operating Activities		
	-	-
Cash Inflows		
Export Education Levy	4,654,695	4,843,707
Interest	138,311	76,431
Other receipts	2,080	52,845
GST (Net)	158,625	-
	4,953,711	4,972,983
Cash Outflows		
Personnel	(148,256)	(133,795)
Suppliers	(9,887,968)	(4,024,937)
GST (Net)	-	(190,170)
	(10,036,224)	(4,348,902)
Net cash flows from operating activities	(5,082,513)	624,081
Cash at year start	6,130,031	5,505,950
Cash at year end	1,047,518	6,130,031

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Commitments, Contingent Assets and Liabilities

Statement of Commitments

There are no commitments at 30 June 2018 (2017: \$Nil).

Statement of Contingent Assets

There are no contingent assets at 30 June 2018 (2017: \$Nil).

Statement of Contingent Liabilities

There are no contingent liabilities at 30 June 2018 (2017: \$Nil).

Notes to the Financial Statements

Note 1- Summary of significant accounting policies

Statement of compliance and basis of preparation

Statement of compliance

The Export Education Levy (the Levy) is a scheme administered by the Ministry of Education in accordance with section 238H of the Education Act 1989 (the "Act").

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as required by S238I of the Act.

The financial statements of the Export Education Levy comply with Public Benefit Entity (PBE) standards.

Basis of preparation

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial state are prepared on the assumption that the Levy will continue to operate in the foreseeable future.

Measurement base

The financial statements have been prepared on a historical cost basis, unless otherwise stated.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated.

Specific accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of any entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded a fair value through surplus or deficit, transaction costs that are to the acquisition of the financial asset. The Levy's financial assets include: cash, short term deposits, trade and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Losses arising from impairment are recognised in the statement of financial performance.

Impairment of financial assets

Impairment of financial assets is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a doubtful debts provision, and the amount of the loss is recognised in the net surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net or directly attributable transaction costs. The Levy's financial liabilities are accounts payable.

Subsequent measurement

Financial liabilities at amortised cost

This is the category of financial liabilities relevant to the Levy. After initial recognition, accounts payable are subsequently measured at amortised cost using the effective interest rate method. Accounts payable arise from exchange transactions.

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Accounts payable are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are not discounted.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the effective interest rate.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or services potential will flow to the Levy and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions

Levies

Levy revenue is derived from levies paid by participating educational institutions when earned.

PBE IPSAS 23 requires revenue from non-exchange transactions such as levies, to be recognised as revenue as soon as the inflow of resources can be recognised as an asset in the financial statements, unless the inflow of resources meets the definition of and recognition criteria for a liability. Non-exchange revenue from levies can only be deferred and recognised as a liability if there is a condition attached to the income that requires an entity to use the income as specified by the grantor or return the cash (or other resources transferred under the grant) if the entity does not perform as specified.

Revenue from exchange transactions

Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Expenditure

Expenses are largely recognised as support to pay costs incurred by Education New Zealand and the operation of the Code of Practice office. Education New Zealand operates a work programme on behalf of the industry in the areas of professional development, marketing and research. This is recognised as an expense when the Export Education Levy reimburses the Ministry of Education who initially pay Education New Zealand.

If a private training establishment does not provide the course of study or training and does not refund international students for tuition fees or any other payments, the Levy may be used to reimburse those students. The expense is recognised when a reimbursement is made to the Ministry of Education who initially make the refund.

Goods and Services Tax

Revenues and expenses are recognised net of the amount of GST except:

- When the GST incurred on a purchase of services is not recoverable from the taxation authority, in which the GST is recognised as part of the cost of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

The Ministry of Education as agent for the levy is a registered person in terms of the Goods and Services Tax Act 1985. All statements are GST exclusive except for accounts payable and accounts receivable in the Statement of Financial Position.

Equity

Equity is measured as the difference between total assets and total liabilities and comprises the accumulated surpluses and deficits since the formation of the Levy.

Significant accounting judgements, estimates and assumptions

The preparation of the Levy's financial statements does not require management to make any significant judgements, estimates or assumptions.

Comparatives

Where changes in presentation of the financial statements have been made, comparative figures have been amended to reflect the changes.

Note 2 - Accounts Receivable

	Jun-18	Jun-17
	\$	\$
Other receivables (exchange transaction)	473,491	199,312
Provision for doubtful debts	-	(8,201)
Net receivables	473,491	191,111
Accrued interest (exchange transaction)	17,764	39,447
Levy income due but not received (non-exchange transaction)	789,499	731,632
	1,280,754	962,190

Note 3 – Marketing and promotions

	2018	2017
	\$	\$
Advertising, events, fairs and marketing campaigns	1,697,653	1,065,727
Brand, creative, traditional and digital media strategy, planning and buying	199,861	160,029
Enhancements to digital property e.g. student attraction website	354,233	241,753
Agent and media familiarisation travel & other incidentals	64,257	38,543
Student well-being initiatives	-	420,000
Student alumni activities	-	250,000
	2,316,004	2,176,052

Note 4 - Professional and industry development

	2018	2017
	\$	\$
Regional partnerships programme	539,842	263,521
Workshops, seminars and events	40,585	18,231
Expansion of regional partnership programme	-	1,250,00
	580,427	1,531,752

Note 5 – Support for students affected by failure of providers

	2018	2017
	\$	\$
Aotearoa Tertiary Institute	4,932	246,703
Excellent International Education	917,465	-
International Academy of New Zealand	-	649,967
International College of New Zealand	869,587	-
Kui Airani Angaanga Tupuna Trust	-	4,336
Linguis International Institute	54,418	7,176
New Zealand National College	1,210,718	-
Pacific Training Institute	31,955	-
Retail Business and Management College	125,368	-
Total	3,214,443	908,182

Note 6 - Financial Instruments

	Loans and receivables	Financial liabilities at amortised cost
2018 financial instruments are categorised as follows:		
Cash at bank	1,047,518	-
Short term investments	1,600,000	-
Accounts receivable	1,280,754	-
Accounts payable	-	2,090,016
	3,928,272	2,090,016

	Loans and receivables	Financial liabilities at amortised cost
2017 financial instruments are categorised as follows:		
Cash at bank	6,130,031	-
Short term investments	1,630,232	-
Accounts receivable	962,190	-
Accounts payable	-	4,149,052
	8,722,453	4,149,052

Note 7 - Related Party Disclosure

The Ministry of Education is a related party of the Export Education Levy. The Ministry of Education administers the Export Education Levy and provides policy advice to the government. These services are provided on an arm's length basis.

The majority of the transactions with the Ministry of Education are reimbursements for payments made by the Ministry to third party providers.

Note 8 – Events after balance date

There are no material non-adjusting events after the reporting date.