

CIVIL AVIATION AUTHORITY 2021-2022

Annual Report

Board Statement

This Annual Report has been prepared in accordance with:

- Section 38A of the Third Schedule to the *Civil Aviation Act 1990*; and
- Section 150 of the *Crown Entities Act 2004*.

I provide this Annual Report on the performance of the Civil Aviation Authority of New Zealand for the financial year 1 July 2021 to 30 June 2022.



Janice Fredric Chair of the Civil Aviation Authority of New Zealand 1 March 2023



Keith Manch Chief Executive and Director of the Civil Aviation Authority of New Zealand 1 March 2023

Statement from the General Manager, Aviation Security Service

This Annual Report separately identifies all financial and performance matters relating to the Aviation Security Service in accordance with Section 38A of the Third Schedule to the *Civil Aviation Act 1990*. These matters are presented in the body of the report.



Mark Wheeler General Manager, Aviation Security Service 1 March 2023

Contact details

Civil Aviation Authority of New Zealand Level 15, Asteron Centre, 55 Featherston Street, Wellington 6011 PO Box 3555, Wellington 6140, New Zealand

This office is currently closed for earthquake related upgrades. For enquiries, please call or email us.

T +64 4 560 9400 F +64 4 560 2024
E info@caa.govt.nz

www.aviation.govt.nz

Aviation Security Service Level 15, Asteron Centre, 55 Featherston Street, Wellington 6011 PO Box 3555, Wellington 6140, New Zealand

This office is currently closed for earthquake related upgrades. For enquiries, please call or email us.

T +64 4 495 2430 F +64 4 495 2432
E reception@avsec.govt.nz

www.aviation.govt.nz

Copyright © 2023

Unless otherwise stated, the information in this Annual Report is protected by copyright and is subject to the copyright laws of New Zealand. The information may be reproduced without permission, subject to the material being reproduced accurately and not being used in a misleading context. In all cases, the Civil Aviation Authority must be acknowledged as the source.

ISSN: 1177-6072 ISSN: 1177-9403 (online)

Note: Further copies of this document can be downloaded from www.aviation.govt.nz



Contents

■ From the Chief Executive and Director of Civil Aviation	4	■ Statements of Performance	80
■ Introduction		Statement of responsibility	82
The Authority	8	Independent Auditor's Report	83
About the Authority	12	An introduction to the Statements of Performance	86
Who we are and what we do	12	Performance measures under the Estimates of Appropriations 2021/22	95
Our organisation	13	Output Class 1: Policy and Regulatory Strategy	98
Governance and leadership	14	Output Class 2: Outreach	102
The aviation system	16	Output Class 3: Certification and Licensing	106
Sector profile	20	Output Class 4: Monitoring, inspection and investigation	110
Aircraft	21	Output Class 5: Security Service Delivery	114
■ Our strategic framework	22	■ Financial Statements	119
Our strategic framework and how we position ourselves to deliver	24	Notes to the financial statements	125
Our vision and purpose	26	Additional financial information	156
■ Our pathways	30	Information required by statute	160
Our pathways to deliver on our vision and purpose	32		
Pathway: Leadership and influence	34		
Pathway: Active regulatory stewardship	38		
Pathway: Professional regulatory practice	44		
Safety by sector	47		
■ Our building blocks	56		
Our building blocks	58		
People	60		
Regulatory strategy	66		
Technology and information management	68		
Resource stewardship	70		
Communications and engagement	76		
Strategic and business planning, reporting, quality and assurance	78		



From the Chief Executive and Director of Civil Aviation

Kia ora koutou katoa

Like everyone in the aviation sector, during the year we've been working in an environment of significant stress and uncertainty. This has affected our people and our ability to operate at the level we would like to.

Nevertheless, we've continued to focus on developing a positive culture, and systems, policies and processes to make sure we can operate as an effective aviation safety and security regulator.

This has included integrating the Te Kākano culture development programme¹ into our ongoing people, culture and capability activities and establishing a refreshed leadership team. We've clarified responsibilities and revitalised our approach to governance, strategy, risk and assurance, people, information technology, finance, and property.

We've continued to focus on developing a positive culture, and systems, policies and processes to make sure we can operate as an effective aviation safety and security regulator.

In accordance with our strategic pathways – Leadership and Influence, Active Regulatory Stewardship, and Professional Regulatory Practice – we have:

- Engaged with aviation participants to understand and respond effectively to risks and challenges associated with the post-pandemic recovery of the aviation sector. These challenges include financial uncertainty, people shortages, rising costs and supply chain issues. We've sought to strengthen relationships with aviation sector participants as the pandemic has allowed.
- Supported the development of the Civil Aviation Bill, progressed a number of matters to improve the civil aviation rules, and maintained a clear focus on understanding and acting on priority policy and operational issues.
- Continued to undertake certification, licensing, monitoring, inspection, investigation, passenger screening and aerodrome security activities, despite the impact of the pandemic.
- Continued to implement the safety management system (SMS) approach that's one of the foundations of fully implementing an intelligence-led and risk-based approach to regulatory delivery. This also relies on us building a more effective regulatory intelligence capability, and we've made significant steps towards that during the year.
- Continued to play a key role in supporting New Zealand's efforts in managing the pandemic by providing people from our Aviation Safety Service to work in the Managed Isolation and Quarantine System.

¹ Te Kākano, was a stand-alone programme to embed positive culture and implement the 31 recommendations from the 2020 ministerial review into harassment and bullying at the Authority.



- Established a clear operating approach and started to build the capacity and capability needed to make sure that emerging aviation technology initiatives being developed in New Zealand can be regulated effectively.

We undertook stakeholder research to ensure we hear the views of the aviation community, with almost 2,000 respondents giving us valuable feedback. Headlines include:

- Most stakeholders feel safe operating within the New Zealand aviation system.
- Stakeholders see gaps between the regulatory frameworks and the CAA's ability to implement them in a timely way. They believe it's necessary to update the current regulatory framework, and new regulations to support technology.
- There are positive views about the CAA's leadership and influence, but stakeholders would like to see more transparency and accountability from us.
- Senior leaders in the CAA are visible and approachable, with good relationships with the sector. Stakeholders want to work closely with the CAA.
- Stakeholders seek clarity, stringency, partnership, and practicality to support efficient and effective regulation.
- Stakeholders support and want to engage with the ongoing shift towards being an intelligence-led and risk-based aviation safety and security regulator.

- We appreciate the breadth of engagement in the research, and have been using, and will continue to use, the information gleaned from the survey in our work to make certain we operate as a modern safety and security regulator.

The full results are available on our website.

The Authority has achieved these results in an environment where its financial resources are severely limited by the pandemic, and there is ongoing uncertainty over future funding. These factors introduce risks into our operations, as outlined later on page 8 'The Authority', and page 71 'Financial Overview'.

Finally, I acknowledge the commitment, creativity, and resilience our people have shown during this extraordinary period. They've frequently gone the extra mile and I do not underestimate the significance of their efforts.

While the recovery of aviation is in full swing, it's uneven, and subject to significant headwinds and crosswinds. Our commitment is to provide the best possible leadership and support to ensure that participants in, and users of, the aviation system keep safe and secure.



Keith Manch Chief Executive
and Director of Civil Aviation
Authority



Introduction





The Authority

The Authority has a key role to play in the aviation system

We are the government's primary civil aviation safety and security regulator. We control the entry of people, and organisations into the aviation system and make sure that they have the skills, qualifications, and systems to operate safely. We do this through regulatory activities such as licensing people, including pilots and air traffic controllers, and certificating organisations. We also control which aircraft, equipment, and flight systems can be used in New Zealand, ensuring they are airworthy.

We maintain oversight of the aviation system by monitoring flight activity, undertaking surveillance, auditing operators, analysing data, and identifying and managing risk. This includes administering the provisions of the Health and Safety at Work Act 2015 for aircraft in operation. Where safety issues are identified, we work with operators to make improvements to their systems.

We represent New Zealand internationally on aviation safety and security matters, and provide advice and support to the Ministry of Transport and the Minister of Transport on aviation and security policy.

New Zealand has an active role in the International Civil Aviation Authority Organization (ICAO), represented by the Director of Civil Aviation. The Authority also takes a leading role in other international aviation activity including support to Pacific nations.

We influence and improve people's behaviour in the aviation system by engaging with them, providing safety and technical advice, and running educational programmes. We secure compliance with the aviation rules and laws by investigating occurrences - including

complaints, accidents and deaths - and, although rare, taking enforcement action where appropriate.

We regulate key aspects of security in the aviation system, including oversight to make sure that required security standards are met. This includes our Aviation Security Service (AvSec) which supports security through passenger and non-passenger screening, behavioural detection teams, explosive detector dog teams, and perimeter patrols at six security-designated airports across the country.

We represent New Zealand internationally on aviation safety and security matters and provide advice and support to the Ministry of Transport and the Minister of Transport on aviation and security policy.

The Authority continued to face risks from COVID-19

Like every part of the aviation system, we have responded to rapidly changing circumstances due to the COVID-19 pandemic. Every participant within the system continued to feel the pandemic's impacts.

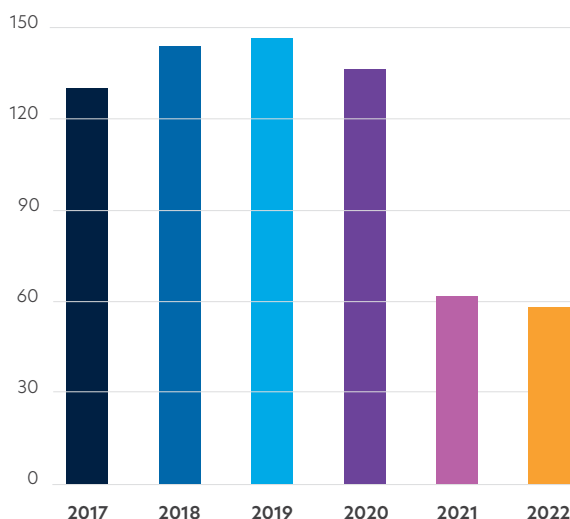
There are internationally identified risks associated with COVID-19 in aviation. These include potential under-investment in equipment, maintenance, training, staffing levels, and safety culture that are necessary to maintain safe operations. The Authority has been monitoring the effects of these risks over the past two years, and particularly as aviation activity started to recover in 2021/22.



AvSec also responded as activity ramped up internationally and domestically. During the last couple of years AvSec has been flexible and engaged in supporting the all-of-government COVID-19 response activities such as working in Managed Isolation and Quarantine (MIQ) facilities, and supporting police in community safety activities across New Zealand. This enabled AvSec to maintain staffing at levels able to cope once international and domestic flight activity began to increase. As MIQ was wound down and aviation activity increased we worked to set a base so that we will be:

- 'match fit' (with some staff being out of their core roles for several years, and others who have worked only in a COVID-19 environment)
- fully resourced and focussed to meet fluctuating and rapidly increasing demand across a system with multiple challenges from airport design and flight scheduling
- ready for passengers who've lost familiarity with airports and knowledge of travel and screening processes.

Third party revenue from levies, fees, and charges



Over the last two years, the Authority's resources have been severely limited by the pandemic although there has been a fourth quarter recovery. Our third-party revenue (the funds we receive through fees, levies and charges) was \$57.7 million in 2021/22 – 5.8 percent lower than in 2020/21 and 57.3% lower than in 2019/20. To address this shortfall, we've relied heavily on Crown funding. Support is likely to be necessary for at least another year with the goal of returning to full cost recovery. However this will need to take into consideration the ongoing uncertainty and volatility in the aviation sector recovery.

The foundation of our operating approach is to be an intelligence-led and risk-based regulator that understands the activities and risks in the aviation system, and can respond in an effective way to those that matter the most.

During 2021/22 we made progress in developing systems and processes (information, intelligence and technology, safety management) and people capability (leadership, regulatory practice, critical thinking, and decision-making) that are aligned to this operating approach in our safety and security regulatory activities.

Pressure on non-discretionary workstreams essential to the Authority's core regulatory responsibilities

In addition to the impact of COVID-19, the Authority faces demands on the delivery of its statutory safety and security functions that cannot be adequately addressed without increasing spending.

The Authority finds itself in the difficult position of having additional expectations placed upon it, and not being able to meet them without stopping, or risking delivery of, its core functions.

In addition, forecast increased aviation activity as New Zealand reconnects with the world will continue to impact across our security and safety regulatory functions.

Pre-Covid, the Authority would have used its reserves to support the critical activity to address these expectations, ahead of a triennial funding review. This is now not possible, because the Authority was required to deplete its reserves as part of the administration of the Crown funded liquidity facility appropriation. Restoring the Authority's balance sheet to health, including its reserves, remains a high priority for the Authority, and it continues to work closely with officials from the Ministry of Transport on options and time frames to achieve this.

The non-discretionary workstreams essential to the Authority's core regulatory responsibilities identified in 2021/22 that will continue into future years are set out below. All are in addition to current workload and, unless additional resources are available, delivery will be at risk:

The enactment of the Civil Aviation Bill

The implementation programme for the Bill is extensive and the Authority is required to complete a significant amount of preliminary work to ensure its implementation is effective for commencement and beyond. Components necessary to ensure the Bill delivers a modern, fit for purpose regulatory system include:

- making and remaking of relevant secondary legislation, including the Civil Aviation Rules.
- standing up new functions, including the independent review of decisions of the Director of Civil Aviation; and
- updating of all procedures and forms, and training staff on these.

Funding review

The Authority is scheduled to complete its regular funding review by 2024 to ensure ongoing levels of service as required by government and stakeholders. This work will require additional resources, beyond current levels of funding. If the funding review is delayed, there is a risk that further Crown funding will be required to bridge the gap to ensure that the Authority's services can continue to be delivered.

International Civil Aviation Organisation (ICAO) safety and security audit preparation and response

The Authority is subject to regular ICAO safety and security audits as part of New Zealand's participation in the international aviation system.

Resources will be required to prepare for and respond to audit findings. If the Authority is not able to address identified issues, New Zealand will be deemed non-compliant with ICAO security standards. Were this to happen, there are potential adverse implications for New Zealand's international reputation and there may be a risk that additional costs and requirements could be placed on industry in New Zealand by other States.

AvSec - additional frontline capability

Passenger volumes have increased more rapidly than expected over a short period, placing greater pressure on AvSec's workforce to facilitate and screen passengers. This pressure is compounded by a loss of traveller familiarity with security processes, high rates of staff sickness, growing disruption from staff shortages (both for AvSec and operators), and a high attrition rate.



Meeting the activities associated with high passenger demand (such as screening) is limiting the ability of Avsec staff to investigate issues and threats – and their causes. This creates a risk for system users.

Additional resources are critical for Aviation Safety and Aviation Security and Infrastructure Groups to support the delivery of core safety and security activity.

These groups control participants entering the system, monitor their activity, and exit them as appropriate, fulfilling core regulatory functions that mitigate the risk of threats or harm being realised against the public, and system users. The groups have been under resourced for some time, creating a risk for system users.

Providing resourcing for these groups in 2022/23 would strengthen the safety and security of the system, benefiting its users, industry, and the reputation of New Zealand. It would also enable the Authority to respond and demonstrate to ICAO that New Zealand is a credible international partner, seen as an 'equivalent' by like-minded nations – including the Pacific nations.

Increase to remuneration

The Authority has had longstanding remuneration imbalances dating back several years before the pandemic. The Authority considers proposed increases to be modest, reasonable, and appropriate (and below the Treasury's forecasts for 2023 and beyond). It is aligned to Government priorities in that remuneration will be applied in a way that targets lower pay bands for higher incremental increases.

Partial establishment of a minimum viable Intelligence function

Constrained funding and resources since the pandemic have meant the Authority has not been able to establish an appropriate regulatory intelligence function. Without that function, the Authority is not positioned to develop the required understanding of the aviation operating environment, the risks the Authority regulates, system risks, and the nature of regulated parties, to ensure its regulatory efforts are appropriately focussed.

This creates a very real risk of the Authority failing to adequately identify and respond to systems risks, or risks at an operational or tactical level. It further risks the Authority failing to deliver its core regulatory responsibility of a safe and secure aviation transport system.

About the Authority

Who we are and what we do

WHO WE ARE

We are the government's primary civil aviation safety and security regulator.

WHAT WE DO

We undertake safety and security functions contributing to an integrated, safe, responsive, and sustainable transport system.

OUR VISION AND PURPOSE

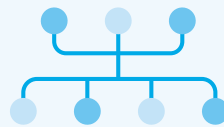
A safe and secure aviation system so people are safe and feel safe when they fly.

ABOUT THE AUTHORITY

Established in 1992 as a Crown entity, operating under the Crown Entities Act 2004. Civil aviation in New Zealand operates in a system established and maintained by the Civil Aviation Act 1990.



Responsible
to the Minister of Transport



Governed
by a board of between five and seven members ("the Board")



Primary objective
is safety and security

OUR REGULATORY FUNCTIONS

The Authority (as the Civil Aviation Authority and the Aviation Security Service are collectively referred to) delivers regulatory functions through two operations:

The Civil Aviation Authority - Te Mana Rererangi Tūmatanui o Aotearoa (CAA) - responsible for maintaining the safety and security of the aviation system, through regulation.



Policy and regulatory strategy



Certification and licensing



Security service delivery



Surveillance and investigation



Outreach

The Aviation Security Service - Kaiwhakamaru Rererangi (AvSec) - provides aviation security regulatory services at New Zealand's security-designated airports and maritime security screening, as needed.

Our organisation

The Authority has over 1,500 people working to keep the aviation system safe and secure. The majority (79 percent) work directly on the frontline, either in security-designated airports as part of AvSec, or as part of the safety function.

2021/22 by the numbers



1,096

organisations
certificated



5,882

people licensed



401

audits, inspections,
and spot checks



4,793,525

passengers screened
at airports



23,320,789

bags scanned



913

safety and regulatory
investigations

Governance and leadership

Our Board

The Authority is governed by a Board
- appointed by the Minister of Transport
- to guide and direct the organisation in setting and meeting its strategic objectives, managing risks, and meeting performance expectations. The Board holds the Authority's executive leadership to account, and has statutory functions set out in the Crown Entities Act 2004 and the Civil Aviation Act 1990.

The Board had five members during the reporting period, Janice Fredric (Board Chair), Steve Haszard (Deputy Board Chair), Jill Hatchwell, Harry Duynhoven and Charles Spillane.

The Board operates three committees to assist it to discharge its governance responsibilities.



Authority Board left to right: Harry Duynhoven, Alma Hong*, Steve Haszard (Deputy Board Chair), Janice Fredric (Board Chair), Charles Spillane, Jill Hatchwell.

* Alma Hong was appointed to the Board in August 2022, post the 2021/22 financial year.



Audit, Finance, and Risk Committee (AFRC)

The Audit, Finance and Risk Committee is chaired by Ms Hatchwell. The AFRC assists the Board in ensuring oversight of all matters relating to the financial management, accounting, audit, reporting and risk management of the Authority.

Health and Safety Committee

The Health and Safety Committee is chaired by Mr Duynhoven, and assists the Board to oversee all matters relating to the health, safety and wellbeing of workers and those who come into contact with our workplaces.

Te Kākano

The Te Kākano Committee was chaired by Ms Fredric, and provided oversight of Te Kākano, the Authority's culture development programme. The Te Kākano Committee was disestablished in February 2022. The Board will continue to monitor the Authority's culture development programme after it is folded into the People team.

Our leadership team

The Chief Executive – who is also the Director of Civil Aviation – and the General Manager of the Aviation Security Service have statutory functions:

- The Chief Executive is accountable for the exercise of functions under the Civil Aviation Act 1990, the Crown Entities Act 2004 and the Health and Safety at Work Act 2015. As the Director of Civil Aviation, this person also makes independent decisions about aviation documents, medical certificates, exemptions, and safety and security regulatory interventions.

- The Board delegates responsibility and authority relating to the performance of AvSec to the General Manager of the Aviation Security Service.

The Authority Leadership Team is our most senior leadership group, charged with making sure the Authority performs well and is effective. The leadership team is organised to make sure that the safety and security parts of the organisation are represented at the top level and that the Authority is led and managed as a single entity. The Authority Leadership Team includes the following roles:

- Chief Executive and Director of Civil Aviation
- General Manager, AvSec
- Deputy Chief Executive, System and Practice Design
- Deputy Chief Executive, Aviation Safety
- Deputy Chief Executive, Aviation Security and Infrastructure
- Deputy Chief Executive, People Culture and Capability
- Deputy Chief Executive, Corporate Services
- Deputy Chief Executive, Strategy, Governance, Risk, and Assurance
- Executive Group Manager, AvSec
- Group Manager Operations, AvSec
- Group Manager Compliance and Improvement, AvSec
- Group Manager Strategic Development, AvSec
- National Manager Isolation, Quarantine, and Repatriation.

The aviation system

Aviation is part of a wider transport system moving people and goods over land, sea, and in the air. New Zealand is also part of the global aviation network.

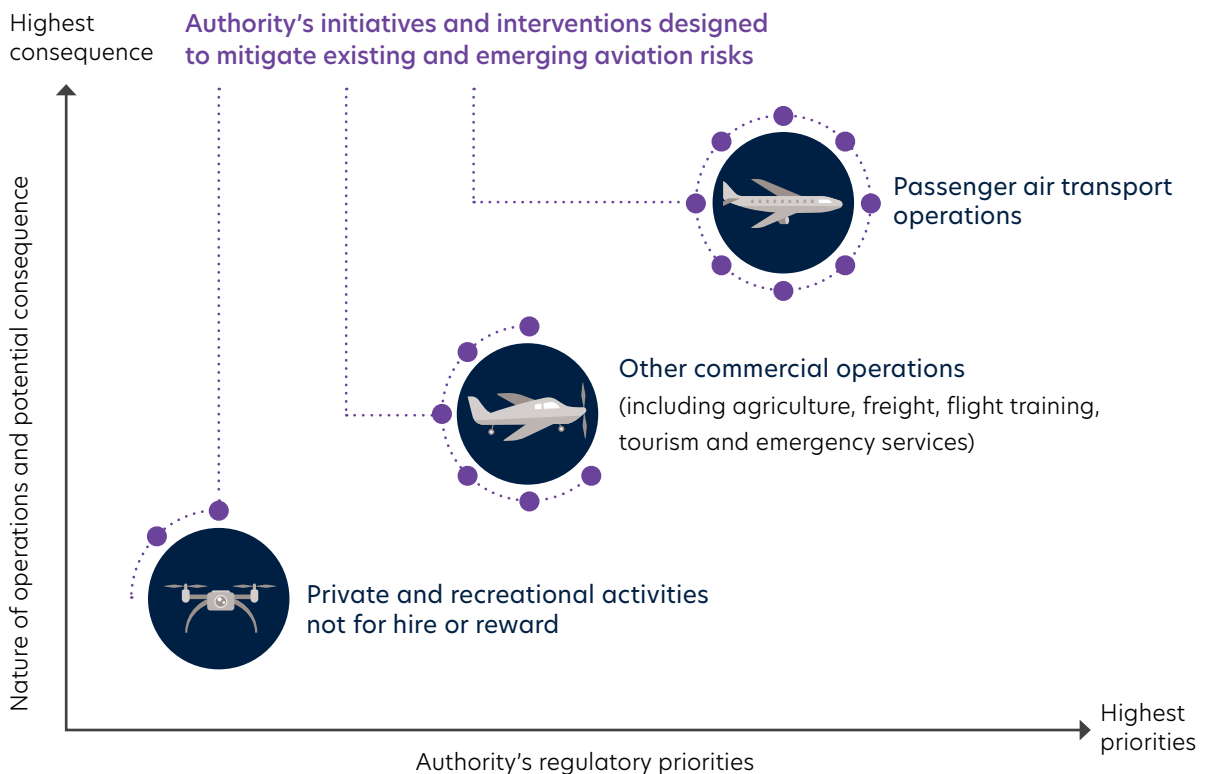
A safe and secure civil aviation system it is essential to support New Zealand's economic prosperity. With our geographical location, most of travel to and from New Zealand is by air. Our tourism industry, in particular, is heavily dependent on international air travel. Domestically, we rely heavily on aviation for emergency services, agriculture, tourism, freight and air travel. And our international and domestic supply chains move large volumes of cargo by air.

Given our high reliance on aviation internationally and domestically, significant disruption to our aviation system would have severe consequences for the country and for the government's transport sector outcomes.

Aviation in New Zealand is characterised by a high number and wide variety of operations considering the size of our country and its population. Each part of the system has unique characteristics and challenges, personnel, operators, passengers, and supporting infrastructure.

This diagram is broadly based on the three main sectors operating in our civil aviation system. It shows our regulatory priorities in relation to the nature of aviation operations and activities.

Our regulatory priorities in relation to the nature of aviation operations and activities





Regulatory priorities

1. Passenger air transport operations (commercial)

People and organisations using aircraft to provide passenger services for hire or reward. Includes helicopters as well as large, medium, and small passenger aeroplanes. Includes aviation adventure services.

2. Other commercial operations

People and organisations using aircraft to carry out non-passenger aerial operations for hire or reward, such as crop spraying, topdressing, carriage of freight, logging, flight training, emergency services, and commercial photography using remotely piloted aircraft (drones).

3. Private and recreational activities not for hire or reward

People and organisations flying for non-commercial reasons. Includes parachuting as well as flying aeroplanes, helicopters, and other types of aircraft such as gliders, microlights, hot air balloons, and remotely piloted aircraft (drones).

The aviation system functions within the broader government transport system

The aviation system is one part of the New Zealand government's integrated transport system, which also includes land transport and maritime transport. For this reason, we work closely with our government transport partners to address joint challenges, working together towards our shared goals.

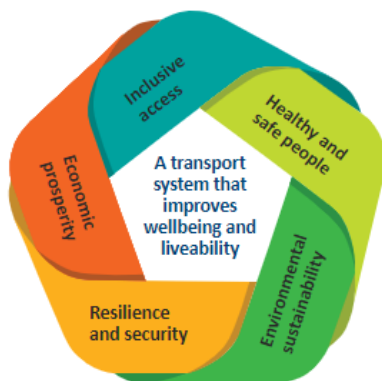
Government agencies directly involved in the transport sector are led by the Ministry of Transport and include:

- The Civil Aviation Authority
- Maritime New Zealand
- Waka Kotahi, New Zealand Transport Agency
- The Transport Accident Investigation Commission
- City Rail Link.

The government's intention is for a transport system that improves wellbeing and liveability for all New Zealanders – putting people at the heart of all we do.

This intention has been expressed in the five outcomes for the New Zealand transport sector. Achieving these outcomes will improve intergenerational wellbeing and the quality of life in New Zealand's cities, towns, and provinces. The framework is closely tied into the Living Standards Framework established by Treasury, the government's Health and Safety at Work Strategy 2018-2028, and the expectations set by the Minister of Transport.

Transport Outcomes Framework



The role of AvSec and our other security regulatory staff in providing security at New Zealand's borders means that we also work closely with the border sector. This includes Biosecurity (Ministry of Primary Industry), Customs, Immigration (Ministry of Business, Innovation and Employment), the Ministry of Health, the Ministry of Foreign Affairs and Trade, and the Ministry of Transport.

The Border Sector Governance Group was established in 2007 to make sure all the ministries had a joint approach. This was updated in 2020 to the Border Executive Board and the interdepartmental executive board to formalise Border Sector Governance Group arrangements - on which we are represented by the Secretary of Transport.

New Zealand's aviation system functions within the international aviation system

We work, and maintain standardisation, with our international counterparts. The International Civil Aviation Authority Organization (ICAO) is the lead international body for civil aviation. It's a specialised United Nations agency.

The ICAO adopts standards and recommended practices (which are known as SARPs), and signatory states have a responsibility to either comply with these, or file 'differences'. The filing of differences lets ICAO know where New Zealand's national standards or practices differ from those adopted by ICAO.



Sector profile

New Zealand's active aviation document holders (at 30 June 2022)

Organisations	2022	2021	Organisations	2022	2021
Australian AOC Operating with ANZA Privileges	3	4	Part 172 Air Traffic Service Organisation	1	1
Part 102 Unmanned Aircraft Operator Certificate	141	133	Part 173 Instrument Flight Procedure	2	2
Part 109 Regulated Air Cargo Agent	63	69	Part 174 Meteorological Service Organisation	3	3
Part 115 Adventure Aviation Operator	20	23	Part 175 Information Service Organisation	2	2
Part 119 Air Operator	150	153	Part 19F Supply Organisation	25	24
Part 119 Part 121 Air Operations Large Aeroplanes *	3	-	Part 92 Dangerous Goods Packaging	40	45
Part 119 Part 125 Air Operations Medium Aeroplanes *	16	-	Synthetic Training Device (Airlines)	8	8
Part 119 Part 135 Air Operations Helicopters and Small Aeroplanes *	142	-	Synthetic Training Device (General Aviation)	43	51
Part 108 Air Operator Security Programme *	48	-	Total	1034	841
Part 129 Foreign Air Operator	59	58			
Part 137 Agricultural Aircraft Operator	108	108	Individuals	2022	2021
Part 139 Aerodrome Certification	27	28	Part 66 Aircraft Maintenance Engineer	3,064	3,034
Part 140 Aviation Security Organisation	1	1	Part 66 Certificate of Inspection Authorisation	235	230
Part 141 Training Organisation	43	43	Part 66 Certificate of Maintenance Approval	320	341
Part 145 Maintenance Organisation	50	50	Pilot licences	29,593 ¹	29,162
Part 146 Design Organisation	12	11	Air Traffic and Flight Service licences	1,244 ²	1,223
Part 147 Maintenance Training Organisation	4	4	Total	34,456	33,990
Part 148 Manufacturing Organisation	12	11			
Part 149 Recreation Organisation	7	8			
Part 171 Telecommunication Service Organisation	1	1			

* Not reported last year

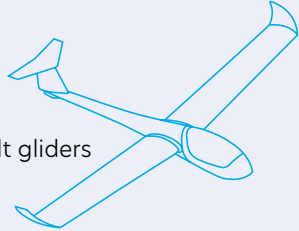
¹ This includes 3,361 with active class 1 medical certificates and 4,603 with active class 2 medical certificates, including ATPL Aeroplane licence holders 1086 holding active class 1 medical certificates and 966 with active class 2 medical certificates.

² This includes 628 with active class 3 medical certificates

Aircraft

3

amateur-built gliders
2021 - 3

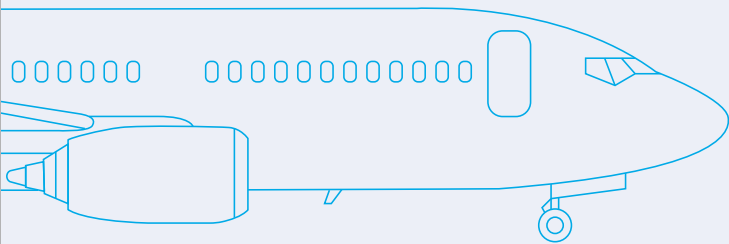
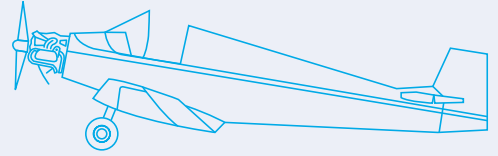


289

gliders
2021 - 292

323

amateur-built aeroplanes
2021 - 311

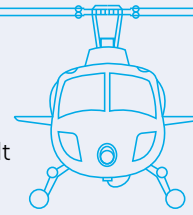


2,028

aeroplanes
2021 - 2,056

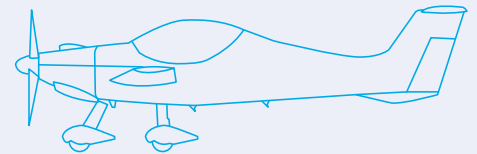
27

amateur-built
helicopters
2021 - 25



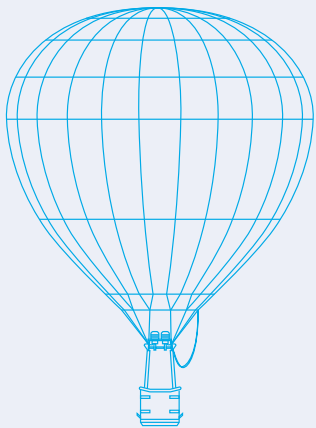
895

helicopters
2021 - 886



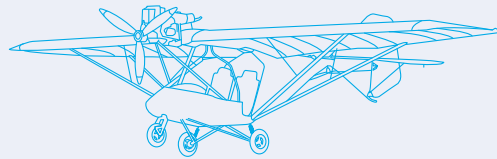
986

microlight class 2
2021 - 975



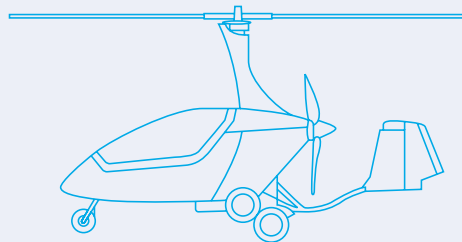
61

balloons 2021 - 62



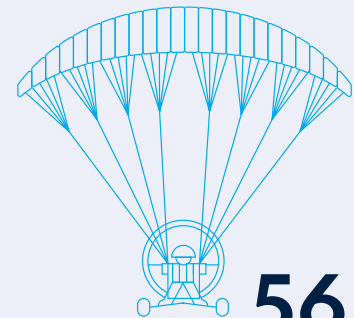
216

microlight class 1
2021 - 215



75

gyroplanes
2021 - 73



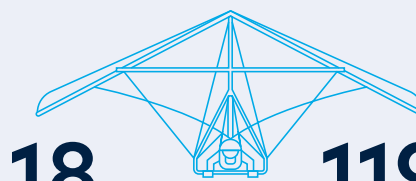
56

power gliders
2021 - 55



281

parachutes
2021 - 346



18

hang gliders
2021 - 19

119

paragliders
2021 - 120

Total

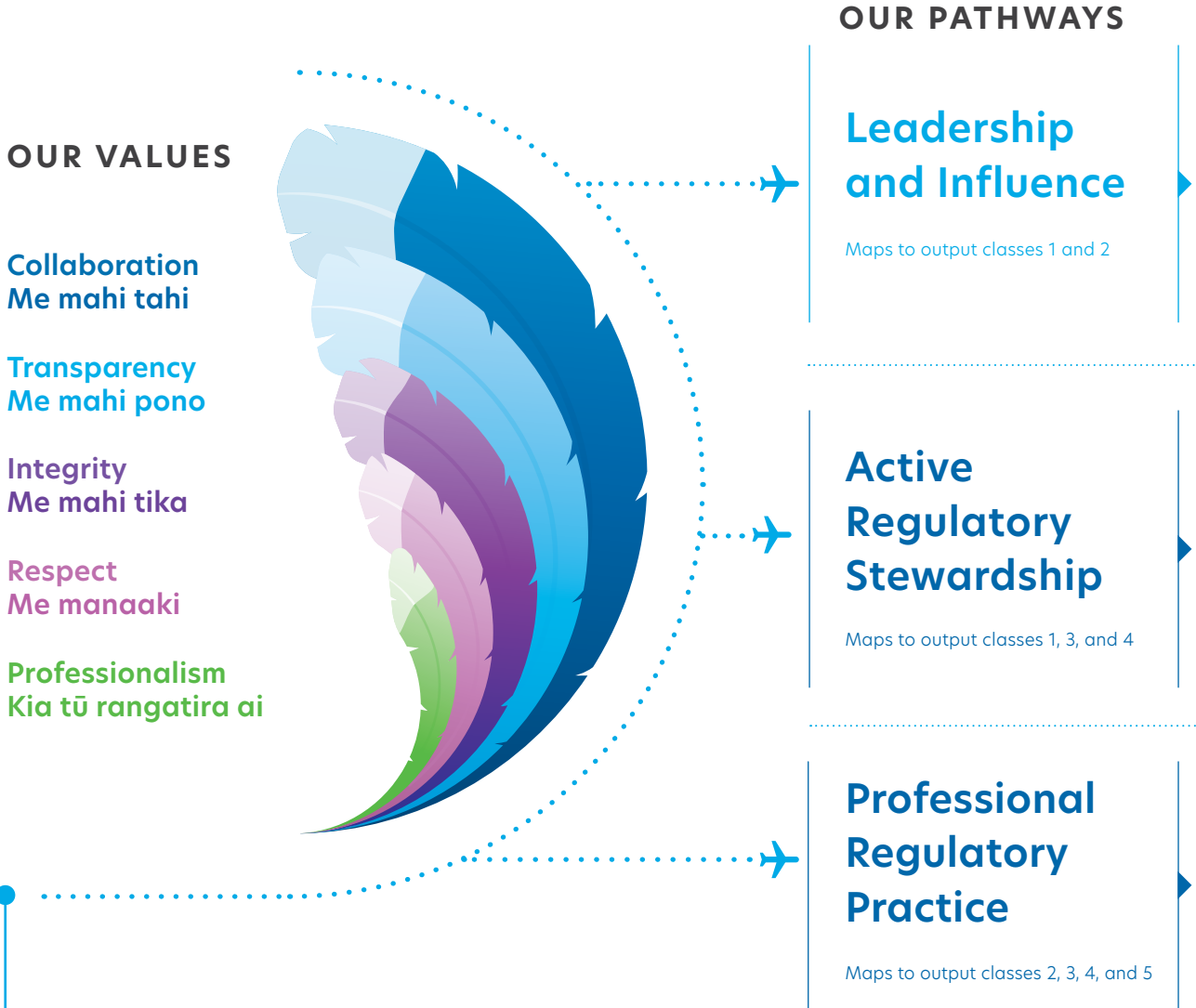
5,377

Our strategic framework





Our strategic framework and how we position ourselves to deliver





Through regulatory leadership we influence a safe and secure civil aviation system for New Zealand.

Success is when our stakeholders are engaged, and when we see behaviours improve as a result of what we do

We monitor and care for the civil aviation regulatory system through our policy and operational responsibilities.

Success is when our regulation is fit for purpose and our reputation is strong

We act to identify risk and reduce it through intelligence-led intervention.

Success is evident in the reduction of risk to safety and security within the system

OUR VISION AND PURPOSE

A safe and secure aviation system – so people are safe, and feel safe, when they fly

Resource stewardship

Responsibly managing our physical and financial resources and working towards financial and environmental sustainability

Communications and engagement

Our engagement - communicating effectively as one organisation with our stakeholders to understand and influence our environment

Strategic and business planning, reporting, quality, and assurance

Clear goals, clear pathways, and a performance and quality cycle that supports success

Our vision and purpose

A safe and secure aviation system – so people are safe, and feel safe, when they fly.

Our overall reason for being is to make certain people are safe and feel safe when participating in, or engaging with, the aviation system.

We do not want anyone to experience the pain of losing a family member or friend to a preventable tragedy.

As the regulator of New Zealand's civil aviation, we do all we can to make sure such a tragedy does not happen. We work collaboratively across the system to make sure it's robust, meets international standards, and is well understood, with risks identified, and mitigated, as efficiently as possible.

Our vision and purpose are underpinned by our beliefs:

- We believe in keeping people safe and secure.
- We believe in promoting participation in the aviation system; and making a difference to New Zealand.
- We believe effective regulation will both protect and enable a safe and secure civil aviation system.

How we know we're achieving 'feeling safe'

We commission a survey every second year to assess how safe New Zealanders and international visitors feel when flying in New Zealand (called the *Feel Safe, Be Safe* survey.) This identifies the different types of flyers, and flights taken, and how comfortable they feel. We know we're succeeding when the survey shows New Zealanders and international visitors feel increasingly safe in our skies, as measured by the change between the previous survey and the current one.

How we know we're achieving 'being safe'

We gather and publish accident rates from across the civil aviation system, contrasted with the amount of activity in the system. This information is used by the Authority to understand the frequency of incidents and accidents, and in which area of aviation these occur, so we can focus our resources. We're succeeding when the number of accidents and fatalities remains low. We're also successful when we intervene effectively to reduce risk, while helping to create a vibrant aviation system where new technologies successfully emerge, and there are zero security incidents.

The aviation security environment can evolve very quickly. It's important our aviation security system anticipates, adapts, and responds to the ever-changing environment. We succeed when our ability to detect threats through our security activities results in no system failure, injury, or economic impact.

Overall, safety in the system has improved over the past 20 years, people were safe when flying in New Zealand in 2021/22. Since 2000 the number of accidents and fatalities has decreased as new aviation technology is adopted, regulatory interventions more effectively target risk, and participants implement better ways to detect and minimise risk.

Accident rates across the civil aviation system, and our work on safety and security in the system, are included in the Professional Regulatory Practice section of this report, on page 44.



Performance in 2021/22

Indicators of our success - from the Statement of Intent 2021-2026

A safe and secure aviation system - so people are safe, and feel safe, when they fly.

- The frequency of accidents and fatalities remains low - refer report on Professional Regulatory Practice pathway.
- Risk interventions demonstrate effective mitigation - refer report on Professional Regulatory Practice pathway.
- New technologies enabled - refer report on Active Regulatory Stewardship pathway.
- Security incidents remain at zero - There were no security incidents in 2021/22 in the categories we monitor:
 - In-flight security incidents involving offences against the Aviation Crimes Act 1972 for aircraft which have been screened by the Aviation Security Service.
 - Airside security incidents involving offences against the Aviation Crimes Act 1972 at security designated aerodromes where the Aviation Security Service operates
 - Airside incidents involving the introduction of dangerous goods into aircraft screened by the Aviation Security Service.
- Increasing confidence reported in our biennial 'Feel Safe' survey.

Update on 'Feel Safe' survey

In 2020/21 and 2021/22, we did not run this survey, because the results were at risk of being skewed by COVID-19 restrictions, and requirements in place for domestic flights. We also considered it would not have been appropriate to add to border system complexity by intercepting international passengers at airports. For the results of the 2019 survey, see page 14 of our 2020 Annual Report.

When borders began to open again, we started planning for a 2022 'Feel Safe' survey. The field work for the survey was conducted in September 2022, and the results were reported to the Authority in November 2022. Although the survey was conducted in September 2022, it is indicative of travellers' experience over 2021/22.

The key findings from the survey were:

- 96% of international passengers feel satisfied with security procedures at NZ airports (increase from 94% in 2019)
- 86% of international passengers felt safe and secure (very/extremely) at NZ airports (same percentage as 2019)
- 78% of domestic passengers felt satisfied with security procedures at NZ airports (decrease from 82% in 2019)
- 72% of domestic passengers felt safe and secure (very/extremely) at NZ airports (decrease from 77% in 2019)

Possible reasons for the decreases are:

- Concern about COVID-19 precautions at the airport. Those who were happy with COVID-19 precautions felt just as safe and secure as in 2019. The small proportion of people who thought COVID-19 precautions at the airport were inadequate felt much less safe and secure, impacting the overall result.
- There has been a general decline in sentiment towards government agencies this year. The decline has affected trust and confidence type measures rather than service interaction measures, attributed to a general COVID-19 weariness.

Overall, satisfaction levels are high. This is supported by the results of stakeholder research, commissioned by the Authority and conducted in May 2022 which found that most stakeholders feel safe and believe the New Zealand aviation system is safe. Around 80% feel and believe the system is safe compared around 5% who don't.

The full results of the 2022 'Feel Safe' survey are on the Authority website at:

 www.aviation.govt.nz/about-us/corporate-publications/#Surveys



Notes on 'Feel Safe' survey

The 2022 Feel Safe survey was conducted by Kantar Public, an independent market research company. The results were based on an online survey of travellers who live in New Zealand, and an intercept survey of international air travellers at airports.

Research method for online survey:

- Online survey of 1,001 New Zealanders aged 18 years and over who have travelled by air in, or from, New Zealand within the last 12 months.
- Sample sourced from Colmar Brunton's online panel (around 100,000 members) and panel partners.
- Average time to complete survey was approximately 13 minutes.
- 31% response rate was achieved.
- All interviews were completed between 9 and 26 September 2022.
- Maximum margin of error for the total sample of 1,001 interviews is +/- 3.1% at the 95% confidence level

Research method for intercept survey of international air travellers at airports

- Intercept survey of 314 international travellers at departure lounges at Auckland International Airport.
- Of the 314 international travellers surveyed, 159 had mainly lived in New Zealand for the last 12 months and 155 had mainly lived overseas for the last 12 months, with Australia being the most common country of residence besides New Zealand.
- Average interview length was approximately 12 minutes.
- 66% response rate was achieved.
- All interviews were completed from 9 and 19 September 2022.
- Maximum margin of error for the total sample of 314 interviews is +/- 5.5% at the 95% confidence level

Our pathways





Our pathways to deliver on our vision and purpose

PATHWAYS

SUCCESS IS...

Leadership and influence

Through regulatory leadership we influence a safe and secure civil aviation system for New Zealand.

...when our stakeholders are engaged, and when we see behaviours improve as a result of what we do

Active regulatory stewardship

We monitor and care for the civil aviation regulatory system through our policy and operational responsibilities.

...when our regulation is fit for purpose and our reputation is strong

Professional regulatory practice

We act to identify risk and reduce it through intelligence-led intervention.

... evident in the reduction of risk to safety and security within the system



TYPES OF ACTIVITY

- Providing advice, guidance, and information to the public and aviation participants
- Leading New Zealand's international engagement to meet ICAO requirements
- Supporting our Pacific neighbours with their aviation security programmes
- Participating in Border Executive Board
- Contributing to all of government security responses
- Contributing to environmental work across government.

- Continually improving the effectiveness of our policies and practices through our risk-based and intelligence-led approach
- Ensuring ICAO policy settings are effective for New Zealand
- Contributing to the development of the Civil Aviation Bill, and then implementing the required changes to our policies and practices
- Managing the Minister of Transport's aviation safety and security policy and rules programme, in partnership with the Ministry of Transport
- Exploring and supporting the safe development and use of new technologies.

- Gatekeeping entrance into the aviation system through certification and licensing
- Constantly monitoring and inspecting to ensure continuously safe operations within the aviation system
- Investigating of accidents and incidents to learn how we can reduce risk within the system
- Delivering security screening activities at security designated airports
- Conducting perimeter patrols and access control checks at security-designated airports
- Operating the airport identity card system
- Supporting other government agencies with security services as requested, including a maritime security response.

Pathway

Leadership and influence

We lead and influence a safe and secure aviation system internationally, regionally, and domestically. We believe we're successful when our stakeholders are engaged, when we are well respected internationally and domestically, and when we see the regulatory system and behaviours improve because we've intervened. Our work in this pathway includes:

- Influencing to create behaviour change
- Leading New Zealand's engagement to ensure we influence and meet international requirements
- Supporting the Ministry of Foreign Affairs and Trade's Pacific aviation security programme
- Collaborating across government to support wider transport outcomes.

How we know we're demonstrating leadership and influence

In addition to people being safe and feeling safe in the aviation system:

- the Authority's domestic and international reputation grows positively
- the Authority's outreach and influencing activities are positively received.



Performance in 2021/22

Indicators of our success - from the Statement of Intent 2021-2026

- The Authority's domestic and international reputation grows positively (based on a composite of ICAO scores, stakeholder surveys, and performance against Output Class 1 - Policy and Regulatory Strategy
- The Authority's outreach and influencing activities are positively received (based on outreach quality scores drawn from Output Class 2 - Outreach).

Performance against selected Output Class 1 (Policy and Regulatory Strategy) and Output Class 2 (Outreach) performance measures

Performance Measure	2021/22 Target	2021/22 Actual
1.1.1 We will ensure New Zealand's obligations as a signatory state to the Chicago convention are met, where appropriate for New Zealand ³ : <ul style="list-style-type: none"> • Maintained alignment with existing Standards and Recommended Practices (SARPs) • Alignment with new SARPs • Filing of Differences with required timeframes 	Maintained	Maintained
1.4.2 We will develop and release a regulatory strategy	Achieved 100%	Achieved 100%
1.6.1 Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade.	Complete by 30 June 2022	Completed
1.6.1 Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade.	100%	100%
2.1.2 Our education courses, workshops, or seminars are rated by participants as a 3 or higher (in a rating scale of 1 to 5 where 5 is highest).	85%	94.29%
2.1.3 Our targeted safety campaigns meet or exceed their agreed success criteria.	85%	100%

See pages 86 to 118 for complete sets of output performance measures and actuals, including commentaries where targets were not met.

³ This performance measure is included in the 2021/22 Estimates for Vote Transport, in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations. We consider this measure met if we align with new SARPs or, where there are differences between practice in New Zealand and that established by international standard, that these have been reported to the ICAO.

We worked internationally to increase safety in the civil aviation system and deliver economic benefits

Engagement with our international partners is important to keeping aviation safe and secure in New Zealand and its neighbours, and to encourage a strong economy.

ICAO Engagement

We attended the ICAO High-level Conference on COVID-19, held, virtually, in October 2021. This included presenting a working paper encouraging ICAO to provide advice and guidance for Pacific States with limited resources to support their COVID-related challenges. We co-sponsored papers from Australia and Singapore, and supported papers from other States where they were aligned with New Zealand's strategic priorities.

A CAA delegation attended the 57th Conference of Director General of Civil Aviation (DGCA) held in South Korea in July 2022. We presented two papers at this conference, one discussing the value of volcanic ash exercises, and the other on the need for ICAO to support Pacific Small Island Developing States to meet their aviation security obligations. We also co-sponsored and supported papers from like-minded States within the Asia-Pacific region, and met individually with key partners.

Technical Coordination

In June 2022, we attended the United States Federal Aviation Administration (FAA) and European Union Aviation Safety Agency (EASA) Safety Conference on airworthiness and emerging technology issues. As part of this, we had a number of meetings with our partners from the USA, EASA, Canada, UK, Australia and Singapore on key areas of mutual interest, such as the potential for future technical cooperation.

We also attended a series of virtual FAA-APAC (Asia-Pacific) Bilateral Partners meetings to discuss aircraft maintenance and certification issues across the Asia Pacific region.

Engagement with Other States

We engaged with the Network of National Aviation Authorities (made up of NZ, UK, USA, Canada, and Australia). We've been involved in working groups set up under that partnership. This has included safety assurance during the COVID recovery period, innovation and emerging technologies, and sustainable aviation fuels.

We remained engaged with our trilateral partners – Canada and Australia – and continue to work with them on areas of mutual interest.

Our ongoing work with our Pacific neighbours is keeping the region safe and secure

We continued to support the Pacific nation States and the Pacific Aviation Safety Office. For example, we've been helping Pacific nation States to resolve ICAO air navigation deficiencies in the meteorology field, and to plan compliance for the expected introduction of new ICAO aeronautical meteorological service standards.



This includes improving mechanisms globally for communicating volcano hazard information from volcano observatories to aviation. We're also implementing a new generation of volcanic ash information services by ICAO's Volcanic Ash.

Advisory Centres. We also provided ongoing aviation security capacity and capability building across the Pacific, including technical training, support, and infrastructure.

Regular meetings between the Director of Civil Aviation and equivalents in the Civil Aviation Authority of Singapore (CAAS) and Civil Aviation Safety Authority of Australia (CASA)

The Director had four informal online meetings with counterparts in the CASA and the CAAS. While discussions centred on comparing national responses to the pandemic with a view to achieve regional commonality, the development of memorandums of understanding were also addressed as a means to relieve regulatory burdens, by recognising national regulatory actions as acceptable and equivalent measures. When travel was limited this provided a means to maintain regulatory assurance where New Zealand companies may operate in several countries or jurisdictions.

Contributing domestically and internationally to New Zealand transport security framework

The Authority has engaged with the Transport Response Team (TRT) from the Ministry of Transport. This is the method for transport agencies to join up for events and emergencies so there's a seamless transport interface with all-of government agencies. We have been part

of the COVID-19 TRT since 2020 with the tempo increasing during escalation phases such as August 2021 during the Omicron outbreak in early 2022. We also contributed during significant weather events, tsunami alerts, the potential Mt Ruapehu eruption, and in response to the Russia Sanctions Act 2022.

We contribute to the Safer Skies Initiative which is a multinational project led by Transport Canada. Safer Skies works to ensure that civil aviation has current and accurate information when flying over conflict zones. The CAA presented at the international Safer Skies forum about our approach.

Pathway

Active regulatory stewardship

We're active stewards of the civil aviation regulatory system. This means we contribute to a whole-of-system, life-cycle view of safety and security regulation. Regulatory systems are assets requiring ongoing updates and attention, so we need to continually monitor and upgrade the system to ensure it is fit for purpose. Our work in this pathway includes:

- Engaging with ICAO to ensure international policy settings are effective for New Zealand
- Drawing on our risk-based, intelligence-led, operational activities
- Contributing to the development of the new Civil Aviation Bill
- Managing the Minister's aviation safety and security policy, and rules programme
- Exploring and supporting the development and use of new technologies.

How we know we're demonstrating active regulatory stewardship

In addition to people being safe and feeling safe in the aviation system:

- New Zealand aviation operators are able to operate internationally and domestically
- the civil aviation regulatory system demonstrates value for money for government, participants and users of the aviation system.



Performance in 2021/22

Indicators of our success - from the Statement of Intent 2021-2026

- New Zealand aviation operators are free to operate internationally and domestically (based on the composite of ICAO scores, signed international agreements, and the quality scores drawn from Output Class 3 - Certification and Licensing).
- The civil aviation regulatory system demonstrates value for money for government, participants, and users of the aviation system (based on value-for-money assessments).

Performance against selected Output Class 3 (Certification and Licensing) performance measures

Performance Measure	2021/22 Target	2021/22 Actual
3.1.2 Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving a complete application.	100%	94%
3.1.3 Timeliness: All personnel licensing activities will be completed within ten working days of receiving a compliant application.	100%	100%
3.1.4 Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards.	100% of the time	100% of the time

See pages 86 to 118 for complete sets of output performance measures and actuals, including commentaries where targets were not met.

The New Southern Sky programme (NSS) continues to deliver significant benefits, as more stakeholders adopt new, safer technology on aircraft

More than \$4.7m of grants for Automatic Dependent Surveillance-Broadcast (ADS-B) OUT, and IN, has been distributed across the programme to-date by the ADS-B grant scheme team, as more participants understand the benefits, in all airspace, of the enhanced situational awareness that ADS-B IN provides. As the 31 December 2022 mandate approaches, requiring all aircraft operating in controlled airspace to use ADS-B OUT technology, the number of ADS-B equipped aircraft is steadily increasing. More than 2200 aircraft are now equipped, and a total of around 2,500 is forecast to be equipped by the mandate. The grant scheme will close on 30 June 2023. Both the mandate and the closure date of the grant scheme were extended by one year because of the COVID-19 hiatus.

The NSS programme has delivered a collaborative engagement template allowing stakeholders to contribute successfully to the delivery of over 50 projects under the leadership and stewardship of the Authority. The lessons identified from this work have been captured in the NSS Transition Plan: Programme Review (Version 1) and provided to help the work of the Air Navigation System Review Panel.

Before the NSS team was disestablished on 30 June 2021 it delivered a keystone report 'Collaborating to Reduce Emissions from Aviation', which provides a pathway to cooperatively reducing aviation emissions well ahead of the expected introduction of new technologies in 2026. This report has been presented to the Ministry of Transport to inform the Sustainable Aviation Aotearoa (SAA) industry group that the ministry is setting up.

The NSS Governance and Working Groups have continued to meet on a six-monthly basis. This has recently included confirming that Airways' plans for new back-up surveillance systems to ADS-B at our three major airports have transitioned to contracted projects. The ground based navigation aid system minimum operating network of 24 VOR/DME, as a back up to GNSS/GPS outages, is now fully funded and the new Skyline X air traffic management system will be in place by April 2023, increasing system resilience and improving capability. These projects will collectively contribute safety barriers delivering significant system safety benefits. The Satellite Based Navigation System capability being acquired jointly by New Zealand and Australia (SouthPAN) is still being procured with the preferred contractor. A proposed system design has been prepared. Land Information New Zealand (LINZ) has made preliminary visits to intended ground sites in New Zealand and Scott Base. Budget 22 contained a provision for SouthPAN through to 2026 and the project is expecting to go to contract soon. This has significant safety, economic, social, and environmental benefits to deliver, and is expected to be in use by 2026.

Monitoring NSS progress

The NSS programme will continue to the end of 2023 and the Authority plans to evaluate its benefits then. This will coincide with a 'showcase' event to highlight the contribution of stakeholders over a decade of effort. Benefits are expected to accrue to at least 2033. Progress on a range of projects being delivered by the programme is being reported quarterly and can be monitored through www.nss.govt.nz.



Rules Development Programme





The design of the aviation regulatory system is continuously evolving. New technologies emerge, international standards change, or existing rule requirements may result in unintended safety, security, and economic outcomes.

In response, new rules may need to be designed, and existing rules may be amended or retired. To ensure the design of the aviation regulatory system remains effective, the Ministry of Transport contracts the Authority to develop regulatory policy and the associated civil aviation rules.

Under the rule development agreement with the Ministry of Transport, the Civil Aviation Authority develops the draft final rule package in conjunction with the ministry. The Ministry of Transport is responsible for progressing the final rule package through government processes to secure the Minister's signature. The current package of rule changes is set out below.

Rule no.	Project title	Latest milestone achievement	Progress status and comment	Next milestone/expected delivery date
Part 91	Performance based navigation	Minister signed the rules on 5 October 2021.	 Rules came into force on 1 December 2021.	13 CAA Notices have been drafted and released for public consultation, which will close on 2 September 2022.
Part 139	Runaway condition reporting	This project was initiated in early 2022.	 A draft Notice of Proposed Rule Making will be released for public consultation in early September 2022.	Following the public consultation we'll finalise a summary of public submissions and begin finalising the draft rules.
Various	Assorted issues	This rule project was placed on hold due to resourcing constraints.	 We expect to start drafting a Notice of Proposed Rulemaking when the Runway Condition Reporting project has been completed.	This project should be picked up in early 2024.

Status

-  Complete
-  Steady and positive progress - on track
-  Minor delay/issues identified - should be delivered by agreement period
-  Major impediments - delivery unlikely within agreement period

We responded to emerging aviation technologies

An emerging aviation technologies sector has been growing in New Zealand. Sector participants range from developers of rocket-powered satellite launch vehicles, to companies wanting to develop the commercial opportunities of uncrewed aircraft (UA) technology. Regional growth centres have also emerged, including Auckland, Christchurch and Canterbury.

The development of an aerospace strategy has been led by the Ministry of Business Innovation and Employment (MBIE) and is scheduled for launch for consultation at the aerospace summit in Christchurch in September 2022. The Authority is committed to contributing to the successful development and implementation of this strategy, alongside the Ministry of Transport. In parallel, the Authority has been a partner in the Airspace Integration Trials Programme (AITP) alongside MBIE, the Ministry of Transport, and Airways, since 2019. The AITP aims to facilitate the safe testing, development, and market validation of advanced unmanned aircraft, and accelerate their integration into New Zealand's aviation system, through use cases.

The growing complexities of emerging aviation technologies and the rapid pace of developments, have presented the Authority with resourcing challenges. It's been working through longer term options with the Ministry of Transport and MBIE to address them. In anticipation of longer term funding and to ensure that the Authority is well prepared to work through the challenges presented by emerging technologies, the Director of the Emerging Technologies Programme has been building a programme management capability. This includes establishing an Emerging Technologies Unit to coordinate programme effort.

The unit will provide 'gateway' guidance for innovators and operators to enter the aviation system, better prepared for the regulatory challenges they'll encounter. It will coordinate relevant Authority certification effort and resourcing, while testing new regulatory approaches through testing and evaluation.

Update on 2021/22 progress on the Civil Aviation Bill

The Civil Aviation Bill has been introduced to the House, and is making its way through the parliamentary process. The Bill, when passed, will replace New Zealand's two main pieces of primary aviation legislation, the Civil Aviation Act 1990 and the Airport Authorities Act 1966. It will improve regulation of aviation in New Zealand.

The Authority has been working closely with the Ministry of Transport and other government stakeholders on the Bill, and will begin work to implement the new legislation, once passed. The Bill allows a 24-month period for this to happen. This work is in addition to current workload and unless it is able to be adequately resourced, delivery will be at risk.

International mutual recognition of regulatory supervision for Part 145* maintenance providers

The CAA and CAAS continued development of a memorandum of understanding providing recognition of each other's regulatory supervision of Part 145 maintenance providers in Singapore and in Los Angeles (NZ-certified). This will help the operations of Air New Zealand and Singapore Airlines, and reduce the burden on both regulators in terms of time and cost. The MoU will receive its final signatures at the ICAO General Assembly in September 2022.

* Part 145 is a civil aviation rule that governs the certification and operation of aircraft maintenance operations.

FILLER PAGE



Pathway

Professional regulatory practice

We act to make sure the aviation system is safe and secure. Through the implementing of regulatory requirements. Professional regulatory practice refers to the way we regulate across the whole civil aviation system - as people enter, operate or engage within, and exit the system.

Our actions and approach are firmly grounded in our values of collaboration, transparency, integrity, respect, and professionalism. Our work in this pathway includes:

- Gatekeeping entrance into the aviation system through certification and licensing, and ongoing monitoring and inspection
- Investigating accidents and occurrences
- Delivering security screening activities.

How we know we're demonstrating professional regulatory practice

In addition to being safe and feeling safe in the aviation system:

- we effectively deliver output classes 3-5 (certification and licensing; monitoring, inspection and investigation; and security service delivery)



Performance in 2021/22

Indicators of our success - from the Statement of Intent 2021-2026

- The Authority's certification and licensing activities are effective (assessment drawn from Output Class 3 - Certification and Licensing)
- The Authority's monitoring and investigation activities are effective (assessment drawn from Output Class 4 - Monitoring, Inspection, and Investigation)
- The Authority's security service delivery is effective (lack of security incidents, and performance against Output Class 5 - Security Service Delivery)

Performance against selected Output Class 3 (Certification and Licensing), Output Class 4 (Monitoring, Inspection, and Investigation) and Output Class 5 (Security Service Delivery) performance measures

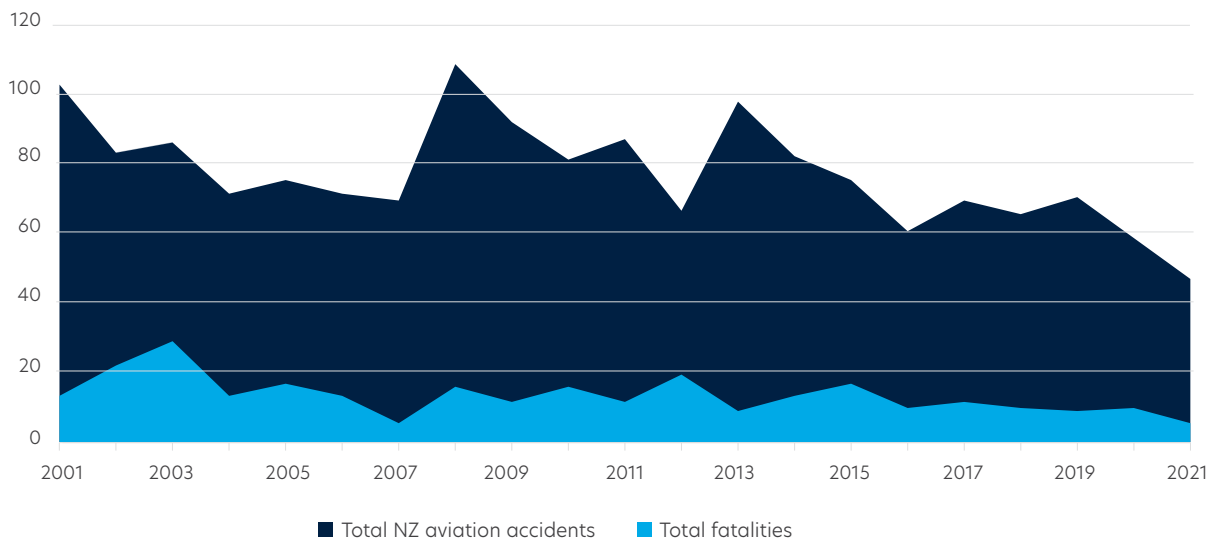
Performance Measure	2021/22 Target	2021/22 Actual
3.1.4 Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards	100% of the time	100% of the time
4.1.3 Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our regulatory model.	100% of those assessed comply	100% complied
5.1.1 Acceptance by International regulators of AvSec equipment and practices as used within the New Zealand aviation security system.	100%	Not achieved
5.1.2 Technologies deployed meet accepted international standards, as directed and agreed by the Director of Civil Aviation.	100%	100%

See pages 86 to 118 for complete sets of output performance measures and actuals, including commentaries where targets were not met.

Aviation safety in 2021/22

The Authority's main purpose is to make sure New Zealand's civil aviation system is safe and secure. As a result of the work we do, people should be safe and feel safe when they fly.

Aviation accidents and fatalities annually⁴



We track fatality and incident rates as part of understanding and seeking to improve the impact of the work we do. There's a wide range of aircraft in use in every sector of the aviation system. For example, aircraft vary between large aeroplanes used by airlines, to helicopters, gyroplanes, amateur-built helicopters and fixed wing aircraft, hang gliders, paragliders and parachutes. This variety can be seen in the types of accidents that are reported, which range from relatively minor accidents resulting in no injury or minor injury, to fatal accidents.

⁴ These are accidents involving NZ-registered aircraft. They exclude foreign-registered aircraft having accidents in New Zealand and also exclude accidents involving parachutes, paragliders, and hang gliders. This graph has been prepared on a calendar year basis due to the time needed to assemble information.

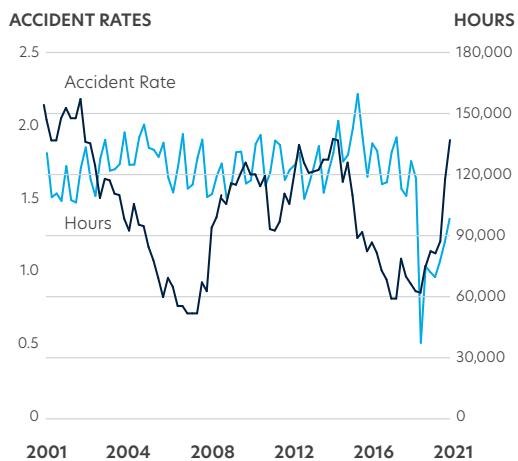
Safety by sector

Aviation safety varies considerably by sector. Commercial passenger transport remains exceptionally safe, while other sectors have additional inherent risks to manage.

Annual accident rates per 100,000 hours, and annual flight hours over the past 20 years

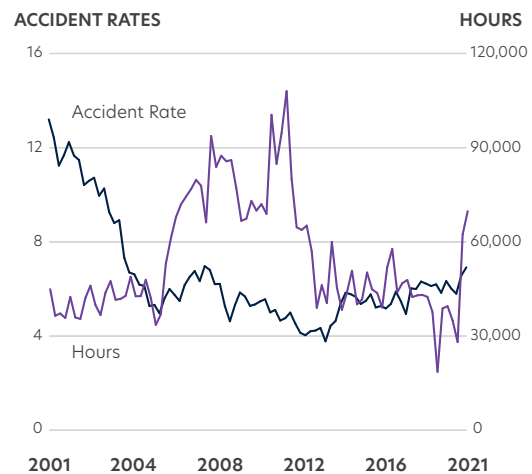
Commercial passenger transport

Large, medium, and small aeroplanes, sport aircraft, and helicopters transporting people on a commercial basis. For example, scheduled passenger flights.



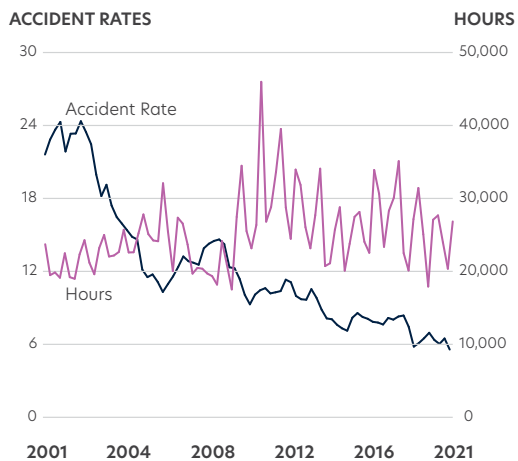
Commercial non-passenger

Aeroplanes, helicopters and sport aircraft that are used for commercial purposes, not including passenger transport, for example, training or construction.



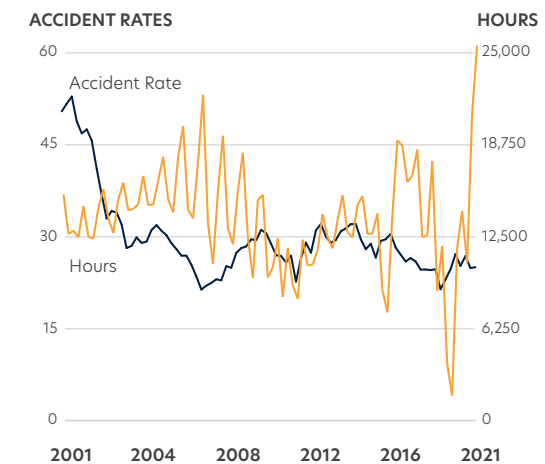
Agricultural aviation

Aeroplanes and helicopters used for agricultural purposes, for example, crop spraying.



Private aviation

Privately-owned and used aeroplanes, helicopters and sport aircraft, for example, aircraft used for recreation.



Reduced social cost of accidents

While the social cost measure is very sensitive to the nature and character of occurrences in the aviation system, the social cost of accidents has decreased over time.

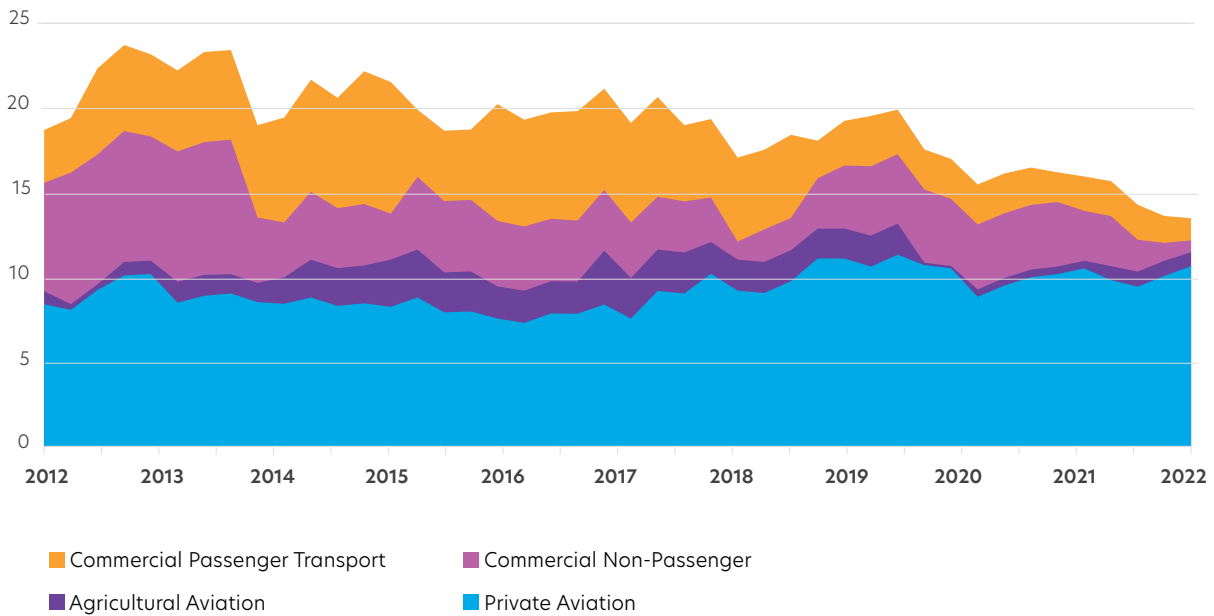
The Value of Statistical Life (VOSL) was established at \$2 million in 1991 and is regularly indexed to the average hourly earnings to express the value in current dollars.

The updated VOSL is \$4.53 million per fatality, at June 2019 prices. Work planned at the Ministry of Transport will update the VOSL over the coming year, with an intention to replace the 1991 value.

For the full VOSL report, refer to:

www.transport.govt.nz/statistics-and-insights/safetyannual-statistics/sheet/social-cost-of-road-crashes

Social cost by sector (\$m) - Three-yearly moving average

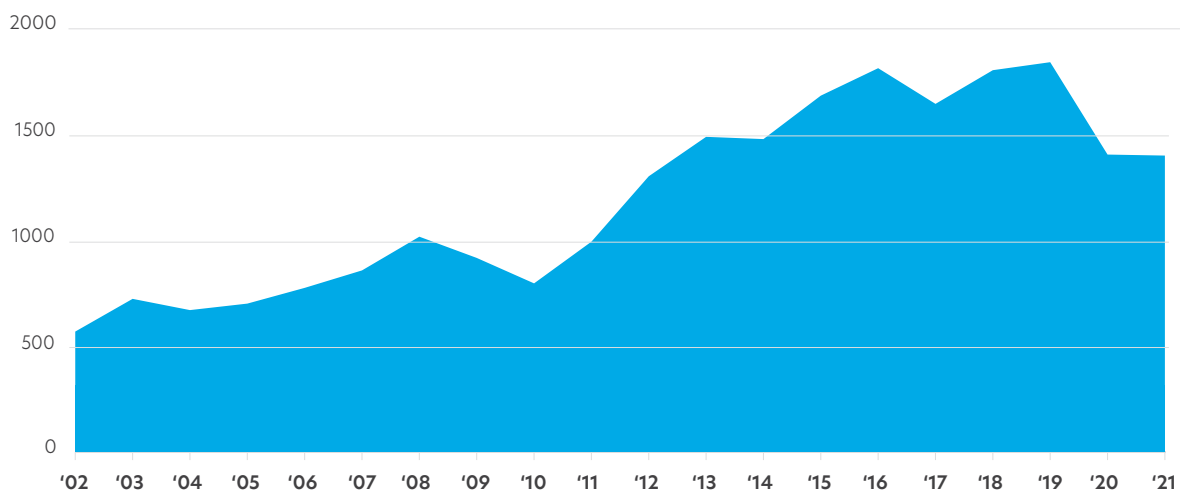


Airspace occurrences and reports

We actively monitor airspace occurrences (safety events that have been reported to the Authority) with the intent of influencing a safe airspace environment. We're aiming to reduce near misses, loss of separation, and uncontrolled incursions. In general, airspace occurrences are reported to the Authority by participants in the aviation sector.

While we aim to reduce the number of airspace occurrences, the increase since 2001 is understandable. This is because flight activity is always growing, as is the number of participants in the civil aviation system, as well as the Authority's increased emphasis on encouraging participants to report these types of occurrences.

Annual airspace occurrences



Airspace occurrence data for 2021/22

		2016	2017	2018	2019	2020	2021	2022	Target
Close proximity events									
'Near misses' and loss of separation incidents	Count	102	89	121	97	99	95	97	Fewer 'near misses'/ loss of separation incidents through time
	Per 100,000 hours	11.12	9.16	13.01	10.93	14.19	15.30	17.65	
Unauthorised airspace incursions									
Uncontrolled incursions (into controlled airspace)	Count	389	341	394	367	351	425	374	Fewer uncontrolled incursions (into controlled airspace) through time
	Per 100,000 hours	42.4	35.08	42.38	41.35	50.30	68.44	68.04	

Monitoring of the ongoing effects of COVID-19 on the safety of the aviation industry

In the first half of the reporting year, attempts to plan schedule and conduct risk-based monitoring of aviation participants were continually frustrated by the impacts of COVID-19. Uncertainty, unavailability of participant staff, and the need to apply COVID-19 health and safety protocols required us to be flexible and innovative in conducting inspections. Inspections were conducted remotely as well as a blended approach of remote and on-site assessments. Despite the disruptions, the collaboration between industry participants and the regulator enabled a significant number of participant-focused monitoring activities.

Two sector-facing programmes relating to the impacts of COVID-19 were conducted – one sampling how participants were managing in the continuing environment, and the other, focused on the preparedness of flight training organisations to respond to the lifting of border restrictions.

The COVID-19 follow-up programme identified that businesses dependent on tourism were surviving with a low level of operational activity, were continuing to safely manage their operations, and were applying safety management thinking to their plans to return to previous operating levels. The situation was found to be similar with the flight training preparedness programme, with organisations showing they were able to absorb a potential increase in the number of foreign students undertaking flight training. Evidence of change management processes being applied, provided an assurance of safe outcomes as activity levels ramp up.

As greater stability returned toward the end of the reporting year, it was possible to re-establish a more balanced monitoring programme. The number of participant-focused, risk-based monitoring activities increased, and planned began on a wider range of sector-focused monitoring programmes, which will be undertaken in the coming year.

Progress on the certification of organisations with safety management systems, and next steps

Safety management systems are formal risk management frameworks, that embed risk mitigation action plans in aviation systems, taking into account their specific risks, needs, and circumstances. Their introduction means operators have effective systems for hazard identification and risk management, safety targets and reporting processes, procedures for audit, investigations, remedial actions, and safety education.

The implementation of safety management systems is being undertaken in accordance with Part 100 – *Safety Management* and has been ongoing for six years. The programme was extended in response to the delays caused by the COVID-19 pandemic. One *Safety Management System* implementation certification is still to be completed. This is scheduled to be completed by 30 November 2022. Development of policy and process for the post-implementation evaluation of the *Safety Management System* is under way.

The certification and ongoing monitoring of operators' *Safety Management Systems* is also an important aspect of how we'll continue to meet our obligations as a regulatory agency under the Health and Safety at Work Act 2015.



They'll give us additional oversight of individual operators' risks and assurance that they're addressing them, and have appropriate response plans and systems.

Activity with emerging technology

New Zealand airlines, large and small, are set on zero emissions pathways, with plans to have commercial flights in service in the second half of this decade, powered by hydrogen, electricity, or by a hybrid. The aim is to acquire certified platforms from overseas. This would place the associated regulatory challenges mostly in the operational domain. However, the most challenging issue is probably the new infrastructure required to support alternative propulsion. The Authority's Emerging Technologies Programme is supporting this effort, and early alignment of available regulatory capability and capacity with the airlines' aspirations.

Working with the flight training sector - overhead join video

As noted above, the Authority actively monitors safety-related events to influence a safe airspace environment for all aviation activities. During the 2019/20 year, the Authority was concerned by three fatalities in training aircraft accidents. A further review revealed there had been 16 fatalities in flight training in the previous 15 years.

This data indicated the need to assure the safety of commercial flight training operations. The Authority analysed all fixed-wing flight training sector incidents, CAA accident reports, and accident reports from the Transport Accident Investigation Commission and aviation operators. This led to the identification of several themes contributing to the accidents.

One of those themes was the prevalence of near miss events in the aerodrome circuit. The CAA's Monitoring and Inspection team visited flight training organisations to get their perspective. These engagements revealed that the correct circuit joining procedures, or the need to use them, was not well understood by students or other users.

The standard overhead join is particularly challenging for students to execute. It's also a challenging manoeuvre to teach, because it involves describing the aircraft movement in three dimensions, and making decisions based on the conditions encountered.

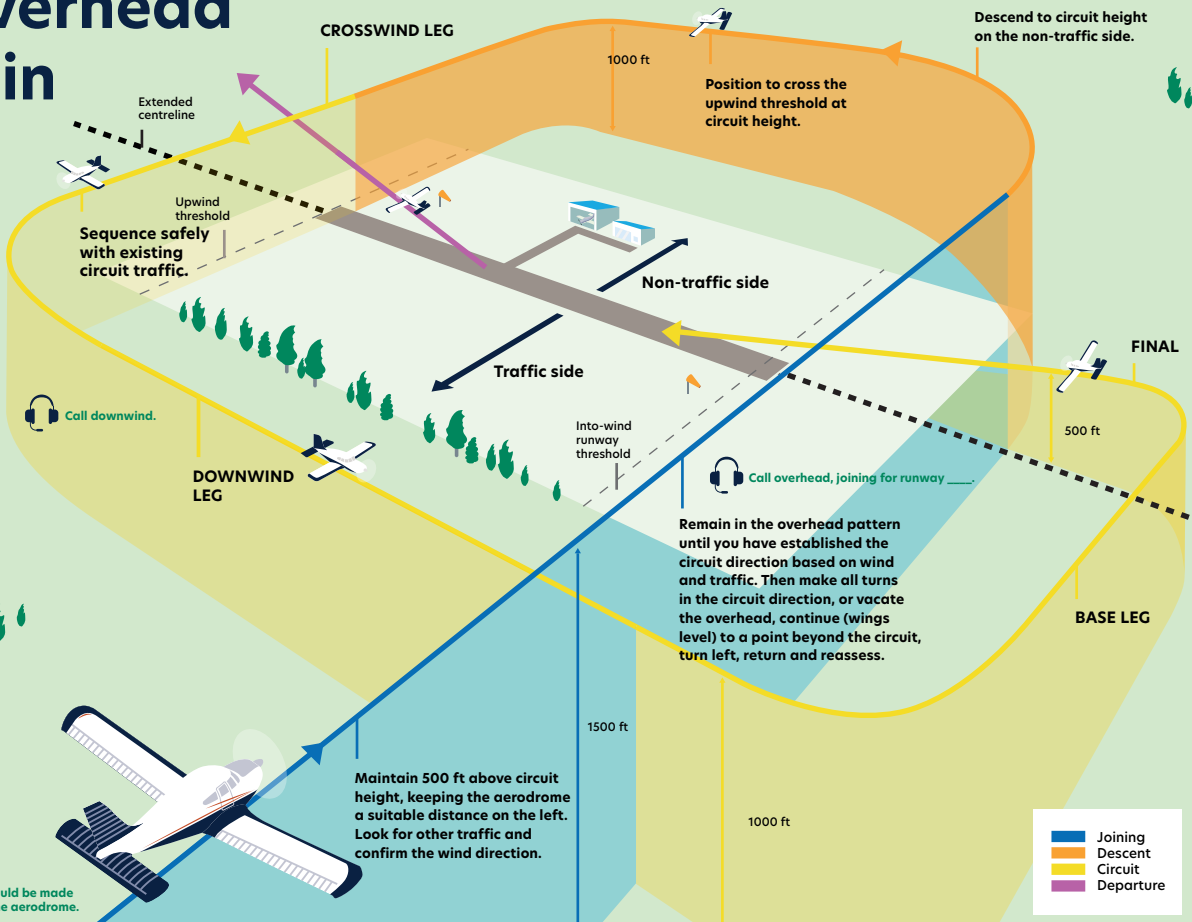
While the CAA has previously produced a poster of the overhead join, it was evident that an animated video would be a valuable aid to safety. The video produced in 2021/22 provides numerous advantages over the previous poster:

- It helps instructors teach the procedure consistently.
- It allows students to review it at their leisure by streaming it on digital media.
- It's also available to pilots outside the training environment, flying recreationally, or preparing for their biennial flight review.

Importantly, the standard overhead join video is just a component of the wider flight training safety initiative. Following its release, the Authority is continuing its focus on other aspects emerging from the analysis, including ongoing engagement with the sector.

The production of the video to support the flight training initiative has reinforced the effectiveness of digital media in promoting safety. It's intended to be the first of a series of videos supporting safe flying practices.

Standard overhead join



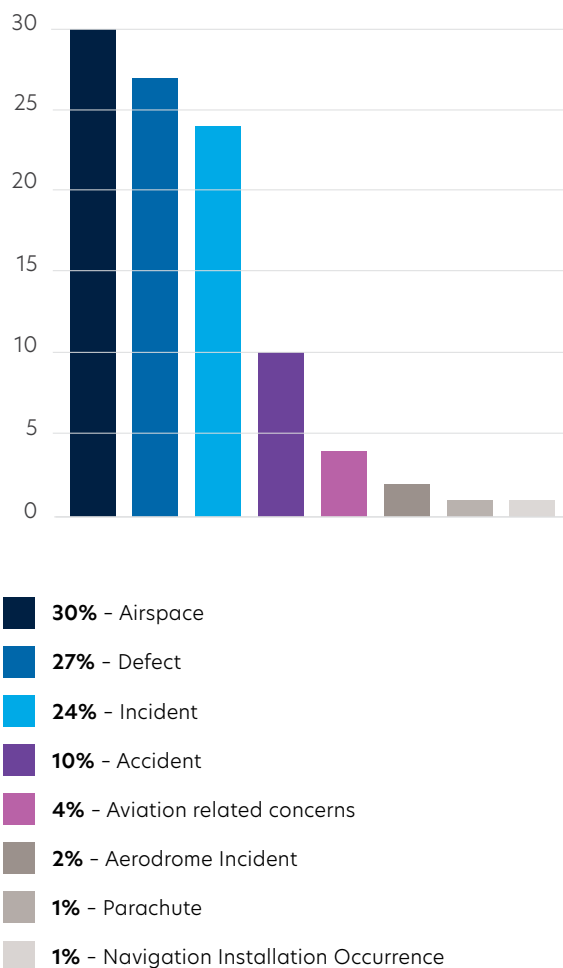
First radio call should be made 5 to 10 NM from the aerodrome.



Safety investigations 2021/22

Safety investigations are one of the functions the Authority carries out to maintain and improve aviation safety. Our team of investigators are responsible for investigating and examining accidents, incidents and other occurrences to ascertain what happened and why, and to determine appropriate responses, including actions to share lessons learned and prevent recurrences.

Breakdown of Safety Investigations Opened 2021/22



Aviation security - multi agency one day workshop

Aviation security is a key element in the Authority's vision: a safe and secure aviation system - so people are safe, and feel safe when they fly. AvSec plays a vital role in this through its operation role.

In addition to AvSec's operational role, we are responsible for the wider task of understanding and responding to New Zealand's aviation security risks. This involves identifying the risks, gathering intelligence, analysing, and developing practical policy options. To do this we work closely with participants in the aviation system, and other government, border, security and police agencies. We also have relationships with regulators in other countries.

As part of developing New Zealand's aviation security maturity, this year we collaborated with Massey University's Centre for Defence and Security Studies (CDSS) to organise a multi-agency aviation security forum. The purposes of the forum are to:

- Establish and enhance links between aviation security and academia
- Establish areas of possible mutual interest between CAA and CDSS
- Establish a forum to discuss current state and trends in aviation security and link with the broader national security community
- Explore opportunities for collaboration and research, access to resources, internships and interaction with the Multi-Agency Research Network (MARN).

An effective and efficient security service

We continue to identify and mitigate security threats, while making sure that passengers and goods travel smoothly. The Aviation Security Service (AvSec) is a core part of the Authority and provides aviation security services in New Zealand. AvSec conducts the following activities:

- Screening domestic and international passengers and crew, and their carry-on baggage, at six security-designated airports, for weapons, explosives, and other prohibited items.
- Screening domestic and international checked baggage at security-designated airports, for weapons, explosives, prohibited items and dangerous goods.
- Conducting perimeter patrols, vehicle searches, guarding aircraft, mobile foot patrols, escort duties, and aircraft searches at security-designated airports.
- Managing the airport identity card system on behalf of the Director of Civil Aviation.
- Operating explosive detector dog teams around New Zealand – searching for explosives in and around airports, and providing support to other agencies as requested e.g. police bomb threat call-outs, venue clearances etc.
- Operating supplemental and complementary screening and intelligence practices to improve overall detection outcomes.
- Screening bulk and duty-free goods, and outbound mail and cargo.
- Screening of non-passengers (airport workers) into security-enhanced and sterile areas at the six security-designated airports.
- Providing security services and training to assist other government agencies.

AvSec moving from a COVID to a post-COVID world

New Zealand's management of the COVID-19 pandemic moved from an elimination to a suppression strategy, with gradual relaxation of associated health and border measures from October 2021. Other countries have also been reducing restrictions, resulting in re-opening of borders and a rapid rebound in international air travel.

In parallel with this transition, AvSec undertook a staged withdrawal of staff from MIQ facilities as these were wound down. Those staff returned to increase the on-airport security workforce and support industry recovery as demand grew. Whole-of-government support continued, with training and security assistance provided to Government House and Parliament.

AvSec needs to further increase its workforce to meet ongoing recovery – a challenge faced by the whole aviation industry globally in prevailing employment market conditions. AvSec's retention and return of experienced staff has helped New Zealand transition to recovery, and new approaches are being used to boost recruitment.

Ongoing evolution to improve and future-proof AvSec security services.

Initiatives continued to develop staff, improve processes and systems, and implement new technologies, in line with the Horizon 2030 Strategic Plan.

Specialist capabilities needed for future improvements in aviation security were given increased focus, through further development of capability plans, trials of dedicated specialist screeners, and adjustments to frontline workforce structures, to get the best from our people.



An internal intelligence capability is being established. A framework for assessing insider threat risks has been developed, and this will be used to undertake detailed assessments with stakeholders across all six tier 1 airports during 2022/23.

AvSec's quality management systems continue to be improved, with increased resources dedicated to a risk-based approach over a more traditional compliance-based approach, in line with overall Authority policy direction. Contingency plans were developed to minimise the impact of multiple COVID-19 waves or seasonal sickness on workforce availability, and make sure we could deliver reliable services. Frontline operations have continued to flex as new norms for air travel imbed.

Continued rollout of new enhanced technologies

Rollout of the Screening Point Modernisation Programme (SPAM) to improve screening capability through advanced imaging technology and automation is almost complete. New equipment has been installed in Queenstown and Invercargill, and plans finalised for remaining installations at the Auckland domestic terminal and Wellington North West Pier during 2022/23.

Focus has shifted to begin procurement, planning and installation for the next cabin baggage screening technology frontier - Computed Tomography (CT). CT will further improve passenger experience (through not having to remove as many items from carry-on baggage during screening), and security outcomes (through 3D imaging, and automated threat detection).

Integrity of the nationwide network is being enhanced by increased focus on security culture and risk identification beyond Tier 1 airports.

Security leadership, engagement, and partnerships

Leadership and partnership opportunities have been pursued to strengthen relationships and contribute to collective security networks. The Authority has actively participated in the Border Executive Board, a collaborative group of New Zealand border agencies working together for a smarter, safer border.

Ongoing membership of, and engagement with international bodies such as the Airports Council International and Smart Security Management Group (SSMG) ensures AvSec remains at the forefront of global industry and security developments. Connections with the United States' Transportation Security Administration (TSA) - a key international partner - were strengthened, with information-sharing on development of security detection technologies, and mutual recognition of AvSec's airport security and behaviour detection programmes.

With cyber and information security risks becoming more prominent, the Authority has invested in dedicated protective security expertise. Voluntary compliance with the Protective Security Requirements, whereby the Authority has committed to meeting mandatory requirements, will result in stronger physical, personnel, and information security across the organisation through engagement, improved policies, and guidelines.

Our building blocks





Our building blocks

Our organisational 'building blocks' are the activities enabling the Authority to deliver through its strategic pathways.

They are how we focus our resources, how we make decisions and how we create our sustainable future. We've identified six interdependent building blocks, all aimed at supporting our pathways.

People

Our highly skilled, professional workforce - building engagement through culture, capability, leadership, and diversity

- Addressing culture change through the Te Kākano programme and the Authority's ongoing culture development programme
- Leadership development
- Improving health, safety and wellbeing
- Developing the skills and capability of our people

Regulatory strategy

Our whole-of-system regulatory approach; risk-based and intelligence-led

- Security Delivery Strategy (AvSec's Horizon 2030)
- Safety Delivery Strategy (in development)
- Delivery of regulatory strategy grounded in three principles
 - Public safety and security are paramount
 - A safe and secure aviation system is a shared responsibility
 - Collective learning and continuous improvement are critical
 - Developing a 12-month action plan

Technology and information management

Our technology and information management supports our regulatory role and our people, and our systems and information are protected and well-managed

- Supporting our people to succeed
- Updating the digital platform supporting our regulatory work (implementing EMPIC)
- Delivering AvSec's Horizon 2030 strategy
- Aligning our systems and practices with government security requirements



Resource stewardship

Responsibly managing our physical and financial resources and working towards financial and environmental sustainability

- Working to deliver a sustainable funding structure for the Authority following the impact of COVID-19
- Providing physical environments supporting health, safety, and wellbeing
- Making sustainable choices to minimise the impact of our operations on the environment

Communications and engagement

Our engagement - communicating effectively as one organisation with our stakeholders to understand and influence our environment

- Working to understand our stakeholders, and deliver on our stakeholder engagement strategy
- Enhance and Improve our outreach, and education activities

Strategic and business planning, reporting, quality and assurance

Clear goals, clear pathways, and a performance and quality cycle that supports success

- Strategic and business planning to help us prioritise our work
- Continue to improve our performance reporting and knowledge of our activities
- Quality management further developed
- Assurance plans and management further developed

People

Our people are at the core of everything we do and are a critical building block in our organisational strategic framework.

We recognise the importance of providing an environment where our team members feel safe, valued, empowered, and enabled to perform their role in keeping New Zealand skies safe and secure. We have a highly skilled, professional workforce, and we're aiming to further build capability, leadership, and diversity.

Our focus is on:

- Addressing culture change at the Authority through the Te Kākano programme
- Leadership development
- Improving health, safety, and wellbeing
- Developing the skills and capability of our people
- Building a diverse and inclusive workplace.

Our focus for last year, as set out in the 2021/22 Statement of Performance expectations was to:

- deliver on the Te Kākano (culture development) programme that addresses the 31 recommendations from the 2020 Ministerial Review
- deliver on the actions set out in our Health, Safety and Wellbeing Strategy; our Leadership Strategy; and our Diversity and Inclusion Strategy.

We will enable and resource a highly skilled, professional workforce, building engagement through culture, capability, leadership, and diversity



Performance in 2021/22

Developing our culture

This year saw further progress with work from Te Kākano delivering products and tools to support our culture. This work then became a part of our business-as-usual structures and processes (BAU) in February 2022. This included developing an online module called Addressing Workplace Bullying, Harassment and Discrimination, to accompany the policy. This module was completed by all staff. We also refreshed our Code of Conduct and produced guidelines to help managers use the Code effectively.

The Te Kākano taskforce, made up of employees from across the Authority, has transitioned into a values champions network which meets regularly to highlight and drive the role of values in local cultures throughout the Authority. Values have also been integrated into our recruitment and induction processes, and feature in our external website. The move from the Te Kākano project into BAU has occurred seamlessly, with a continued focus from the People team on the active stewardship of our organisational culture.

A key measure of how our culture has developed was running our second Employee Engagement, Culture and Organisational Performance survey, Your View. While our participation rate was down slightly from the 2020 survey (60% vs 66% in 2020) our overall score increased. What was most encouraging was that, of the 62 questions asked in both surveys, we saw an increase in score for 54 questions, four questions stayed the same and four questions had slight decreases.

Health, Safety, and Wellbeing Whiria te tangata - weave the people together

Our Health, Safety and Wellbeing Strategy 2021 to 2026, implemented from July 2021, has four key focus areas or strands of work. They weave together consistent good practice, and a range of support options, for staff across all parts of the organisation.

- Building trust and promoting wellbeing
- Developing health, safety and wellbeing leadership capability
- Reducing harm and supporting recovery
- Building a collaborative learning culture.

We provided safe and flexible COVID-19 support and protection, collaborative risk management, and a strong focus on wellbeing. The Authority recognises the importance of a wellbeing lens in building a healthy workplace culture, healthy work organisation and leadership, and supportive engagement with our people.

The Authority recognises the importance of a wellbeing lens in building a healthy workplace culture, healthy work organisation and leadership, and supportive engagement with our people.

Deliver on the actions set out in our leadership strategy

This year saw foundations laid to support future leadership development. Building on the leadership strategy, we've developed a framework to identify the different types and levels of leaders across the organisation. As part of our *organisational engagement, culture, and organisational performance survey* we asked a free text question about what people wanted from their leaders. We received over 700 responses to this question (from the 940 who completed the survey) and have analysed this information. We'll use it to build defined leadership expectations.

In June 2021 we also launched our first management skills programme, called Management Matters. This programme comprises four workshops held over six months and is for people leaders outside of AvSec (who have access to our AvSec Smartway leadership programme). We've run two cohorts of the programme and are running more in the future. We've also run further cohorts across AvSec to support both the Smartway and Stepping Up to Supervisor programmes. We also introduced an induction programme to support those new to management or to managing at the Authority.

Deliver on the actions set out in our Diversity and Inclusion Strategy

Great engagement marked 2021/22 with diversity and inclusion initiatives, events and celebrations across the country. These supported our key focus areas, including Pride week, International Women's Day, Matariki, Māori Language week and a Celebration of Aviation. We also introduced Te Reo Māori classes as part of our Mōhio programme, which saw 18 people on the initial cohort. We have established a working group made up of representatives from across the Authority who work together to support our diversity and inclusion events, and promote diversity and inclusion initiatives.

Developments in regulatory capability

The Regulatory Learning and Practice portfolio has focused on embedding and actioning the Regulatory Learning Plan which was launched in May 2021. The plan sets out the change in mindset we want to achieve with our regulators, in moving from a compliance-based approach, to one where we lead and influence, act as regulatory stewards, and act professionally in our regulatory practice.

To help achieve these outcomes, a review of regulatory learning resourcing was undertaken, and significant thought was placed into building a team who offer specialised skillsets to complement the subject matter experts from across the regulatory workforce. This has allowed for a more targeted approach to learning, ensuring learning needs are understood and learning design is aligned to desired outcomes.



Significant achievements include:

- the recruitment, onboarding, and development of the Senior Advisor Regulatory Capability Business Partner, and Senior Advisor Regulatory Capability Designer
- upskilling of subject matter experts to become new workplace assessors
- consideration of new resourcing models for subject matter experts
- the redesign of the regulatory learning page in Te Kūaha (the Authority intranet site)
- work prioritisation and project management alignment to the regulatory learning action plan, using digital formats
- review and re-scope of current learning opportunities and collateral for the regulatory workforce
- new earning opportunities scoped to support the implementation of the Regulatory Safety and Security Strategy.

Work of the AvSec Technical Training Unit (TTU)

The restart of aviation in 2022 saw an increase in staffing numbers required, and in response the TTU conducted basic training courses in alignment with recruitment pipeline staffing requirements. The TTU began its international training programme with delivering, in late March/early April 2022, screening procedures training to the Cook Islands as part of the AvSec Pacific programme, sponsored through MFAT. A new workshop, Enhancing Security Culture through Security Awareness, was developed specifically for the Pacific Nations to help their aviation restart, and delivered to all airport personnel at Rarotonga and Aututaki.

The screening procedures training and the Enhancing Security Culture through Security Awareness workshop is to be delivered in Niue by AvSec Training in September 2022.

The Auckland ICAO Aviation Security Training Centre held an ICAO Security Culture Workshop in early April 2022, with AvSec management personnel from throughout the Asia/Pacific region attending via a virtual learning platform. The ICAO AVSEC Supervisors course was delivered in-situ in Fiji – two courses conducted in July and August. The ICAO National Inspectors course was delivered in-situ to ISS Australia in Brisbane in July. The Auckland ICAO Aviation Security Training Centre (ASTC) conducted the AVSEC Instructors course in June as an in-person course at the Auckland training centre. The ICAO Crisis Management course was held in August as an in-person course as well. The Auckland ICAO ASTC has worked collaboratively with ICAO HQ in Montreal and has redesigned the ICAO National Audit Inspectors course. The validation course for this newly redesigned national inspectors course was conducted at the Auckland ASTC in late July – attended by AvSec NZ participants and two participants from Papua New Guinea.

Total staff numbers

	2018	2019	2020	2021	2022
Headcount (excluding contractors)	1,359	1,409	1,572	1,530	1,590
Full-time equivalent	1,247	1,295	1,430	1,408	1,536

Staff turnover (unplanned)⁵

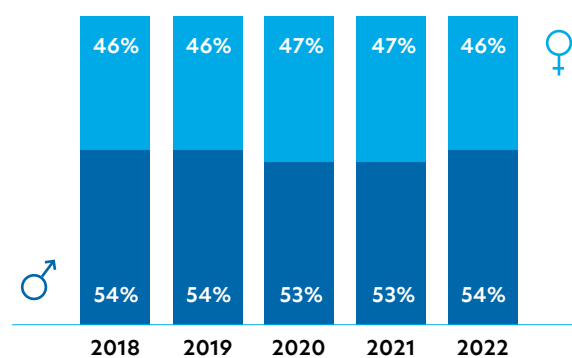
	2018	2019	2020	2021	2022
The Authority	10.15%	11.42%	10.18%	9.41%	13.7%
Public Service	12.10%	11.8%	10.1%	-	-

Ethnicity

	2018	2019	2020	2021	2022
Not reported	71%	64%	53%	53%	47%
NZ European	20%	19%	23%	38%	40%
Asian	3%	5%	9%	10%	12%
Pasifika	2%	3%	4%	5%	6%
Māori	2%	3%	4%	5%	5%
Other	2%	6%	7%	1%	1%

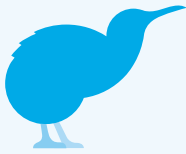
Management gender profile

	2018	2019	2020	2021	2022
Male	67%	64%	63%	60%	61%
Female	33%	36%	37%	40%	39%

Gender profile



As at 30 June 2022



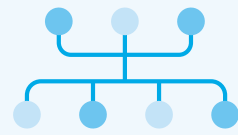
KiwiSaver enrolments

98.4%
enrolled

45

Average age

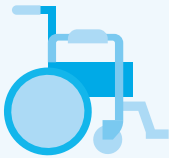
45 years old



Employment relations

57.4%

Members of collective agreements



Proportion of employees who have disclosed disabilities

1.6%

42.6%

Individual employment agreements



Employment status

79%

Frontline operator

Employment status

21%

Managerial and support

⁵ Unplanned turnover is primarily due to resignations but also includes retirements and deaths. It includes fixed-term staff who resign before the expiry of their fixed-term contract but not those who leave on the planned completion date of the contract.

Regulatory strategy

Our regulatory strategy articulates our approach to regulating aviation safety and security in order to achieve our vision.

It also sets out how we'll conduct our regulatory activity, our priorities, and how we'll stay true to our values.

Being risk-based and intelligence-led are prominent aspects of our approach to safety and security, and the regulatory strategy describes what this means in practice. Nested underneath the regulatory strategy are two operational strategies - the security delivery strategy (AvSec's Horizon 2030) and the safety delivery strategy (in development during 2021/22).

We use three fundamental principles to guide, inform, and underpin the development, delivery, and review of our regulatory approach. They're the basis for the decisions we make about work priorities, and the standards we set for ourselves and for civil aviation participants. They determine much of what we do as a regulator. They are:

1. Public safety and security are paramount.
2. A safe and secure aviation system is a shared responsibility.
3. Collective learning and continuous improvement are critical.

The regulatory strategy is supported by a 12-month action plan setting out what's intended to be achieved throughout the year.

- Security delivery strategy - AvSec's Horizon 2030 safety delivery strategy
- Develop the safety delivery strategy

We will demonstrate a whole-of-system, regulatory approach that is risk-based and intelligence-led. Actions towards this will be articulated in the safety and security delivery strategies

Our focus for last year, as set out in the 2021/22 Statement of Performance expectations, was to:

- Deliver on the 12-month action plan for regulatory safety and security
- Develop the safety delivery strategy



Performance in 2021/22

Regulatory Safety and Security Strategy

In February 2022 the Authority published its regulatory strategy. The regulatory safety and security strategy describes our role and purpose, our regulatory approach, the functions we perform, and what we plan to do to succeed.

The strategy has the following five parts:

- Our regulatory direction and intentions
- The regulatory models we're using
- Delivering our regulatory functions
- Enabling our people to succeed
- How we measure success

The strategy will help our people and stakeholders understand the nature of our role as a regulator and how we approach it. The Authority is rolling out the strategy to its people.

To help with external engagement, the Authority has also created a shorter 'at a glance' document to highlight the strategy's main points.

Technology and information management

Organisations are increasingly reliant on smart technology and secure information management.

At the Authority we are no different. We're investing in systems and expertise to ensure our people have the information and technology they need to achieve their objectives. We manage our technology in a way that meets required standards, and we look for innovative ways to enable our teams to work flexibly while being supported. Our digital services strategy sets out this work by focussing on:

- updating the digital platform we use to support our regulatory work (we are implementing safety oversight management software – known as EMPIC)
- enabling achievement of objectives set in the AvSec Horizon 2030 strategy, such as increasing our network capabilities to support smart screening initiatives
- aligning our systems and practices with government security requirements, as outlined by the Protective Security Requirements, and associated New Zealand Information Security manual.

Information management is about meeting the government standards set for privacy, security, and access to information collected, created and held by the Authority. We do this through:

- ensuring all information systems are implemented and used in alignment with requirements set out by the Public Records Act and Privacy Act
- building staff awareness of their information privacy, security, and management responsibilities
- using information to support risk-based and intelligence-led decision-making and meet the responsibilities of a Crown entity to respond for requests for information we hold.

Our technology and information management supports our regulatory role and our people; and our systems and information are protected and well managed

Our focus for last year, as set out in the 2021/22 Statement of Performance expectations was to:

- start the project to implement EMPIC
- deliver on our digital services, information, and technology strategies
- support the Authority with the appropriate tools and information to enable the performance of our duties.



Performance in 2021/22

The Authority Digital Services Strategy is focused on digital outputs supporting achievement of the Authority's strategic outcomes. The strategy invests in four streams.

1. **Ture (Regulatory):** Modern regulatory toolsets
2. **Raraunga (Data):** Greater data insights
3. **Tāngata (People):** Improved experience for people
4. **Turanga (Foundations):** Delivering the technology and information management building block.

Several significant technology projects were delivered or started in 2021/22.

- Following confirmation of funding in 2020/21, a project was initiated to replace our 30-year old, and at end-of-life core business system called Aviation Safety Management System (ASMS). The replacement is called EMPIC-Enterprise Aviation Processing (EMPIC-EAP) and is a commercial off-the-shelf solution, that's widely used by aviation jurisdictions worldwide. The replacement of ASMS will be critical to our role as New Zealand's civil aviation regulator and will be carried out 2021/22 to 2023/24.

During 2021/22 the Board approved EMPIC-EAP project initiation, project governance was established, the project team engaged, and project delivery progressed.

- A project was completed to implement Learning Management and Performance and Goals functions in the Authority's Human Resources Information System (HRIS), "Ngātahi".
- In 2021/22 the Authority temporarily moved out of its Wellington office in the Asteron Centre while earthquake strengthening was carried out. All physical records and the datacentre were moved to offsite locations to accommodate strengthening works. New work sites were established, and network connectivity improvements made to support remote working.
- Work to remove risk from our IT environment was completed, including implementation of cybersecurity scanning services and a corporate firewall upgrade.

Resource stewardship

Our intention is to manage our resources sustainably, ensuring the long-term viability of our business, with a low impact on our environment. Resource stewardship includes our financial stewardship, property management, and managing the business's environmental impact.

Financial management

In the current environment, the Authority is facing challenges in its long-term financial viability. The Authority has three primary sources of revenue:

- aviation participant fees and charges for licensing and certification
- passenger levies for civil aviation regulatory functions and security screening
- funding from the Crown, for policy advice, rules and standards development, and the administration of the Health and Safety at Work Act 2015 designation for the Civil Aviation Authority. This also includes funding for maritime security work, and capital funding as required.

COVID-19 has had a severe impact on the global aviation system, affecting these traditional funding sources. We're presently receiving additional Crown funding to maintain our ability to deliver core functions. This has led the Authority to review its operating model, to achieve efficiencies.

Property and resource stewardship

Our aim is to provide physical environments that support the health, safety and wellbeing of our people, delivering adaptable solutions to extend our capability and to meet new operating conditions. We'll make the most sustainable choices to minimise the impact of our operations on the environment, adopting practices and policies that improve efficiency while supporting capability and capacity.

Responsibly managing our physical and financial resources and working towards financial and environmental sustainability

Our focus for last year, as set out in the 2021/22 Statement of Performance expectations, was to:

- initiate a review of funding options to consider ongoing funding of Authority functions
- maintain effective financial stewardship within the requirements of the relevant Acts and standards
- maintain effective property and resource stewardship through implementation of our property strategy.



Performance in 2021/22

Financial Overview

The financial results of the Authority for 2021/22 year continue to be severely affected by the COVID-19 pandemic and the impact this has had on the aviation industry.

Traditionally the Authority has operated in an environment where its revenues are primarily derived from levies paid by airlines on the basis of departing passengers, as well as demand-driven fees and charges (for functions such as licensing or certification). The proportion of total funding received from the Crown had been relatively small at approximately two-percent of total Authority revenue.

The pandemic and associated restrictions on travel, and other economic activities, materially reduced many of these revenue drivers. As a consequence, in Budget 2020, Cabinet approved a \$196.4 million appropriation to protect the Authority's core functions, with the Crown effectively purchasing core services from the Authority that are currently no longer able to be cost-recovered from third parties. This support was extended in Budget '21, with \$114.3 million appropriated for the 2021/22 year to maintain such support through to 30 June 2023. This was accompanied by Letters of Support to the Authority's Board signed by the Ministers of Finance and Transport.

As a result of this support, the proportion of total Authority funding that came from Crown appropriations grew to 63 percent in 2020/21 year and remained elevated at 67 percent in 2021/22 (higher than the budgeted level of 59 percent, largely as a consequence of the increased domestic travel restrictions, August to December 2021).

However, prior to being able to access this Crown funding support, the Authority was first required to exhaust all of its cash reserves to meet payment obligations to its employees and suppliers. This means its reserves are now effectively fully depleted and outside the minimums prescribed in its Reserves and Funding policy (six weeks of operating expenditure). To illustrate the impact of this, in December 2019 (immediately prior to the financial effects of the pandemic being felt) the Authority had net assets of \$39.1 million and cash of \$30.5 million. By June 2022, its net assets had fallen to \$7.7 million and its cash on hand to \$1.1 million. This depletion of reserves has a very real impact in that it severely constrains the Authority's ability to respond to immediate regulatory risks as outlined on page 9.

Restoring the Authority's balance sheet to health, including its reserves, remains a high priority for the Authority, and it continues to work closely with officials from the Ministry of Transport on options and time frames to achieve this.

Key results

CAA

For the CAA, 2021/22 saw an operating deficit of \$0.9 million. This was lower than the break-even position originally budgeted, since the Authority was unable to recognise Crown liquidity funding to cover its annual depreciation expense. This would have resulted in the re-creation of part of its reserves (for future capital asset replacement). Following Budget '21, the capital funding requirements of the whole Authority through to June 2024 are being met through a new capital appropriation of (\$113.2 million), as opposed to through the recovery of depreciation expenditure and Crown loans approved in earlier budget cycles.

While revenues and expenditure were below budget, the revenue variance was a direct outcome of the expenditure variance, since the Crown's liquidity funding support could only be used to make up the shortfall between actual expenditure incurred (excluding depreciation) and the actual revenue received from traditional funding mechanisms.

Of the \$6.8 million lower-than-budgeted expenditure, \$2.5 million represented a lower level of payment of ADS-B grants than assumed in the original budget. These are funded separately through a multi-year Crown appropriation, with the scheme and requirements to install such equipment now extended until 30 June 2023. There was also a \$1.0 million underspend in Pacific Aid work that is funded by the Ministry of Foreign Affairs and Trade. This arose from the inability to travel easily between New Zealand and many Pacific States as a result of pandemic restrictions.

Much of the rest of the underspend was also one-off in nature and was linked to the pandemic. As a result of legal restrictions and health precautions, there were significant underspends in travel (domestically and internationally) and training (of CAA staff and courses run for industry participants). Additionally, several significant projects have been deferred to 2022/23 - for example the start of the Authority's next funding review. The CAA also experienced higher-than-usual levels of vacancies, given a tight domestic labour market, and the challenges of bringing into New Zealand skilled offshore professionals, due to border and visa restrictions.

The CAA incurred lower-than-budgeted capital expenditure (\$3.7 million compared with \$8.3 million budgeted) as a consequence of a later start of several significant, multi-year projects, that are replacing its core business systems.

Aviation Security Service (AvSec)

In 2021/22 there was an operating deficit of \$6.0 million, compared with a break-even budget. Consistent with the CAA, this deficit was equivalent to AvSec's annual depreciation expense for the year, which could not be funded by the Crown liquidity appropriation, for the same reasons as noted earlier.

AvSec's expenditure was \$20.4 million below that budgeted. This was nearly all a result of lower-than-budgeted personnel costs. AvSec's budget had been prepared on the basis that, with the opening of quarantine-free flight access to Australia and the Cook Islands at the end of the previous financial year, such arrangements would continue and expand into 2021/22, until such time as there was a general relaxation of wider border restrictions.



Instead, following the Delta variant COVID-19 outbreak in August 2021, these arrangements were suspended and international passenger volumes dropped back to the three percent of pre-COVID levels seen in the early months of the pandemic. Additionally, the return to domestic 'lockdowns', initially in all of New Zealand and later on in just the Upper North Island, saw a significant reduction in domestic jet operations, and hence the amount of screening work AvSec needed to perform.

As a consequence, and to mitigate the costs to the Crown, AvSec suspended all planned recruitment from August, to cover general attrition and to fill established roles held vacant since the onset of the pandemic (which AvSec had budgeted to refill, in line with the re-opening of New Zealand's border.) This decision was extended for two reasons.

Firstly, the subsequent outbreak of the Omicron strain of COVID-19 delayed some of the initial milestone dates for the loosening of border restrictions announced by the government in late 2021, as part of its 'Reconnecting New Zealand' strategy.

Secondly, Cabinet decided in early 2022 to end AvSec's contribution to the Managed Isolation and Quarantine (MIQ) programme by June 2022, as opposed to the previous plan of June 2023, in line with its wider decision-making on the ongoing need for MIQ. This meant AvSec had confidence that 156 FTE, previously being provided to MIQ, would be available to return to 'on-airport' operations from the final quarter of the 2021/22 financial year, further negating the need for further recruitment.

Capital expenditure was \$4.5 million below budget for the year, largely due to the deferral of planned expenditure on new screening equipment. This was also caused by, firstly, the impact of the pandemic on overseas supply chains for specialist equipment. And secondly, by the ability of airports AvSec operates at, to proceed with developing their own infrastructure plans, which, in some cases, needed to be finished before new equipment was installed.

Financial health

Authority Financial Result and Organisation's Financial Health Indicators

	CAA 2022		AvSec 2022		Authority 2022		CAA 2021	AvSec 2021
	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Budget \$m	Actual \$m	Actual \$m
Comprehensive revenue and expense								
Revenue	46.8	54.5	129.7	156.1	176.2	210.2	46.7	125.3
Expense	47.7	54.5	135.7	156.1	183.1	210.2	48.3	122.9
(Deficit)/Surplus	(0.9)	0.0	(6.0)	0.0	(6.9)	0.0	(1.6)	2.4
Note that group revenue and expense includes inter-entity eliminations of \$0.3m (Budget \$0.4m).								
Equity								
General funds	4.8	8.4	2.9	14.6	7.7	23.0	2.0	8.8
Total equity	4.8	8.4	2.9	14.6	7.7	23.0	2.0	8.8
Liquidity								
Working capital	0.3	(0.8)	(7.6)	(0.9)	(7.3)	(1.7)	0.3	(3.0)
Bank and investments	0.3	2.7	0.8	6.7	1.1	9.4	2.7	7.3
Capital expenditure								
Capital expenditure	3.7	8.3	3.2	7.7	6.9	16.0	0.9	4.6
Passenger numbers (000's)								
International	778	1,847	823	1,860	823	1,860	353	373
Domestic	7,722	9,432	3,971	5,386	7,722	9,432	9,492	5,011



Capital and Asset Management

The table below shows comparative actual capital expenditure against budget.

	Actual (\$000)	Budget (\$000)	% of Budget Spent
Regulatory function			
Computer hardware	222	385	58%
Computer software	3,110	7,552	41%
Furniture & fittings	62	315	20%
Leasehold improvements	273	-	-
Total	3,667	8,252	44%
Security service			
Computer hardware	-	194	-
Computer software	157	345	46%
Plant & equipment	2,720	6,711	41%
Furniture & fittings	-	50	-
Motor vehicles	104	-	-
Leasehold improvements	215	415	52%
Total	3,196	7,715	41%

Property and resource stewardship

As we emerge from the pandemic, the Property and Infrastructure team continues to support the Authority to provide fit-for-purpose workplaces and supporting infrastructure which includes space changes to support screening lane technology advancements across the network, as well as increased standard of our staff welfare spaces.

Planning continued across the portfolio to accommodate workforce growth, along with projects to support the welfare and working environment of our people.

To support the net zero emissions initiative, the Authority continues to move to electric vehicles where appropriate with increases in plug-in hybrid vehicles across the fleet along with infrastructure projects to reduce carbon emissions. Future planning has begun to include sustainable and efficient workplaces to also support carbon emission targets.

Communications and engagement

To be effective in achieving a safe and secure aviation environment, our working relationships need to be founded on mutual respect, integrity, and effective communication.

There must be a mutual understanding of our role, responsibilities and accountabilities. Our behaviours and the way we work with our stakeholders are the foundation of a safer and more secure civil aviation system.

Our objective is that our people and participants know why we need a safe and secure aviation system, how they can make a difference, and how to access what they need. We want to be a trusted and influential advisor, demonstrating leadership and communicating clearly.

To achieve this, we'll deliver and improve our outreach, education, and engagement activities. We'll deliver on our stakeholder relationship plan, building our partnerships and relationships across the sector.

We communicate as one organisation with our stakeholders to influence the safety and security of the aviation system

Our focus for last year, as set out in the 2021/22 Statement of Performance expectations was to:

- continue to deliver and enhance our outreach, education, and engagement activities
- deliver on our stakeholder engagement plan.



Performance in 2021/22

Notable achievements in 2021/22 include:

- Completed three digital campaigns – drones, passenger behaviour, and carriage of batteries on passenger aircraft
- Continued to develop our safety education publications including Vector magazine and Good Aviation Practice booklets, including two new titles – *Flying around volcanoes* and *Medical matters*.
- We continued to produce our Vector Online stories and this year started our audio stories series
- New Facebook and Twitter social media channels were established for AvSec, and we continued to grow our existing CAA digital channels
- Held virtual workshops around the country on Standard Overhead Join
- Carried out the 'CAA stakeholder survey 2022' by Kantar Public (formerly Colmar Brunton) to obtain feedback from participants on CAA's engagement with the aviation industry.

The increased focus on communications, particularly external relations, has had a direct impact on the organisation's annual Kantar Public Reputation Index results. For the first time the Aviation Security Service (AvSec) was split out from other parts of the Authority and the results were AvSec in 7th place, and the CAA in 14th, out of 58 organisations. The CAA improved by two places on its 2021 result and AvSec by 12 places.

Strategic and business planning, reporting, quality and assurance

Organisational effectiveness relies on a combination of knowing where we are going, why we are going there, and how we will know when we get there.

This touches on every aspect of the organisation, from the intent of our stakeholder engagement, to the delivery of rules, screening activity, resource deployment and financial sustainability. Having the tools to identify our vision and achieve our plan of action will ensure we focus on the right things, make the right decisions, and use our resources to best effect.

Strategic and business planning

Strategic and business planning are about having a coherent strategy articulating how the organisation will achieve its vision and purpose, while using tools testing that vision and purpose as the environment changes. The strategy will be operationalised through enterprise business planning. This helps us to prioritise our activities and ensure we deliver on our strategy.

Performance reporting

We consult, brief, and report to the Minister of Transport regularly, covering:

- progress against the Statement of Intent and Statement of Performance Expectations
- risks and issues that may affect performance and organisational capability (including relationship management)
- financial management
- other matters as agreed with the Minister.
- The Authority reports annually to the Minister of Transport and all other stakeholders against the Statement of Intent and the Statement of Performance Expectations, through the Annual Report.

Assurance

Our assurance management is based on an integrated quality assurance and risk framework. Assurance plans are developed on four considerations: compliance and audit (retrospective), quality and operations management (contemporary issues assurance), strategic and corporate risk (forward view), and emerging issues (dynamic issues).

Risks

Our risk management is based on the AS/NZS ISO31000:2009 risk management standard. We regularly assess strategic and corporate risks, using the categories of stakeholder, reputation, financial, people, wellbeing, and health and safety. Risks are managed to ensure that residual risk is as low as reasonably practicable and reported quarterly to the Minister of Transport.

We establish clear goals and pathways to deliver, and carry these through with a performance and quality cycle that supports success

Our focus for last year, as set out in the 2021/22 Statement of Performance Expectations was to:

- continue to develop and refine our tools to support business planning, quality systems, risk management, and business assurance across the Authority.



Performance in 2021/22

The strategy, planning, reporting, and risk team has delivered core accountability documentation and reporting, on time and to standard.

This has included:

- the Authority's legislatively required strategy, planning, and reporting documents (Statement of Intent – SOI, Statement of Performance Expectations – SPE, and Annual Report)
- internal business planning decision-making processes
- organisational performance monitoring and reporting (eg, quarterly reports to the Board and to the Minister)
- the Authority's enterprise risk approach and internal audit direction
- facilitating responses to TAIC and coroner reports.

All products are continuously reviewed to improve readability and usefulness. Particular focus this year was on introducing a simpler and more usable approach to business planning.

Statements of Performance





Statement of responsibility

Pursuant to the Crown Entities Act 2004, the Authority accepts responsibility for:

- the preparation of the financial statements and the statements of performance and for the judgments used therein
- the establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting
- any end-of-year performance information provided by the Civil Aviation Authority under section 19A of the Public Finance Act 1989.

In the opinion of the Authority, the financial statements and statements of performance fairly reflect the financial position and operations of the Civil Aviation Authority for the year ended 30 June 2022.

Signed on behalf of the Board:



Janice Fredric Chair of the Civil Aviation Authority of New Zealand

1 March 2023



Jill Hatchwell Chair of the Audit, Finance and Risk Committee

1 March 2023



Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Civil Aviation Authority's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of the Civil Aviation Authority (the Authority). The Auditor-General has appointed me, Matthew Geddes, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Authority on his behalf.

Opinion

We have audited:

- the financial statements of the Authority on pages 119 to 154, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 24 to 55 and 86 to 118.

In our opinion:

- The financial statements of the Authority on pages 119 to 154:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 the Public Benefit Entity Reporting Standards; and

- The performance information on pages 24 to 55 and 86 to 118:
 - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2022, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriations; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - Complies with generally accepted accounting practice in New Zealand.

Our audit was completed late

Our audit was completed on 1 March 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by the Crown Entities Act 2004, section 156(3)(b). This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Authority. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the ongoing impact of Covid-19 on the Authority as set out in note 23 on page 154 to the financial statements.

Basis for our 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 audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board 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 to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of performance expectations.

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

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 and the performance information, 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 Authority's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 and the performance information 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 Authority to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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 Board is responsible for the other information. The other information comprises the information included on pages 1 to 23, 56 to 82 and 155 to 160, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information 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 Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.

Matthew Geddes

Matthew Geddes

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

An introduction to the Statements of Performance

The Statements of Performance report against the performance measures contained in the Statement of Performance Expectations 2021/22. The performance measures are divided into five output classes. Output classes are the functional activities which we are funded to deliver:

Output Class 1 - Policy and Regulatory Strategy

Output Class 2 - Outreach

Output Class 3 - Certification and Licensing

Output Class 4 - Surveillance and Investigation

Output Class 5 - Security Service Delivery

Activities funded through Crown appropriation

To comply with our responsibilities under the Public Finance Act 1989, activities that are - as a standard - funded through the Crown from Vote Transport (excluding funding from the Protection of Transport Sector Agency Core Functions multi-year appropriation) are included in both the Authority's Statement of Performance Expectations 2021/22 and in Vote Transport. Relevant activities are funded through a number of separate appropriations within Vote Transport. These activities are denoted by an asterisk*, and a description of the relevant appropriations are included below.

Civil Aviation and Maritime Security Services

The multi-category appropriation 'Policy Advice and Related Outputs - Civil Aviation' is intended to achieve a safe and secure airspace environment through the implementation and monitoring of rules and regulations and the management of risk for all aviation activities and preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers.

These activities funded through this appropriation include:

- International Relations and International Civil Aviation Organization Obligations (Output Class 1)
- Ministerial Servicing (Output Class 1)
- Policy Advice (Output Class 1)
- Capacity to respond to requests from Maritime NZ for security assistance (Output Class 5).



This appropriation also included funding to improve safety in the aviation system through the recruitment of technical capability to support the integration of unmanned aircraft (drones) into controlled airspace (Output Class 4).

Health and Safety at Work Activities - Civil Aviation

The 'Health and Safety at Work Activities - Civil Aviation' appropriation is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system (Output Class 4).

Civil Aviation Authority Capital Injection

The Authority received a capital injection to upgrade aviation security infrastructure, the Authority's regulatory technology platform (EMPIC), and other critical infrastructure required for the Authority to undertake its regulatory and aviation security role.

Automatic Dependent Surveillance- Broadcast Transponders Rebate Scheme

The Authority received funding through the 'Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme' appropriation and the 'Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme'. These appropriations are intended to provide rebates to operators required to install ADS-B transponders and to enable the administration of the scheme (Output Class 3).

Protection of Transport Sector Agency Core Functions

The 'Protection of Transport Sector Agency Core Functions' appropriation is intended to achieve the protection of core services provided by transport border agencies whose third party revenue has been significantly impacted by COVID-19.

The appropriation operates as a liquidity facility. The Authority draws down funding where the cost of our core functions exceeds the third-party revenue we receive, essentially bridging the gap between our revenue and our expenses. It was established directly in response to the impact COVID-19 had on the fees, levies, and charges we receive.

As part of this funding, the Authority is reporting on two additional measures, relating to the maintenance of appropriate capability and the mitigation of costs to the Crown. These are included below.

Vote Transport

To comply with our obligations under the Public Finance Act 1989, activities undertaken by the Civil Aviation Authority that are funded through Vote Transport non-departmental output expenses are indicated within each relevant output class in the Statement of Performance. Relevant financial information is also provided in the tables following each output class performance summary.

A summary of appropriations funded through Vote Transport and from Vote Transport information supporting the Estimates 2021/22 is provided in the table below.

Non-departmental output expense	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme (M72)	This appropriation is intended to enable the administration of the Automatic Dependent Surveillance-Broadcast transponders rebate scheme	149	242	178	114
Health and Safety at Work Activities - Civil Aviation (M72)	This appropriation is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system	1,201	1,201	1,201	1,201
Protection of Transport Sector Agency Core Functions (M72)	This appropriation is intended to achieve the protection of core services provided by transport border agencies whose third party revenue base has been significantly impacted as a result of COVID-19	111,898	144,166	130,760	103,043



Vote Transport

To comply with our obligations under the Public Finance Act 1989, activities undertaken by the Civil Aviation Authority that are funded through Vote Transport non-departmental other expenses are indicated within each relevant output class in the Statement of Performance. Relevant financial information is also provided in the tables following each output class performance summary.

A summary of appropriations funded through Vote Transport and from Vote Transport information supporting the Estimates 2021/22 is provided in the table below.

Non-departmental other expenses	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme (M72)	This appropriation is intended to provide rebates to aircraft operators who are required to fit Automatic Dependent Surveillance-Broadcast transponders.	1,395	5,264	5,000	2,036

Vote Transport

To comply with our obligations under the Public Finance Act 1989, activities undertaken by the Civil Aviation Authority that are funded through Vote Transport non-departmental capital expenditure are indicated within each relevant output class in the Statement of Performance. Relevant financial information is also provided in the tables following each output class performance summary.

A summary of appropriations funded through Vote Transport and from Vote Transport information supporting the Estimates 2021/22 is provided in the table below.

Non-departmental capital expenditure	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Civil Aviation Authority - Capital Injection (M72)	This appropriation is intended to upgrade aviation security infrastructure, the Authority's regulatory technology platform (EMPIC), and other critical infrastructure required for the Authority to undertake its regulatory and aviation security role.	3,739	16,339	16,339	-



Vote Transport

To comply with our obligations under the Public Finance Act 1989, activities undertaken by the Civil Aviation Authority that are funded through Vote Transport multi-category expenses and capital expenditure are indicated within each relevant output class in the Statement of Performance. Relevant financial information is also provided in the tables following each output class performance summary.

A summary of appropriations funded through Vote Transport and from Vote Transport information supporting the Estimates 2021/22 is provided in the table below.

Multi-category expenses and capital expenditure	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Civil Aviation and Maritime Security Services (M72)	This appropriation is intended to achieve a safe and secure airspace environment through the implementation and monitoring of rules and regulations and the management of risk for all aviation activities and preparedness to provide a maritime security response role to a high level threat situation affecting cruise ships or their passengers.	2,624	2,624	2,624	2,406

This table continues on the following page.

Continuation of table from previous page.

Non-departmental output expenses	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Civil Aviation and Maritime Security Services	This category is limited to technical information and advice in relation to international matters affecting New Zealand aviation, standby screening and searching services at ports, and the provision of advice and services by the Civil Aviation Authority to support Ministers to discharge their portfolio responsibilities relating to transport.	1,924	1,924	1,924	1,924
Non-departmental other expenses	What is intended to be achieved with this appropriation	Actual 2021/22 \$000	Supplementary estimates 2021/22 \$000	Appropriation estimates 2021/22 \$000	Actual 2020/21 \$000
Improving Safety in the Aviation Sector	This category is limited to the investigation, determining compliance, and enforcement of safety in the aviation sector	700	700	700	482



Additional multi-year appropriation information

Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme Multi-year appropriation			\$000s
Appropriation commences	1-Aug-19	Original appropriation	11,750
Appropriation expires	30-Jun-23	Cumulative adjustments	0
Total adjusted appropriation			11,750
This appropriation is limited to rebates for the Automatic Dependent Surveillance-Broadcast (ADS-B) transponders rebate scheme to aircraft operators required to fit such equipment.		Cumulative actual expenditure 1 July 2021	2,577
		Current year actual expenditure	1,395
		Cumulative actual expenditure 20 June 2022	3,972
		Appropriation remaining 30 June 2022	7,778

Civil Aviation Authority - Capital Injection Multi-year appropriation			\$000s
Appropriation commences	1-Jul-21	Original appropriation	113,219
Appropriation expires	30-Jun-26	Cumulative adjustments	0
Total adjusted appropriation			113,219
This appropriation is limited to providing capital injections to the Civil Aviation Authority for Aviation Security Service security screening equipment, replacing regulatory technology platform, and other critical regulatory and aviation security infrastructure.		Cumulative actual expenditure 1 July 2021	0
		Current year actual expenditure	3,739
		Cumulative actual expenditure 20 June 2022	3,739
		Appropriation remaining 30 June 2022	109,480



Upper instrument panel controls including:

- RUNWAY TURNDOW (OFF)
- TAXI (OFF)
- APU (OFF)
- GRD AUTO CONT (FLT)
- ENGINE START (BOTH)
- GRD AUTO CONT (FLT)
- LOGG (OFF)
- POSITION SENSE (OFF)
- ANTI COLLISION (OFF)
- WING WIPER (OFF)
- WIPER (OFF)
- WIPER (OFF)

Mode Control Panel (MCP) controls including:

- COURSE (220)
- IAS/MACH
- HEADING (90.0)
- ALTI INTV (3700)
- VERT SPEED (3700)
- A/P ENGAGE (CMD, DIS) and DISENGAGE
- MA (MAINTAINED)
- YORLOC
- APP
- ALT HLD
- V/S
- RADIO (MINS, BARO, FTK, MTRS, BARO, FPA)
- VOR 1 (OFF), VOR 2 (OFF)
- WXR, STA, WPT, ARPT, DATA

Lower instrument panel displays including:

- THK | 220 | MAG
- RUBAT 1428.12 | 3.7m
- 90.0 | 89.7
- 674 | 682
- 3.76 | 3.76
- 8000
- 3700 | 3700
- LANDING GEAR LIMIT (IAS)
- FLAPS LIMIT (IAS)

Lower instrument panel controls including:

- FLAP
- TAKEOFF REF 1/2
- EL APP 50m 155
- 50 224 15 108 155
- 78.27 78.2 108 157
- 19.5% 0.83 154 178
- 73.9/ 108
- RUBAT 1428.12 3.7m
- RW228 10 3657
- <INDEX 3657
- GRN OFF



Performance measures under the Estimates of Appropriations 2021/22

(Vote Transport, not included in the Authority's Statement of Expectations)

Non-Departmental Output Expenses

Protection of Transport Sector Agency Core Functions

Performance measure	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
Maintain appropriate capability for core functions - appropriate resourcing to meet service level requirements	Achieved	Achieved	Achieved	
Mitigate costs to the Crown - implement the plan for mitigating costs and any variations as agreed with the Ministry of Transport	Achieved	Achieved	Achieved	

Non-Departmental Capital Expenditure - Capital Injection

AvSec Security Screening Equipment, EMPIC and other Critical Infrastructure

Performance measure	2020/21 Actual	2021/22 Target	2021/22 Actual
Percentage of planned works delivered to timeframe and standard	New measure	100%	100%

Multi-Category Expenses and Capital Expenditure

Civil Aviation and Maritime Services

Survey on confidence in safety and security in air transport

Performance measure	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Survey not run in 2020/21	Maintained	Decrease from 2019	In 2020/21 and 2021/22, we did not run this survey, because the results were at risk of being skewed by COVID-19 restrictions, and requirements in place for domestic flights. We also considered it would not have been appropriate to add to border system complexity by intercepting international passengers at airports. For the results of the 2019 survey, see page 14 of our 2020 Annual Report.
Percentage of resident travellers that felt extremely or very safe and secure (2019 result - 77%)	Survey not run in 2020/21	75% or greater	72%	
Percentage of overseas travellers that felt extremely or very safe and secure (2019 result - 89%)	Survey not run in 2020/21	92% or greater	86%	

When borders began to open again, we started planning for a 2022 'Feel Safe' survey. The field work for the survey was conducted in September 2022, and the results were reported to the Authority in November 2022.

Although the survey was conducted in September 2022, it is indicative of travelers' experience over 2021/22.

Possible reasons for decreases are:

- Concern about COVID-19 precautions at the airport. Those who were happy with COVID-19 precautions felt just as safe and secure as in 2019. The small proportion of people who thought COVID-19 precautions at the airport were inadequate felt much less safe and secure, impacting the overall result.



Performance measure	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
				<p>– There has been a general decline in sentiment towards government agencies this year. The decline has affected trust and confidence type measures rather than service interaction measures, attributed to a general COVID-19 weariness.</p> <p>Overall, satisfaction levels are high. This is supported by the results of stakeholder research, commissioned by the Authority and conducted in May 2022 which found that most stakeholders feel safe and believe the New Zealand aviation system is safe. Around 80% feel and believe the system is safe compared around 5% who don't.</p> <p>The full results of the 2022 'Feel Safe' survey are on the Authority website at:</p> <p>aviation.govt.nz/about-us/corporatepublications/#Surveys</p>

Output Class 1:

Policy and Regulatory Strategy

This output class strongly contributes to our strategic pathways of leadership and influence (in how we engage, influence, and provide information to stakeholders), and active regulatory stewardship (in how we contribute to a whole-of-system, life-cycle view of safety and security regulation).

Why this is important

Continuous improvement is foundational to the safety and security of the civil aviation regulatory system. We must take an active, not passive, role in regulatory stewardship; leading and influencing so that participants, government, and other stakeholders can make informed decisions.

What we want to achieve

We aim to provide excellent administration of regulation for the civil aviation system in New Zealand, supporting the Minister of Transport and other parts of government to make informed decisions on issues to do with the civil aviation system.

What we do to deliver on this output

- we coordinate strategic engagement in the international aviation system
- we administer New Zealand’s civil aviation obligations and interests within the delegation of the Minister of Transport
- we deliver Ministerial services – eg., providing answers to parliamentary questions, briefings, and responses to letters to the Minister from the public
- we develop options and solutions for specific issues within the aviation regulatory system
- we proactively identify emerging issues for aviation
- we deliver major policy and regulatory projects
- we develop and maintain linkages internally, across government, internationally, and within industry.

Performance Measure

1.1.1 International relations and International Civil Aviation Organisation obligations

We will ensure New Zealand’s obligations as a signatory state to the Chicago convention are met, where appropriate for New Zealand⁶:

- Maintained alignment with existing Standards and Recommended Practices (SARPs)

⁶ This performance measure is included in the 2021/22 Estimates for Vote Transport, in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations. We consider this measure met if we align with new SARPs or, where there are differences between practice in New Zealand and that established by international standard, that these have been reported to the ICAO.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	Maintained	Maintained	Maintained	ICAO periodically audits members states to determine how well they operationally comply with the SARPs issued by ICAO that the state has adopted. The SARPs are expressed by a State's legislative framework (primary and secondary legislation in NZ case, being the Civil Aviation Act and Civil Aviation Rules), and operational practice is what happens in practice – the actual aviation activities undertaken by participants in the system.

Performance Measure	
	<ul style="list-style-type: none"> • Alignment with new SARPS • Filing of Differences within required timeframes
1.2.1 Ministerial servicing - civil aviation	Our reports, correspondence and Parliamentary questions will be acceptable to the Minister (assessed through a biannual survey). ⁷
1.3.1 Policy advice - civil aviation	The policy advice we provide to Ministers, government departments and agencies meets the Authority's internal guidelines for quality policy advice ⁸
1.4.1 System level design and intervention	We assess all emerging issues that impact the aviation regulatory system according to our issue assessment procedures.
1.4.2 System level design and intervention	We will develop and release a regulatory strategy
1.5.1 Rules and standards development	The rules and standards programme is delivered as agreed with the Minister of Transport.
1.6.1 Pacific support	Regulatory support and assistance to eight South Pacific Island States delivered as agreed with the Ministry of Foreign Affairs and Trade.

⁷ This performance measure is included in the 2021/22 Estimates for Vote Transport, in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations

⁸ This performance measure is included in the 2021/22 Estimates for Vote Transport, in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	Achieved	Achieved	Achieved	The recent ICAO security audit made findings with respect to operational practice, not with the processes used to assess which SARPs are adopted, how Civil Aviation Rules are aligned to SARPs, or with respect to the timeframes in which differences are filed.
	100%	100%	100%	
	Met expectation	Met or exceed expectations	Met expectation	
	100%	100%	100%	
	100%	100%	100%	2020/21 actual relates to measure 1.4 in the 2020/21 Annual Report
	New measure	Completed by 30 June 2022	Completed	
	100%	100%	100%	
	100%	100%	100%	The 2020/21 actual for 1.6.1 Relates to measure 1.6 in the 2020/21 Annual Report

Cost to deliver output class 1: Policy and Regulatory Strategy	2022 Actual \$000	2022 Budget \$000	2022 Variance \$000	2021 Actual \$000
Crown funding (Vote Transport: Policy advice)	1,779	1,887	(108)	1,297
Crown - Covid liquidity	1,692	770	922	762
Ministry of Transport contract revenue (rules development & Pacific)	1,305	2,300	(995)	1,351
Levies	2,267	2,375	(108)	2,313
Revenue	7,043	7,332	(289)	5,723
Expense	(7,043)	7,332	289	(5,723)
Net surplus/(deficit)	-	-	-	-

Output Class 2:

Outreach

This output class contributes to our strategic functions of leadership and influence (in how we engage, influence and provide information to the sector), and professional regulatory practice (in how we act to ensure safety and security knowledge is disseminated and understood).

Why this is important

Engagement with participants, organisations, and other aviation sector stakeholders is critical for the Authority. We need to understand what is happening in the environment that we regulate. Conversely, those who are regulated need to hear safety messages, updates on the regulatory environment, and to be aware of their responsibilities to keep the civil aviation system safe.

What we want to achieve

Increased understanding and awareness of the roles, responsibilities and risks of operating in the civil aviation system, by regulated parties

(including non-traditional participants – for example, drone operators), stakeholders and the New Zealand public, so that behaviour changes and the civil aviation system becomes safer over time.

What we do to deliver on this output

- stakeholder communications (various channels – face to face visits, publications, online, etc.)
- aviation industry / regulatory partner facilitation, engagement and collaboration
- research and analysis
- risk-based safety and security campaign development and delivery.

Performance Measure

2.1.1 Building safety awareness

We build safety awareness through:

- Our face to face contact with participants by the Aviation Safety Advisers
- Education courses, workshops or seminars to participants nation-wide
- Safety reports published on the Authority's website
- Targeted safety campaigns in response to specific areas of concern or new issues that arise.

⁹ Due to the impact of the COVID-19 pandemic, aviation safety advisers increased how many times they visited participants. This increased contact helped participants with safety support and advice during a difficult time and kept them engaged with the Authority.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	1,461	500 individual participants	1,515 ⁹	
	15	12 delivered	26	
	4	4 published	2	Staff numbers in the Safety Investigation Team were down to one at times due to sickness, and the focus during the year was on core investigation work. We are reviewing processes to ensure publication, while maintaining the focus on investigation work.
	6	5 campaigns	5	

Performance Measure	
2.1.2 Education courses, workshops and seminars	Our education courses, workshops, or seminars are rated by participants as a 3 or higher (in a rating scale of 1 to 5 where 5 is highest).
2.1.3 Aviation safety campaigns	Our targeted safety campaigns meet or exceed their agreed success criteria.
2.1.4 Stakeholder engagement strategy	We will implement an action plan to support our Stakeholder Engagement Strategy.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	98%	85%	94.29%	
	100%	85%	100%	
	New measure	By 30 June 2022	Not completed	We've improved our engagement with stakeholders over the year and continued developing the framework. The recently completed Kantar Public stakeholder survey provides a rich data set, noting that senior managers are visible, approachable, and have developed good relationships. This needs to be followed through to all levels in the organisation. This will inform our stakeholder engagement framework. The Authority leadership has set up an internal taskforce to follow up on the themes and actions highlighted by the survey.

Cost to deliver output class 2: Outreach	2022 Actual \$000	2022 Budget \$000	2022 Variance \$000	2021 Actual \$000
Crown - Covid liquidity	389	560	(171)	737
Levies	268	2,066	(1,798)	925
Other revenue	6	14	(8)	13
Revenue	663	2,640	(1,977)	1,675
Expense	(859)	(2,640)	1,781	(1,675)
Net surplus/(deficit)	(196)	-	(196)	-

Output Class 3:

Certification and Licensing

This relates to our strategic pathways to carry out professional regulatory practice (through our activities to allow people to enter, exit, and participate in the system), and active regulatory stewardship (through our intelligence-led risk assessments and continuous improvement).

Why this is important

People and organisations operating within the civil aviation system must be appropriately licensed, certified, and aware of their responsibilities as participants in the sector, to ensure the overall safety of the civil aviation system.

What we want to achieve

Robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

What we do to deliver on this output

- exercise control over entry, through issuing or amending aviation documents, and approvals of organisations, individuals and products
- exercise control over exit, through the suspension and revocation of documents
- provide administration of the ADS-B transponders rebate scheme.

Performance Measure	
3.1.1 Certification and licensing	All certificates or licenses that we issue (for personnel, organisations, aircraft, and service providers) meet our quality and timeliness standards.
3.1.2 Certification of organisations, products and aircraft	Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving a complete application.
3.1.3 Personnel licensing	Timeliness: All personnel licensing activities will be completed within ten working days of receiving a compliant application.
3.1.4 Certification and licensing	Quality: We will license personnel and certify organisations, aircraft and service providers within our prescribed certification standards.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	New measure	Note - measure in development during 2021/2022	Not reported	This measure is not in use on 2021/22. It will be introduced in 2022/23 to replace existing measures 3.1.2, 3.1.3 and 3.1.4. Performance reporting systems are being developed.
	New measure	100%	94%	Staff availability due to sickness has affected the timeliness of logging applications.
	100%	100%	100%	
	100%	100% of the time	100% of the time	The reported 2021/22 actual is based on the results of an internal audit of certification and licensing systems.

Performance Measure	
3.1.5 ADS-B transponders rebate scheme	Applications to the ADS-B transponders rebate scheme that meet eligibility ¹⁰ criteria are administered within required standards. ¹¹
3.1.6 Continuous improvement programme	<p>Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity:</p> <ul style="list-style-type: none"> • Of PDCAs¹² that identified an improvement opportunity, 75% resulted in improvement actions

¹⁰ Information on eligibility criteria and required standards is available at www.aviation.govt.nz

¹¹ This performance measure is included in the 2021/22 Estimates for Vote Transport, in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations. The wording in the Annual Report varies from the wording in the Estimates.

¹² Plan-Do-Check-Act (PDCA) process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management and behaviours.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	100%	100%	100%	
	New measure	75% of PDCA's result in improvement actions	88%	

Cost to deliver output class 3: Certification and Licensing	2022 Actual \$000	2022 Budget \$000	2022 Variance \$000	2021 Actual \$000
Crown funding (Vote Transport: New Technologies and ADS-B))	2,244	4,670	(2,426)	3,114
Crown - Covid liquidity	12,778	15,348	(2,570)	11,402
Levies	9,078	6,524	2,554	8,541
Fees and charges	4,509	5,383	(874)	5,419
Other revenue	187	172	15	230
Revenue	28,796	32,097	(3,301)	28,706
Expense	(28,221)	(32,097)	3,876	(29,537)
Net surplus/(deficit)	575	-	575	(831)

Output Class 4:

Monitoring, inspection and investigation

We carry out professional regulatory practice through our active investigations, audits, and monitoring activities, and active regulatory stewardship through our intelligence-led risk assessments and continuous improvement.

Why this is important

We take an active role in the civil aviation system, ensuring that participants act safely within the system. Monitoring, inspection and investigation activities ensure that we are confident that risks are being well managed throughout the civil aviation system, and that participants are carrying out their responsibilities, or are in a position to act if they are not.

What we want to achieve

Continued assurance that the aviation system in New Zealand is safe and secure.

What we do to deliver on this output

- we monitor adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations under the Civil Aviation Act 1990, the Health and Safety at Work Act 2015 and the Hazardous Substances and New Organisms Act
- we assess safety data and information to identify safety and security risks in order to inform and influence the management of risk
- we take appropriate action in the public interest to enforce the provisions of the Acts and Rules, and to address safety risk.

Performance Measure	
4.1.1 Health and safety assessments, investigations and audits	<p>We will complete health and safety assessments, investigations and audits within¹³:</p> <ul style="list-style-type: none"> • 180 days • 12 months
4.1.2 Aviation safety monitoring, inspection and investigation	<p>We will monitor adherence to the Civil Aviation Act 1990 through the conduct of:</p> <ul style="list-style-type: none"> • Oversight activities , e.g. Audits, inspections, spot checks and system performance reviews¹⁴ • Safety Investigations¹⁵ • Enforcement Investigations • Aviation Related Concerns (ARC) Investigations

¹³ This performance measure is included in the 2021/22 Estimates for Vote Transport in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations

¹⁴ System performance reviews analyse sector, geographic, and individual participant level adherence.

¹⁵ The aim of a safety investigation is to review aviation occurrences where a safety benefit can be derived



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	83%	60%	68%	
	100%	100%	100%	
	407	400-500	401	
	400	300-390	334	
	42	20-40	30	
	578	500-600	549	

Performance Measure	
	<ul style="list-style-type: none"> Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).
4.1.3 Assessment of regulatory investigations	Regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made comply with our regulatory model.
4.1.4 Aviation related concern investigations	<p>We will complete investigations of Aviation Related Concerns within:</p> <ul style="list-style-type: none"> 180 days of receipt 12 months of receipt
4.1.5 Develop and publish aviation related health and safety good practice guides and guidance material	In accordance with our delegated authority under the Health and Safety at Work Act 2015, we develop and publish aviation-specific good practice guides and guidance material.
4.1.6 Airspace integration trials	<p>Support the Ministry of Business, Innovation and Employment on Airspace Integration Trials through provision of regulatory advice as requested¹⁶:</p> <ul style="list-style-type: none"> trials per year (demand driven) trials resulting in formal certification decisions under Part 102
4.1.7 Continuous improvement programme	<p>Our internal assessment of regulatory oversight demonstrates commitment to continuous improvement in how we administer regulatory activity:</p> <p>Of PDCAs¹⁷ that identified an improvement opportunity, 75% resulted in improvement actions</p>

¹⁶ This performance measure is included in the 2021/22 Estimates for Vote Transport in addition to its inclusion in the Authority 2021/22 Statement of Performance Expectations

¹⁷ Plan-Do-Check-Act (PDCA) process reviews are internal assessments of the execution of regulatory activities, including procedures, alignment to the principles of good regulation, risk management, and behaviours.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	0	2-5	0	No S15A investigations were required during the year.
	100%	100% of those assessed comply	100% complied	
	86.8%	80%	93.6%	
	100%	100%	100%	
	6	2-5	0	There were no circulars or guides published as envisaged when the measure was designed. However the Authority has included aviation related health and safety information in 8 advisory circulars and 2 good aviation practice guides.
	New measure	4-5	5	
	New measure	2-3 formal certification decisions	1	Regulatory advice was only requested for one trial.
	New measure	75% of PDCA's result in improvement actions	88%	

Cost to deliver output class 4: Surveillance and Investigation	2022 Actual \$000	2022 Budget \$000	2022 Variance \$000	2021 Actual \$000
Crown funding (Vote Transport: Health and safety at work and improving safety in the aviation sector)	1,201	1,201	-	1,201
Crown - COVID liquidity	5,246	2,293	2,953	3,534
Levies	3,726	8,800	(5,074)	5,785
Fees and charges	23	55	(32)	29
Other revenue	81	67	14	89
Revenue	10,227	12,416	(2,139)	10,638
Expense	(11,587)	(12,416)	829	(11,374)
Net surplus/(deficit)	(1,310)	-	(1,310)	(736)

Output Class 5:

Security Service Delivery

Security service delivery is part of the Authority’s role of professional regulatory practice; our screening and security delivery functions are regulatory actions in practice.

Why this is important

We need to sustain trust in New Zealand’s aviation security system. Security screening and other activities sustain that trust by identifying threats and managing associated risks at security designated airports, and elsewhere as required across New Zealand.

What we want to achieve

We are evolving our security approach over time, to focus on developing a highly skilled workforce, creating a more intelligence-led, risk-based approach to security activities. We explore and adopt new technologies and innovative solutions.

We collaborate with others, at the border and internationally, to sustain confidence through our security outcomes and provide ease of passage for travellers.

What we do to deliver on this output

- we carry out aviation security screening to keep passengers, crew and other personnel safe
- we provide security capability to strengthen New Zealand’s national security, law enforcement activities and the border system
- we contribute to the all-of-government COVID-19 response and recovery initiatives
- we adopt new security technologies and systems to mitigate evolving threats to aviation.

Performance Measure

<p>5.1.1 AvSec equipment and practices</p>	<p>Acceptance by International regulators¹⁸ of AvSec equipment and practices as used within the New Zealand aviation security system.</p>
<p>5.1.2 Deployment of technology</p>	<p>Technologies deployed meet accepted international standards, as directed and agreed by the Director of Civil Aviation.</p>

¹⁸ International Civil Aviation Organisation (ICAO), European Civil Aviation Conference (ECAC), Transport Security Administration (TSA), Transport Canada.

¹⁹ As outlined under the Civil Aviation Act 1990 Part 80 Section (c) and (d), with alignment to Horizon 2030 strategic plan.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	New measure	100%	Not achieved	<p>During the 2021/22 financial year AvSec equipment and practices were accepted by international regulators. The US Transport Security Administration inspected elements of AvSec in May/June 2022 - these were cargo security, the Explosive Detector Dog Unit, airport security and the Behaviour Detection Programme. This inspection resulted in acceptance and re-certification of AvSec equipment and practices of those elements. No issues were raised by the inspection team.</p> <p>ICAO conducted an audit of New Zealand's civil aviation security system in September 2022, post the 2021/22 financial year. The audit resulted in a finding that has led to improvements being made to non-passenger screening.</p>
	New measure	100%	100%	

	Performance Measure
5.1.3 Investigating, trialling and staying informed about new technology	Meet obligations to investigate, trial, and stay informed on new technologies and practices ¹⁹ .
5.1.4 Screening capacity management	Match of forecast screening capacity to actual passenger demand.
5.1.5 Management of service expectation	Percentage of complaints ²⁰ upheld against the Aviation Security Service.
5.1.6 Detection of dangerous goods	Dangerous goods ²¹ are relinquished or removed from passengers or their luggage as a result of pre-flight security screening.
5.2.1 Responding to major audit findings	Major audit findings reported by the Civil Aviation Authority and internal Aviation Security Service quality audits responded to within required timeframes.
5.2.2 Security monitoring of restricted air-side areas	Security monitoring of restricted air-side areas against regulated standards. ²²
5.2.3 Responding to Government requests for security assistance	Government requests for security assistance ²³ responded to.
5.2.4 Responding to Maritime NZ requests for service assistance	Capacity to respond to requests from Maritime NZ for security assistance.
5.2.5 Staffing managed isolation and quarantine facilities	Provide agreed staffing to support All-Of-Government Managed Isolation and Quarantine facilities.

²⁰ In relation to the carrying out of requirements under Civil Aviation Part 140. The measure compares total upheld complaints as a percentage of total passengers screened.

²¹ In accordance with ICAO's "Technical Instructions for the Safe Transport of Dangerous Goods by Air" and the "IATA Dangerous Goods Regulations".

²² Airport Identity Card (AIC) checks, non-passenger screening (NPS), security patrols. This is a measure of whether relevant security roles have been appropriately rostered during the reporting period.

²³ Patrols for New Zealand Police, monitoring of transport hubs.



	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
	New measure	100% of initiatives aligned to strategy	100%	
	New measure	>80%	96.35%	
	New measure	<2%	0.001098%	
	New measure	Number of items removed	169,432	
	New measure	100%	100%	
	New measure	100% of requirements met	100%	
	New measure	100% of requests met	100%	
	New measure	50 qualified staff	102	
	New measure	155 FTEs (full-time equivalents)	151	FTE's were 151 at 31 March and were scaled back, by phased agreement, down to zero by 30 June, due to the winding up of Managed Isolation and Quarantine facilities as a result of government changes to government border policy.

Cost to deliver output class 5: Security service delivery	2022 Actual \$000	2022 Budget \$000	2022 Variance \$000	2021 Actual \$000
Contracted services	1,751	1,493	258	1,371
Passenger security levies	36,083	58,004	(21,921)	36,870
Crown funding – Maritime Port Security	145	145	-	145
Crown – COVID Liquidity	91,793	96,251	(4,457)	86,609
Other revenue	(41)	196	(238)	302
Revenue	129,731	156,089	(26,358)	125,297
Expense	(135,716)	(156,089)	20,373	(123,328)
Net surplus/(deficit)	(5,985)	-	(5,985)	1,969

CAA	2022	2022	2022	2021
Cost to deliver output classes 1-4	Actual	Budget	Variance	Actual
	\$000	\$000	\$000	\$000
Crown funding	25,329	26,729	(1,400)	22,047
Ministry of Transport contract revenue	1,305	2,300	(995)	1,351
Levies	15,339	19,765	(4,426)	17,564
Fees and charges	4,532	5,438	(906)	5,448
Other revenue	274	253	21	332
Revenue	46,779	54,485	(7,706)	46,742
Expense	(47,710)	(54,485)	6,775	(48,309)
Net surplus/(deficit)	(931)	-	(931)	(1,567)

Output class financials	2022	2022	2022	2021
Cost to deliver outputs	Actual	Budget	Variance	Actual
	\$000	\$000	\$000	\$000
Policy and regulatory strategy	(7,043)	(7,332)	289	(5,723)
Outreach	(859)	(2,640)	1,781	(1,675)
Certification and licensing	(28,221)	(32,097)	3,876	(29,537)
Surveillance and investigation	(11,587)	(12,416)	829	(11,374)
CAA delivery total	(47,710)	(54,485)	6,775	(48,309)
AvSec delivery	(135,716)	(156,089)	20,373	(122,934)
AvSec delivery total	(135,716)	(156,089)	20,373	(122,934)

Output Classes Financial Commentary

The Output Classes have been prepared on a gross basis, and do not include any inter-entity eliminations. The eliminations, which have been included in the Financial Statements, include audit work conducted by the Regulatory Function for the Security Service and inter-entity rent amounting to \$318,000 (2021: \$430,000).

Financial Statements



Statement of comprehensive revenue and expense

For the year ended 30 June 2022

	Note	2022		2021
		Actual \$000	Budget \$000	Actual \$000
Revenue				
Levies		51,422	77,768	54,434
Revenue from other services		6,247	6,911	6,810
Crown funding revenue		117,267	123,125	108,801
Ministry contract revenue		1,305	2,300	1,351
Interest revenue		32	-	6
Other revenue		(81)	58	214
Total revenue	2	176,192	210,162	171,616
Expense				
Personnel costs	3	145,686	165,527	134,986
Depreciation and amortisation expense	10, 11	6,824	6,316	5,328
Finance costs	4	15	24	22
Other expenses	5	30,583	38,295	30,477
Total expenses		183,108	210,162	170,813
Net (deficit)/surplus		(6,916)	-	803
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(6,916)	-	803

Explanations of major variances against budget are provided in note 22.

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2022

	Note	2022		2021
		Actual \$000	Budget \$000	Actual \$000
Assets				
Current assets				
Cash and cash equivalents	6	1,093	9,378	9,958
Receivables	7	13,878	9,056	9,244
Derivative financial instruments	8, 18	-	-	5
Services work in progress	9	160	36	81
Prepayments		2,000	1,518	2,389
Total current assets		17,131	19,988	21,677
Non-Current Assets				
Property, plant and equipment	10	18,330	25,514	21,127
Intangible assets	11	4,460	9,095	1,735
Total non-current assets		22,790	34,609	22,862
Total assets		39,921	54,597	44,539
Liabilities				
Current liabilities				
Creditors and other payables	12	5,532	5,404	9,176
Employee entitlements	13	18,375	16,237	14,653
Provisions	14	510	120	523
Total current liabilities		24,417	21,761	24,352
Non-Current Liabilities				
Employee entitlements	13	7,507	9,679	8,989
Provisions	14	375	126	399
Total non-current liabilities		7,882	9,805	9,388
Total liabilities		32,299	31,566	33,740
Net assets		7,622	23,031	10,799
Equity				
General funds		7,622	23,031	10,799
Specific reserves	20, 21	-	-	-
Total equity	16	7,622	23,031	10,799

Explanations of major variances against budget are provided in note 22.
The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2022

	Note	2022		2021
		Actual \$000	Budget \$000	Actual \$000
Equity				
Opening balance of equity at 1 July				
General funds		10,799	6,692	9,997
Specific reserves		-	-	-
Total opening balance of equity at 1 July	16	10,799	6,692	9,997
Comprehensive revenue and expense				
Total comprehensive revenue and expense for the year		(6,916)	-	803
Owner transactions				
Capital contributions from the Crown		3,739	16,339	(1)
Total changes in equity during the year	16	(3,177)	16,339	802
Closing balance of equity at 30 June				
General funds		7,622	23,031	10,799
Specific reserves		-	-	-
Total closing balance of equity at 30 June	16	7,622	23,031	10,799

Explanations of major variances against budget are provided in note 22.
The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2022

	Note	2022		2021
		Actual \$000	Budget \$000	Actual \$000
Cash Flows from Operating Activities				
Receipts from levies		50,406	74,344	51,452
Receipts from other services		2,008	8,950	7,275
Receipts from Crown funding and Ministry contracts		118,572	125,424	110,152
Interest and other sundry revenue received		638	677	770
Payments to employees		(137,236)	(159,578)	(132,869)
Payments to suppliers		(37,652)	(48,490)	(34,970)
Goods and Services Tax (net)		(2,552)	(266)	162
Net cash flows from operating activities		(5,816)	1,061	1,972
Cash Flows from Investing Activities				
Sale of property, plant and equipment		137	-	1
Purchase of property, plant and equipment		(3,658)	(8,070)	(5,069)
Purchase of intangible assets		(3,267)	(7,897)	(477)
Net cash flows from investing activities		(6,788)	(15,967)	(5,545)
Cash Flows from Financing Activities				
Capital contributions from the Crown		3,739	16,339	-
Net cash flows from financing activities		3,739	16,339	-
Net increase/(decrease) in cash and cash equivalents		(8,865)	1,433	(3,573)
Opening cash and cash equivalents at 1 July		9,958	7,945	13,531
Closing cash and cash equivalents at 30 June	6	1,093	9,378	9,958

Explanations of major variances against budget are provided in note 22.

The accompanying notes form part of these financial statements.

Statement of cash flows (continued)

For the year ended 30 June 2022

Reconciliation of net surplus/(deficit) to net cash from operating activities.

	Actual 2022 \$000	Actual 2021 \$000
(Deficit)/surplus	(6,916)	803
Add/(less) non-cash items		
Depreciation and amortisation expense	6,824	5,328
Impairment of receivables	(29)	(540)
Net (gains)/losses on foreign exchange and derivate financial instruments	-	(17)
Discount unwind on employee entitlements	15	22
Total non-cash items	6,810	4,793
Add/(less) items classified as investing or financing activities		
(Gains)/losses on disposal of property, plant and equipment and intangibles	37	(1)
Total items classified as investing or financing activities	37	(1)
Add/(less) movements in working capital items		
Receivables (increase)/decrease	(4,572)	(2,333)
Services work in progress (increase)/decrease	(79)	(46)
Prepayments (increase)/decrease	389	(871)
Creditors and other payables increase/(decrease)	(3,644)	1,583
Employee entitlements increase/(decrease)	2,196	(1,470)
Provisions increase/(decrease)	(37)	(486)
Net movements in working capital items	(5,747)	(3,623)
Net cash flow from operating activities	(5,816)	1,972

The accompanying notes form part of these financial statements.



Notes to the financial statements

■ Notes index

1. Statement of accounting policies	126
2. Revenue	128
3. Personnel Costs	131
4. Finance Costs	132
5. Other expenses	132
6. Cash and Cash Equivalents	133
7. Receivables	133
8. Derivative Financial Instruments	135
9. Services Work in Progress	135
10. Property, Plant and Equipment	135
11. Intangible Assets	139
12. Creditors and Other Payables	141
13. Employee Entitlements	141
14. Provisions	142
15. Contingencies	144
16. Equity	144
17. Related Party Transactions and Key Management Personnel	146
18. Financial Instruments	147
19. Events after the Balance Date	150
20. AvSec Specific Reserves	151
21. CAA Specific Reserves	152
22. Explanation of Major Variances Against Budget	153
23. Effects of COVID-19	154
24. Statutory Deadline Breach	154

1. Statement of accounting policies

Reporting Entity

The Civil Aviation Authority (the Authority) is Government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992, and is domiciled in New Zealand. As a Crown entity, the Authority is also subject to the provisions of the Crown Entities Act 2004. The Authority has a responsibility to work towards the development and delivery of achieving an integrated, safe, responsive and sustainable civil aviation system.

To fulfil these statutory responsibilities, the Authority comprises the Safety and Security Regulatory Function of the Authority (CAA) and the separate Regulatory Security Service (AvSec).

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority has designated itself as a public benefit entity (PBE) for financial reporting under New Zealand equivalents to International Public Sector Accounting Standards.

These financial statements of the Authority are for the year ended 30 June 2022. The financial statements were approved by the Authority on 1 March 2023.

Section 72B (3B) of the Civil Aviation Act 1990 states that the Authority shall perform its functions in respect of the Aviation Security Service separately from its other functions and shall maintain accounts, records, and reports accordingly.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The COVID-19 pandemic continued to impact the operations of the Authority, although the easing of restrictions at the NZ border in the second half of the financial year has seen a

partial recovery in third party revenues and also increasing activity levels. Note 23 on page 154 has been included to provide further detail about this, including the basis on which it has been determined to prepare these financial statements on a going concern basis.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the *Crown Entities Act 2004*, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice. The Authority is a Tier 1 entity and the financial statements have been prepared in accordance with PBE Standards.

These financial statements comply with PBE Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standards early adopted

There were no standards that required early adoption or adopted early by the Authority.

Standards issued that are not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Authority are:

[PBE IPSAS 41 Financial Instruments](#)

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Authority has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with earlier adoption permitted. The Authority has determined this new standard will have no effect on its financial statements and has not yet determined how the application of this standard will affect its Statement of Performance.

Summary of Significant Accounting Policies

Significant accounting policies which materially affect the measurement of financial performance and financial position are included in the notes to which they relate. Those policies that do not relate to a specific note are outlined below:

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Goods and service tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable it is recognised as part of the related asset or expense.

The net GST receivable or payable at balance date is included in receivables or payables in the Statement of Financial Position as appropriate.

Commitments and contingencies are disclosed exclusive of GST.

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

Income tax

The Authority is a Public Authority in terms of the Income Tax Act 2004 and is consequently exempt from the payment of income tax. Accordingly no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Cost allocation

The Authority has determined the cost of outputs using the cost allocation system outlined below.

Criteria for direct and indirect costs

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Indirect costs for the CAA, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Indirect personnel, property, occupancy and certain other indirect costs for the Security Service are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.

Criteria for apportioning support services costs

The delivery of shared support services for both the CAA and AvSec was established from 7 November 2011. The costs arising in each shared services group (Organisational Development and Support, and Performance Monitoring and Assurance) are apportioned to the two operational arms applying an allocation methodology reflecting the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both CAA and AvSec bear an equitable share of the costs of providing shared services.

Critical accounting estimates and assumptions

In preparing these financial statements, the Authority 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 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:

- Useful lives and residual values of property, plant, and equipment – refer to Note 10
- Useful lives of software assets – refer to Note 11
- Retirement and long service leave – refer to Note 13

These significant estimates and assumptions are included in the relevant note.

Critical judgements in applying accounting policies

No critical judgements have been applied in the preparation of these financial statements.

2. Revenue

Accounting policy

The specific accounting policies for significant revenue items are explained below:

Revenue from Levies and Services

Levies

The Authority earns revenue from regulated levies on airlines based on outgoing international passenger volumes and domestic sectors travelled by passengers.

Fees and charges

Revenue derived from the Authority's provision of safety and regulatory services is recognised in the surplus or deficit in the period that the services have been rendered, in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

	Actual 2022 \$000	Actual 2021 \$000
Safety levies		
International passenger levies	1,244	564
Domestic passenger levies	12,325	15,147
Other levies	1,770	1,853
Total safety levies revenue	15,339	17,564
Security levies		
International passenger levies	10,419	4,698
Domestic passenger levies	25,664	32,172
Total security levies	36,083	36,870
Total levies	51,422	54,434
Revenue from other services		
Aviation regulatory and safety services	4,523	5,444
Other contracted aviation security services	1,724	1,366
Total revenue from other services	6,247	6,810

Section 72 of the Civil Aviation Act 1990 prevents the Authority from applying revenue from levies, fees and charges made by one part of the entity to the activities of the other part of the entity.

The various revenue sources have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Revenue from levies does not meet this definition because there is no direct connection between the levy payer and the Authority. However the Authority has decided that there is no material or practical difference between individual levy payers and payers as a group, and that there are no timing differences in the exchange transaction. The Authority has therefore treated revenue from levies and other services as exchange transactions.

Crown funding and Ministry contract revenue

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the surplus or deficit in the period in which the Authority provides the funded programmes.

Crown funding and Ministry contract revenue have been reviewed to determine whether they are exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives approximately equal value to another entity in exchange. Funding from the Crown is generally considered to be a non-exchange transaction, however the Authority has provided detailed information in the Statements of Performance to describe the use of these funds and considers that an exchange of approximate value has occurred, and has therefore treated these funding sources as exchange transactions.

Crown funding revenue

The Authority has been provided with funding from the Crown through Multi-Category Expense and Multi-Year Expense Appropriations and specifically from the Ministry of Transport for the following specific purposes of the Authority as set out in the Civil Aviation Act 1990. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding (2021: nil).

International relations and International Civil Aviation Organization obligations

The Authority has been provided funding from the Crown to provide technical information and advice in relation to international matters affecting New Zealand aviation, to ensure the Minister's obligations in relation to international civil aviation agreements are met, and to promote the development of New Zealand aviation in the international context.

Ministerial servicing

The Authority has been provided funding from the Crown to provide services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Policy advice

The Authority has been provided funding from the Crown to enable it to provide advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to civil aviation.

Improving safety in the aviation sector

The Authority has been provided funding from the Crown which is limited to the investigation, determining compliance, and enforcement of safety in the aviation sector. This is for the purpose of implementing the requirements of the Hazardous Substances and New Organisms Amendment Act 2015 and undertaking activity associated with innovative aviation certification.

Health and safety at work activities - Civil Aviation

The Authority has been provided funding from the Crown for the purpose of implementing the requirements of the Health and Safety at Work Act 2015 ('HSW') within the context of the aviation industry.

The Authority has used the Crown funding provided to:

- conduct HSW investigations, audits and inspections;
- provide advice and education on HSW in the aviation sector; and
- fund other activities connected with HSW practice in the aviation industry.

Automatic Dependent Surveillance - Broadcast (ADS-B) transponders rebate scheme

The Authority has been provided funding from the Crown to establish an ADS-B rebate scheme for the purpose of incentivising the uptake of ADS-B transponders for the owners of aircraft that operate in controlled airspace in New Zealand below flight level 24,500 feet.

Protection of transport sector agency core functions

The Authority has been provided with a Multi-Year Appropriation from the Crown for the purchase of core services from the Authority that are no longer able to be cost-recovered from third parties as a result of COVID-19. \$111,898,000 of this appropriation was drawn down in 2022 (2021: \$103,044,000).

Maritime port security

The Authority receives funding directly from the Crown, through the Ministry of Transport, that is restricted in use for the purposes of meeting the Authority's maritime security obligations.

Ministry contract revenue

The Authority provides rules development services under contract to the Ministry of Transport and receives funding directly from the Ministry of Foreign Affairs and Trade's Pacific Security Fund (PSF) as a reimbursement of training and consultancy services provided to agencies and airlines of the South Pacific region.

	Actual 2022 \$000	Actual 2021 \$000
Rules development (Ministry of Transport)	800	800
Pacific Security Fund (Ministry of Foreign Affairs and Trade)	505	551
Total Ministry contract revenue	1,305	1,351

Interest revenue

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

Other revenue

	Actual 2022 \$000	Actual 2021 \$000
Gain on sale of property, plant and equipment	109	8
Net foreign exchange gains	(5)	22
Other revenue	(185)	184
Total other revenue	(81)	214

Asset disposals and other revenue

During the year the Authority disposed of property, plant and equipment that formed part of the capital replacement programme as determined by the useful life of the asset. The total gain on sale of assets was \$109,000 (2021: \$8,000). Other revenue mainly relates to building rental revenue and an onerous lease provision that was accelerated on cancellation of an office lease between the Aviation Security Service and Callaghan Innovation.

3. Personnel Costs**Accounting policy***Salaries and wages*

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution schemes

Superannuation schemes: Obligations for the Authority's contributions to KiwiSaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined-contribution superannuation scheme and are recognised as an expense in the surplus or deficit.

	Actual 2022 \$000	Actual 2021 \$000
Salaries and wages	132,441	127,807
Employer contributions to defined contribution plans	4,698	4,433
Other personnel expenses	6,306	4,165
Increase/(decrease) in employee entitlements	2,241	(1,419)
Total personnel costs	145,686	134,986

Total employee remuneration paid or payable that is or exceeds \$100,000

	Actual 2022 \$000	Actual 2021 \$000
\$100,000 - \$109,999	47	55
\$110,000 - \$119,999	51	40
\$120,000 - \$129,999	60	50
\$130,000 - \$139,999	43	48
\$140,000 - \$149,999	26	22
\$150,000 - \$159,999	18	11
\$160,000 - \$169,999	5	15
\$170,000 - \$179,999	9	10
\$180,000 - \$189,999	7	6
\$190,000 - \$199,999	4	3
\$200,000 - \$209,999	6	6
\$210,000 - \$219,999	2	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	2	3
\$240,000 - \$249,999	3	1
\$250,000 - \$259,999	1	2
\$260,000 - \$269,999	2	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	-	1
\$310,000 - \$319,999	1	-
\$330,000 - \$339,999	-	2
\$340,000 - \$349,999	1	-
\$390,000 - \$399,999	-	1
\$420,000 - \$429,999	1	-
Total number of employees	290	279

During the year ended 30 June 2022, 1 (2021: 19) employee received compensation and other benefits in relation to cessation totalling \$247,000 (2021: \$583,000).

Board member remuneration paid or payable to each Board member during the year

	Actual 2022 \$000	Actual 2021 \$000
H Duynhoven (appointed May 2019)	24	24
J Fredric (Chair - appointed December 2019)	49	48
S Haszard (appointed March 2021)	29	9
J Hatchwell (appointed July 2019)	24	24
C Spillane (appointed December 2019)	24	24
Total Board member remuneration	150	129

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year.

The Authority has affected Directors and Officers Liability and Professional Indemnity insurance cover for the financial year, in respect of any liability or costs it may incur arising from the activities of Board members and employees.

No Board Members received compensation or other benefits in relation to cessation (2021: nil).

4. Finance Costs

	Actual 2022 \$000	Actual 2021 \$000
Discount unwind on long-term employee entitlements	15	22
Total finance costs	15	22

5. Other expenses

Accounting policy

Operating leases

The Authority leases office premises and office equipment. As substantially all the risks and rewards incidental to ownership of the asset are retained by the lessor, these leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Other expenses

	Actual 2022 \$000	Actual 2021 \$000
Fees to auditor:		
Fees to Audit New Zealand for audit of financial statements	149	133
Operating lease expenses	7,129	7,225
Building operating expenses	2,052	1,805
Information technology expenses	5,627	4,894
Staff travel	1,969	2,183
Insurance	1,090	1,086
Allowance for credit losses on receivables	(28)	(536)
Safety information services	2,923	3,084
Consultancy	2,495	3,472
Consumables and maintenance	3,380	3,221
Loss on disposal of property, plant and equipment and intangibles	-	7
Other expenses	3,797	3,903
Total other expenses	30,583	30,477

Staff travel expense includes all travel related to the Authority's normal business functions. Travel that is incidental to staff training is included within Other personnel expenses in Note 3.

Operating leases as Lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2022 \$000	Actual 2021 \$000
Not later than one year	4,541	7,064
Later than one year and not later than five years	12,960	16,219
Later than five years	914	648
Total non-cancellable operating leases	18,415	23,931

The Authority leases office premises in Wellington and Auckland. It also leases office premises and car parks, staff facilities and operational space for security screening points at three metropolitan and three regional airports, and training facilities in the Auckland area.

Part of the office premises in Wellington was sublet due to it being surplus to requirements and the sublease expired in April 2022. The Authority released the provision of \$168,000 from 30/6/21 and no provision for this exists as at 30/6/22 (2021: \$168,000) in respect of this lease (refer note 14).

A significant portion of the total non-cancellable operating lease expense related to two leases of two floors of office premises in Wellington. The Authority had given notice to exercise a six year right of renewal on the first lease that expired in November 2019. The leases will ultimately expire in November 2037 and November 2040, with the option to vacate the premises at the respective lease renewal dates of November 2025 and November 2022. However, due to unexpected earthquake strengthening work required to the building, one lease, held by the Aviation Security Service, has been cancelled from 1 May 2022.

There are no restrictions placed on the Authority by any of its operating leasing arrangements.

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are nil (2021: \$868,000).

6. Cash and Cash Equivalents

Accounting policy

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

	Actual 2022 \$000	Actual 2021 \$000
Cash at bank and on hand	1,093	9,958
Term deposits with maturities of three months or less	-	-
Total cash and cash equivalents	1,093	9,958

While cash and cash equivalents at 30 June 2022 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is not material.

The weighted average effective interest rate for cash and cash equivalents held is 0.01% (2021: 0.05%).

7. Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Authority applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

	Actual 2022 \$000	Actual 2021 \$000
Receivables arising from exchange transactions	13,907	9,334
Other receivables	3	-
Less: allowance for credit losses	(32)	(90)
Total receivables	13,878	9,244

The expected credit loss rates for receivables at 30 June 2022 and 30 June 2021 are based on the payment profile of revenue on credit over the prior 2 years at the measurement date

and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses at 30 June 2022 and 30 June 2021 were determined as follows:

	2022			2021		
	Gross carrying amount	Expected credit loss rate	Lifetime expected credit loss	Gross carrying amount	Expected credit loss rate	Lifetime expected credit loss
	\$000	%	\$000	\$000	%	\$000
Not past due	3,531	-	-	7,694	-	-
Past due 1-30 days	8,537	-	-	1,077	0%	(1)
Past due 31-60 days	1,761	-	-	24	1%	-
Past due 61-90 days	29	2%	(1)	464	8%	(38)
Past due over 90 days	52	59%	(31)	75	68%	(51)
Total	13,910		(32)	9,334		(90)

The movement in the allowance for credit losses is as follows:

	Actual 2022 \$000	Actual 2021 \$000
Opening allowance for credit losses as at 1 July	(90)	(630)
(Increase)/decrease in loss allowance made during the year	29	535
Receivables written off during the year	29	5
Balance at 30 June	(32)	(90)

8. Derivative Financial Instruments

Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange risk arising from the Authority's operational activities. The Authority does not hold or issue derivative financial instruments for trading purposes. The Authority has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

Further information on derivative financial instruments

The Authority has taken forward exchange contracts to settle anticipated foreign currency liabilities in future periods. The contracts are to settle supplier annual licence payments due in the 2022/23 and 2021/22 financial years (GBP 375,000 (2021: 330,000)). Aviation liability insurance premiums covering the 2022/23 financial year had not been finalised by the end of the current financial year and therefore no forward exchange contract was entered into. The total notional principal amounts of these contracts in NZ\$ are \$730,000 (2021: \$650,000).

The fair value of the forward exchange contracts have been determined using market rates as at balance date.

9. Services Work in Progress

Accounting policy

Services work in progress is measured at the lower of the costs incurred to date for work being undertaken and the net realisable value. The estimated net realisable value is based on the contracted service price.

Any write-down from cost to net realisable value for services work in progress in the provision of services is recognised in the surplus or deficit when the write-down occurs.

	Actual 2022 \$000	Actual 2021 \$000
Services work in progress	160	81
Total services work in progress	160	81

The Authority carries services work in progress that includes costs incurred in the partial completion of certification and audit engagements.

10. Property, Plant and Equipment

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The threshold for this cost to be capitalised as an asset is \$2,500.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold improvements	Remaining life of lease	
Furniture and fittings	10 years	10%
Plant and equipment	5 - 10 years	20% - 10%
Office equipment	5 years	20%
Motor vehicles	4 - 5 years	25% - 20%
Computer equipment	3 - 4 years	33% - 25%

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

Impairment of property, plant and equipment

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment 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 service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell, and value in use.

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset is impaired, its carrying amount is written down to the recoverable amount. The total impairment loss and any subsequent reversals of impairment are recognised in the surplus or deficit.

Critical accounting estimates and assumptions

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

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Authority minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs; and
- analysis of previous asset sales.

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

Movements for each class of property, plant and equipment are as follows:

	Assets under construction	Leasehold improvements	Furniture & fittings	Plant & equipment	Office equipment	Motor vehicles	Computer equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Cost or valuation								
Balance at 1 July 2020	4,848	7,946	804	32,907	568	3,026	1,829	51,928
Additions/ (Transfers)	(3,192)	720	9	6,763	-	417	380	5,097
Disposals	-	-	-	(93)	-	(149)	-	(242)
Balance at 30 June 2021	1,656	8,666	813	39,577	568	3,294	2,209	56,783
Balance at 1 July 2021	1,656	8,666	813	39,577	568	3,294	2,209	56,783
Additions/ (Transfers)	1,704	602	62	242	-	747	240	3,597
Disposals	-	-	-	(312)	-	(471)	(31)	(814)
Balance at 30 June 2022	3,360	9,268	875	39,507	568	3,570	2,418	59,566
Accumulated depreciation and impairment losses								
Balance at 1 July 2020	-	(6,412)	(682)	(19,783)	(541)	(1,969)	(1,687)	(31,074)
Depreciation expense	-	(607)	(28)	(3,734)	(8)	(319)	(99)	(4,795)
Eliminate on disposal	-	-	-	92	-	121	-	213
Balance at 30 June 2021	-	(7,019)	(710)	(23,425)	(549)	(2,167)	(1,786)	(35,656)
Balance at 1 July 2021	-	(7,019)	(710)	(23,425)	(549)	(2,167)	(1,786)	(35,656)
Depreciation expense	-	(565)	(21)	(5,239)	(7)	(269)	(182)	(6,283)
Eliminate on disposal	-	-	-	287	-	384	32	703
Balance at 30 June 2022	-	(7,584)	(731)	(28,377)	(556)	(2,052)	(1,936)	(41,236)
Carrying amounts								
At 1 July 2020	4,848	1,534	122	13,124	27	1,057	142	20,854
At 30 June 2021	1,656	1,647	103	16,152	19	1,127	423	21,127
At 30 June 2022	3,360	1,684	144	11,130	12	1,518	482	18,330

Restrictions

There are no title restrictions for any of the Authority's property, plant and equipment, nor are any of these assets pledged as security for liabilities or contingent liabilities.

Work in progress

	Leasehold improvements	Furniture & fittings	Plant & equipment	Office equipment	Motor vehicles	Computer equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation							
Balance at 1 July 2020	702	12	3,859	8	267	-	4,848
Assets capitalised	(720)	(8)	(6,762)	-	(418)	(380)	(8,288)
Additions	133	(4)	3,784	(8)	793	398	5,096
Balance at 30 June 2021	115	-	881	-	642	18	1,656
Balance at 1 July 2021	115	-	881	-	642	18	1,656
Assets capitalised	(330)	(57)	(241)	-	(654)	(202)	(1,484)
Additions	215	57	2,719	-	13	184	3,188
Balance at 30 June 2022	-	-	3,359	-	1	-	3,360

The total amount of property, plant and equipment in the course of construction is \$3,123,000 (2021: \$1,656,000).

Capital commitments

The amount of contractual commitments for the acquisition of property, plant, and equipment at the reporting date is:

	Actual 2022 \$000	Actual 2021 \$000
Plant and equipment	3,983	3,056
Total capital commitments	3,983	3,056

The Authority has entered into agreements for the acquisition of screening equipment located at the main airports.

11. Intangible Assets

Accounting policy

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Other software-related costs are recognised as follows:

- Staff training costs are recognised as an expense when incurred;
- Costs associated with maintaining computer software are expensed when incurred; and
- Costs associated with development and maintenance of the Authority's website are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible asset have been estimated as follows:

Acquired computer software	3-5 years	33% - 20%
Internally developed computer software	3-5 years	33% - 20%

Impairment of intangible assets

Refer to the policy for impairment of property, plant, and equipment in Note 10. The same approach applies to the impairment of intangible assets.

Critical accounting estimates and assumptions

Estimating useful lives of software assets

In assessing the useful lives of software assets, a number of factors are considered, including:

- the period of time the software is intended to be in use;
- the effect of technological change on systems and platforms; and
- the expected time frame for the development of replacement systems and platforms.

An incorrect estimate of the useful lives of software assets will affect the amortisation expense recognised in the surplus or deficit, and the carrying amount of the software assets in the statement of financial position.

Movements for each class of intangible asset are as follows:

	Acquired software	Acquired software under construction	Internally developed software	Internally developed software under construction	Total
	\$000	\$000	\$000	\$000	\$000
Cost					
Balance at 1 July 2020	5,792	239	2,116	-	8,147
Additions/(Transfers)	648	(171)	-	-	477
Disposals	-	-	-	-	-
Balance at 30 June 2021	6,440	68	2,116	-	8,624
Balance at 1 July 2021	6,440	68	2,116	-	8,624
Additions/(Transfers)	230	3,036	-	-	3,266
Disposals	-	-	-	-	-
Balance at 30 June 2022	6,670	3,104	2,116	-	11,890
Accumulated amortisation and impairment losses					
Balance at 1 July 2020	(4,240)	-	(2,116)	-	(6,356)
Amortisation expense	(533)	-	-	-	(533)
Disposals	-	-	-	-	-
Balance at 30 June 2021	(4,773)	-	(2,116)	-	(6,889)
Balance at 1 July 2021	(4,773)	-	(2,116)	-	(6,889)
Amortisation expense	(541)	-	-	-	(541)
Disposals	-	-	-	-	-
Balance at 30 June 2022	(5,314)	-	(2,116)	-	(7,430)
Carrying amounts					
At 1 July 2020	1,552	239	-	-	1,791
At 30 June 2021	1,667	68	-	-	1,735
At 30 June 2022	1,356	3,104	-	-	4,460

Restrictions

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

Work in progress

The total amount of intangibles in the course of construction is \$3,104,690 (2021: \$68,000).

Capital commitments

There is a capital commitment for the EMPIC project of \$305,965. This is expected to be fulfilled in the 2022/23 year.

12. Creditors and Other Payables

Accounting policy

Short-term payables are recorded at the amount payable.

	Actual 2022 \$000	Actual 2021 \$000
Creditors and payables under exchange transactions		
Creditors	3,966	3,700
Other payables	343	209
Total creditors and payables under exchange transactions	4,309	3,909
Creditors and payables under non-exchange transactions		
Taxes payable (GST, PAYE)	1,223	5,267
Total creditors and payables under non-exchange transactions	1,223	5,267
Total creditors and other payables	5,532	9,176

13. Employee Entitlements

Accounting policy

Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, vested long service leave, retirement leave and sick leave. Non-vested long service leave and retirement entitlements expected to be settled within 12 months of balance date are also classified as a current liability.

The Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

Measuring retirement and long service leave obligations

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

In determining the appropriate discount rate, the Authority considered the interest rates on New Zealand Treasury Bills and 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 after obtaining advice from an independent actuary. Term-specific risk-free rates as at 30 June 2022 ranged from 0.38% pa

to 4.30% pa (2021: ranged from 0.38% pa to 4.30% pa) and a salary inflation factor of 1.00% - 1.50% pa for the year ended 30 June 2022, with a long term salary inflation rate of 3.08% (2021: 1.50% pa and 3.08% pa respectively) were used.

Actuarial estimate sensitivity analysis

If the discount rate were to be 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$592,000 lower/\$686,000 higher respectively (2021: \$765,000 lower/\$891,000 higher respectively).

If the salary inflation factor was 1% pa higher/lower than the Authority's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$574,000 higher/\$504,000 lower respectively (2021: \$742,000 higher/\$652,000 lower respectively).

Employee entitlements

	Actual 2022 \$000	Actual 2021 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	3,977	1,754
Annual leave	12,384	11,016
Current portion of long-term employee entitlements		
Sick leave	203	198
Retiring and long service leave	1,811	1,685
Total current portion	18,375	14,653
Non-current employee entitlements are represented by:		
Long-term employee entitlements		
Retiring and long service leave	7,190	8,673
Sick leave	317	316
Total non-current portion	7,507	8,989
Total employee entitlements	25,882	23,642

14. Provisions

Accounting policy

General

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation. An increase in the provision due to the passage of time is recognised as a finance cost (refer Note 4).

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits or service potential to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Restructuring

A provision for restructuring is recognised when an approved detailed formal plan for the restructuring has either been announced publicly to those affected, or for which implementation has already commenced.

Lease make-good

A provision for lease make-good costs is recognised when the Authority is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Authority. The Authority has the option to renew these leases, which affects the timing of expected cash outflows to make good the premises.

	Actual 2022 \$000	Actual 2021 \$000
Current provisions are represented by:		
Onerous contracts	-	119
Restructuring	-	250
Legal and employment proceedings	510	154
Total current portion	510	523
Non-current provisions are represented by:		
Onerous contracts	-	49
Lease make-good	375	350
Total non-current portion	375	399
Total provisions	885	922

Movements for each class of provision are as follows:

	Onerous contracts \$000	Lease make-good \$000	Restructuring \$000	Legal and employment proceedings \$000	Total \$000
2022					
Balance at 1 July 2021	168	350	250	154	922
Additional provisions made/(reversed)	(168)	25	(250)	356	(37)
Balance at 30 June 2022	-	375	-	510	885
2021					
Balance at 1 July 2020	286	194	528	400	1,408
Additional provisions made/(reversed)	(118)	156	(278)	(246)	(486)
Balance at 30 June 2021	168	350	250	154	922

Restructuring provision

The Authority approved a detailed and formal restructuring plan which was announced in June 2019 and has continued through the current financial year. The provision represented the estimated cost for redundancy payments.

Leasehold make-good provisions

The Authority has recognised a liability for the cost to make good the office space leased in Wellington upon the expiry of the lease term. Information about the Authority's leasing arrangements is disclosed in Note 5.

15. Contingencies

Contingent liabilities

Legal actions

The Authority has relied on advice from legal counsel in forming the view that there are no contingent liabilities (2021: \$nil) existing in relation to any legal matters currently in progress.

Personal grievance

The Authority has no contingent liabilities relating to personal grievances in the current or previous years.

Contingent assets

The Authority has no contingent assets (2021: \$nil).

16. Equity

Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

General funds

Passenger security reserve, and other fees and charges reserves

These reserves relate to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities.

Managed Isolation and Quarantine Reserve

This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to the provision of managed isolation and quarantine facilities provided for by Vote Transport appropriation.

Passenger safety reserves

These reserves relate to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

	Actual 2022 \$000	Actual 2021 \$000
EQUITY		
General funds		
Opening balance at 1 July	10,799	9,997
(Deficit)/surplus for the year	(6,916)	803
Transfer (to)/from specific reserves	-	(1)
Capital contributions from the Crown	3,739	-
Repayment of capital	-	-
Property, plant and equipment revaluation reserve transfer on disposal	-	-
Closing balance at 30 June	7,622	10,799
Passenger security reserve		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(5,985)	2,031
Transfer (to)/from general funds	5,985	(2,031)
Closing balance at 30 June	-	-
Managed Isolation and Quarantine Reserve		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	-	-
Transfer (to)/from general funds	-	-
Closing balance at 30 June	-	-
Security reserve - other fees and charges		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	-	338
Transfer (to)/from general funds	-	(338)
Closing balance at 30 June	-	-
Passenger safety reserve - fixed fees		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(3,629)	(2,844)
Transfer (to)/from general funds	-	-
Transfer (to)/from levies reserve	3,629	2,844
Closing balance at 30 June	-	-
Passenger safety reserve - hourly charges		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(4,069)	(5,156)
Transfer (to)/from general funds	-	-
Transfer (to)/from levies reserve	4,069	5,156
Closing balance at 30 June	-	-
Passenger safety reserve - other		
Opening balances at 1 July	-	-
(Deficit)/surplus for the year	(2,704)	(1,098)
Transfer (to)/from general funds	-	-
Transfer (to)/from levies reserve	2,704	1,098
Closing balance at 30 June	-	-

	Actual 2022 \$000	Actual 2021 \$000
Passenger safety reserve - levies		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	4,065	(9,236)
Transfer (to)/from specific reserves	(10,402)	(9,098)
Transfer (to)/from passenger safety reserve - other general reserves	6,337	18,334
Closing balance at 30 June	-	-
Passenger safety reserve - other general reserves		
Opening balances at 1 July	-	-
Surplus/(deficit) for the year	5,406	16,767
Transfer (to)/from specific reserves	(6,337)	(18,334)
Transfer (to)/from general funds	931	1,567
Closing balance at 30 June	-	-

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that repayment of security service surplus funds to the Crown may be requested by the Minister of Finance at his discretion.

Capital management

The Authority's capital is its equity, which comprises the Crown's capital contributions, accumulated surplus and other reserves. Equity is represented by net assets.

As a result of COVID-19, the Authority was required to fully utilise its cash and investments to meet operating costs before it could access additional Crown funding. The Authority's specific reserves were therefore exhausted as a consequence of this.

The Authority is subject to the financial management and accountability provisions of the Crown Entities Act 2004, the Public Finance Act 1989, and the Civil Aviation Act 1990, which impose restrictions in relation to borrowings, the acquisition of securities, the issue of guarantees and indemnities, and the use of derivatives.

The Authority has complied with the financial management requirements of the Crown Entities Act 2004 during the year. The Authority manages its equity by prudently managing revenues, expenses, assets, liabilities, and investments in accordance with its written policies and the requirements of the Acts to ensure that the Authority effectively achieves its objectives and purpose, whilst remaining a going concern.

17. Related Party Transactions and Key Management Personnel

The Authority is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Authority would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

There were no related party transactions that were conducted on a non-commercial terms basis.

Key management personnel compensation

	Actual 2022 \$000	Actual 2021 \$000
Board Members	150	129
Authority Leadership Team and senior employees	3,728	3,590
Total key management personnel compensation	3,878	3,719

Key management personnel full-time equivalent

	Actual 2022	Actual 2021
Board Members	1	1
Authority Leadership Team and senior employees	14	14
Total key management personnel full-time equivalent	15	15

Key management personnel include Board Members, the Director of Civil Aviation and Authority Leadership Team (refer to page 14) and also includes other senior employees with the ability to influence decisions.

During the year ended 30 June 2022, no key management person (2021: 1) received compensation and other benefits in relation to cessation (2021: 79,000).

The Authority normally has a six member board, appointed for terms of up to three years and it reports to the Minister of Transport.

The Authority does not provide remuneration or benefits to the Minister of Transport or the Associate Minister of Transport.

18. Financial Instruments

18a. Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2022 \$000	Actual 2021 \$000
Mandatorily measured at fair value through surplus or deficit		
Derivative financial instrument assets	-	5
Financial assets measured at amortised cost		
Cash and cash equivalents	1,093	9,958
Receivables	13,878	9,244
Investments - term deposits	-	-
Total financial assets measured at amortised cost	14,971	19,202
Financial liabilities measured at amortised cost		
Creditors and other payables	5,532	9,176
Total financial liabilities measured at amortised cost	5,532	9,176

18b. Fair value hierarchy

Derivative financial instrument assets and liabilities recognised at fair value in the Statement of Financial Position have been determined according to level 2 valuation techniques -observable inputs.

18c. Financial Instrument Risks

The Authority's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Authority has a set of policies in place to manage the risks associated with financial instruments and it seeks to minimise its exposure to financial instrument risk.

These policies do not allow the Authority to enter into any transactions that are speculative in nature.

There have been no changes from the previous reporting period in either the types of financial instrument held, the type of risk exposure, or the way in which these financial instrument risks are managed.

Market Risk

Price risk

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates and other market factors.

Fair value Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Authority is exposed to interest rate risk on its bank deposits that are held at fixed rates of interest. The Authority minimises its exposure to interest rate risk by investing surplus liquid funds at short-term fixed interest rates and limiting its floating rate deposit balances to daily funding requirements.

As the Authority's short-term deposits are invested at fixed interest rates, any change in interest rates prior to deposit maturity has no impact on net surplus/(deficit). As these financial assets are carried at amortised cost, rather than at fair value, there is no direct impact on equity from any change in interest rates.

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 Authority to cash flow interest rate risk. The Authority's treasury policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Authority currently has no variable interest rate investments.

Sensitivity Analysis

At year end, a movement of one percentage point in interest rates would not materially affect the Authority's surplus and equity as the Authority no longer holds term deposits.

Currency risk

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

The Authority purchases some goods and services from overseas that require it to enter into transactions denominated in foreign currencies. Exposure to currency risk arises as a result of these activities. It is the Authority's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contract derivatives for major transactions to mitigate the foreign currency risk exposure. The Authority has no designated hedging instruments, foreign currency bank accounts, or foreign currency translation reserves.

Sensitivity Analysis

At year end, if the NZ dollar had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the surplus for the year would have been:

- \$67,500 (2021: 34,000) lower if the NZ dollar had weakened;
- \$61,000 (2021: 31,000) higher if the NZ dollar had strengthened.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Authority. The Authority is exposed to credit risk on its balances of cash and cash equivalents, debtors and other receivables, investments in term deposits, and derivative contracts entered into. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Risk management

The Authority reviews the credit quality of clients and participants before granting credit, and continues to monitor and manage receivables based on their activity and expected future conditions and adjusts the expected credit loss allowance accordingly. Levies and charges revenue from domestic and international airlines account for approximately 71% (2021: 81%) of receivables. There are no other significant individual concentrations of credit risk.

The Authority manages its exposure by placing all cash and cash equivalents and derivative contracts with New Zealand registered banks having high quality credit ratings and by managing debtors and other receivables in accordance with the Authority's credit management policy. Surplus funds are invested with registered banks and organisations with a minimum AA- credit rating (Standard and Poor's, or equivalent Fitch or Moody's ratings agencies).

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

Impairment

Cash and cash equivalents (Note 6), receivables (Note 7), are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding receivables

The gross carrying amount of financial assets, excluding receivables, by credit rating is provided below by reference to the credit agency credit ratings.

	Actual 2022 \$000	Actual 2021 \$000
Cash at bank and term deposits		
AA-	1,093	9,958
Total cash at bank and term deposits	1,093	9,958

All instruments in this table have a loss allowance based on 12-month expected credit losses.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its payment obligations for commitments as they fall due. The Authority manages its liquidity risk by maintaining sufficient cash deposits in accordance with the levels set under its approved treasury policy.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the present value of contractual undiscounted cash flows for the Authority's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 months & 1 year	Later than 1 year
	\$000	\$000	\$000	\$000	\$000
2022					
Payables (excluding income in advance and taxes payable)	4,309	4,309	4,309	-	-
Total contractual undiscounted cash flows	4,309	4,309	4,309	-	-
2021					
Payables (excluding income in advance and taxes payable)	3,909	3,909	3,909	-	-
Total contractual undiscounted cash flows	3,909	3,909	3,909	-	-

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses derivative financial instrument liabilities that are settled net and all gross settled derivatives into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the undiscounted contractual cash flows.

	Liability Carrying amount	Asset Carrying amount	Contractual cash flows	Less than 6 months	Between 6 months & 1 year	Later than 1 year
	\$000	\$000	\$000	\$000	\$000	\$000
2022						
Forward foreign exchange contracts	-	-	-	-	-	-
• outflow	-	-	-	-	-	-
• inflow	-	-	-	-	-	-
2021						
Forward foreign exchange contracts	-	5	-	-	-	-
• outflow	-	-	(650)	-	(650)	-
• inflow	-	-	655	-	655	-

There were no forward foreign exchange contracts in place as at 30 June 2022.

19. Events after the Balance Date

There were no significant events after balance date.

21. CAA Specific Reserves

The following reserves accounts provide additional financial information on the regulated passenger safety levies and charges collected by the Authority:

	Fixed Fees	Hourly Charges	Other (Crown and Ministry Funding)	General Funds (including Levies)	Actual	Budget	Actual Prior Year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2022							
Revenue	1,717	2,806	6,529	35,727	46,779	54,485	46,742
Expense	(5,346)	(6,875)	(9,233)	(26,256)	(47,710)	(54,485)	(48,309)
Net (deficit)/surplus	(3,629)	(4,069)	(2,704)	9,471	(931)	-	(1,567)
Opening balance at 1 July 2021	-	-	-	1,964	1,964	226	3,531
Capital injection	-	-	-	3,739	3,739	8,200	-
Transfer (to)/from General Reserves	3,629	4,069	2,704	(10,402)	-	-	-
Closing balance at 30 June 2022	-	-	-	4,772	4,772	8,426	1,964
2021							
Revenue	1,836	3,612	6,963	34,331	46,742	47,619	40,064
Expense	(4,680)	(8,768)	(8,061)	(26,800)	(48,309)	(50,619)	(48,127)
Net surplus/(deficit)	(2,844)	(5,156)	(1,098)	7,531	(1,567)	(3,000)	(8,063)
Opening balance at 1 July 2019	-	-	-	3,531	3,531	3,485	11,594
Capital injection	-	-	-	-	-	-	-
Transfer (to)/from General Reserves	2,844	5,156	1,098	(9,098)	-	-	-
Closing balance at 30 June 2021	-	-	-	1,964	1,964	485	3,531

22. Explanation of Major Variances Against Budget

Explanations for major variances from the Authority's budgeted figures in the Statement of Performance Expectations are provided in the paragraphs below.

Statement of Comprehensive Revenue and Expense

REVENUE

Revenue for the year ended 30 June 2022 of \$176.2 million continued to be partially impacted by COVID-19 restrictions on travel and was below budget of \$210.2 million by \$34.0 million (-16.2%). The significant variances are as follows:

Safety levies revenue

Regulatory Function levy revenue from departing domestic and international passengers and operator safety levies of \$15.3 million was below the budget of \$19.7 million by \$4.4 million (22.3%). This was mainly the result of COVID restrictions, although the final quarter experienced a recovery as restrictions were lifted.

Revenue from passenger security levies

Revenue from passenger security levies of \$36.1 million was below the budget of \$58.0 million by \$21.9 million (-37.8%), mainly due to COVID restrictions including the suspension of the Safe Travel Zones with Australia and the Cook Islands in August 2021. However, there was a recovery in the final two months of the year as restrictions were partially lifted.

Revenue from other services

Revenue from other services of \$6.2 million was lower than the budget of \$6.9 million by \$0.7 million (-9.6%), largely due to reduced activity in the Security Function related to COVID-19.

Crown funding revenue

Crown funding revenue of \$117.3 million was \$5.9 million below budget of \$123.1 million (-4.8%) largely due to the final quarter recovery and lower than budgeted personnel and operating costs. This reduced the amount of Crown "liquidity facility" support necessary to fund the Authority's operating costs.

Other revenue

Other revenue of (\$0.1) million was below the budget of \$0.1 million by \$0.2 million mainly due to the accelerated write off of an onerous lease due to the cancellation of a revenue earning sublease agreement at the Asteron Centre. This was partially offset by a refund of ACC levies, incurred in prior years, as a result of a change in Aviation Security's ACC classification. Other contributors were additional interest income, unbudgeted seminars hosted by the Authority, and gains on disposals of fixed assets.

EXPENSE

Expenditure for the year ended 30 June 2022 of \$183.1 million was below budget of \$210.2 million by \$27.1 million (-12.9%). The significant variances are as follows:

Personnel costs

Personnel costs of \$145.7 million were lower than the budget of \$165.5 million by \$19.8 million (-12.0%). This variance was primarily due to lower personnel costs in the Security Function, as planned growth in staff numbers was deferred in response to COVID-19 impacts.

Depreciation and amortisation expense

Depreciation and amortisation expense of \$6.8 million was greater than the budget of \$6.3 million by \$0.5 million (+8.0%). This was due to accelerated depreciation of \$1.1m on AvSec related assets in Auckland which are nearing the end of their useful lives. This has been partially offset by the timing of unspent capex which has been carried over into the 2022/2023 year.

Other expenses

Other expenses of \$30.6 million were lower than the budget of \$38.3 million by \$7.7 million (-20.1%) and this was primarily due to reduced Pacific security aid work (\$1.1m), reduced travel due to COVID restrictions (\$0.9m), reduced ADS-B grant payments (\$2.5), governance and professional costs (\$0.9m), and accommodation costs (\$1.7m).

There were no significant variances in either the Statement of Financial Position or Statement of Cash Flows other than what is explained above.

23. Effects of COVID-19

On 11 March 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, the New Zealand Government imposed significant travel restrictions, impacting both international and domestic air travel.

Prior to this, levies from departing passengers normally accounted for approximately 90% of the Authority's revenue. The imposition of these travel restrictions had a severe impact on the Authority's funding, although during the second half of this financial year, these travel restrictions (both domestically and at the NZ border) were progressively lifted. Volumes though remain below those seen prior to the pandemic (which were the basis for the Authority's current levies, fees and charges).

The Crown previously provided support in Budget 2020 and Budget 2021 to enable the Authority to maintain appropriate capability for core functions, through an appropriation that purchases core services from the Authority that are no longer able to be fully cost-recovered from third parties as a result of COVID-19. This support was further extended in Budget 2022 through to June 2023.

In addition, the Crown has provided a letter of comfort from the Ministers of Finance and Transport to the Authority's Chair. In this letter the Government commits to working with the Board over the medium-term to restore the Authority's financial viability, and acknowledges that the Crown may need to provide further equity support to the extent that the core statutory and regulatory functions of the Authority can continue to be met. This letter has provided the required basis for the Authority to prepare these financial statements on a going concern basis.

24. Statutory Deadline Breach

CAA was required under section 156(3)(b) of the Crown Entities Act 2004 to complete the audited financial statements and statements of performance by 31 December 2022. The timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of COVID-19 including lockdowns.



Additional financial information

Statement of comprehensive revenue and expense

For the Year Ended 30 June 2022

The following additional financial information provides segmental reporting that discloses the two industry segments operated within the Authority. These relate to the operations of the CAA and AvSec.

Group		CAA		AvSec		Elimination		Authority	
		2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000
Revenue									
54,434	Levies and passenger security charges	15,339	19,764	36,083	58,004	-	-	51,422	77,768
6,810	Revenue from other services	4,523	5,438	1,728	1,493	(4)	(20)	6,247	6,911
108,801	Crown funding revenue	25,329	26,729	91,938	96,396	-	-	117,267	123,125
1,351	Ministry contract revenue	1,305	2,300	-	-	-	-	1,305	2,300
6	Interest revenue	9	-	23	-	-	-	32	-
214	Other revenue	274	253	(41)	196	(314)	(391)	(81)	58
171,616	Total revenue	46,779	54,484	129,731	156,089	(318)	(411)	176,192	210,162
Expense									
134,986	Personnel costs	42,108	42,531	103,578	122,996	-	-	145,686	165,527
5,328	Depreciation and amortisation expense	844	891	5,980	5,425	-	-	6,824	6,316
22	Finance costs	2	-	13	24	-	-	15	24
30,477	Other expenses	4,756	11,062	26,145	27,644	(318)	(411)	30,583	38,295
170,813	Total expenses	47,710	54,484	135,716	156,089	(318)	(411)	183,108	210,162
803	Net (deficit)/surplus	(931)	-	(5,985)	-	-	-	(6,916)	-
803	Total comprehensive revenue and expense	(931)	-	(5,985)	-	-	-	(6,916)	-

Statement of financial position

As at 30 June 2022

Group		CAA		AvSec		Elimination		Authority	
		2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000
Current Assets									
9,958	Cash and cash equivalents	297	2,651	796	6,727	-	-	1,093	9,379
9,244	Receivables	5,695	2,238	8,886	6,818	(703)	-	13,878	9,055
5	Derivative financial instruments	-	-	-	-	-	-	-	-
81	Services work in progress	160	36	-	-	-	-	160	36
2,389	Prepayments	742	570	1,258	948	-	-	2,000	1,518
21,677	Total current assets	6,894	5,495	10,940	14,493	(703)	-	17,131	19,988
Non-Current Assets									
21,127	Property, plant and equipment	1,128	1,418	17,202	24,096	-	-	18,330	25,514
1,735	Intangible assets	3,882	8,304	578	791	-	-	4,460	9,095
22,862	Total non-current assets	5,010	9,722	17,780	24,887	-	-	22,790	34,609
44,539	Total assets	11,904	15,217	28,720	39,380	(703)	-	39,921	54,597
Current Liabilities									
9,176	Creditors and other payables	2,500	4,110	3,735	1,294	(703)	-	5,532	5,404
14,653	Employee entitlements	3,738	2,209	14,637	14,028	-	-	18,375	16,237
523	Provisions	310	-	200	120	-	-	510	120
24,352	Total current liabilities	6,548	6,319	18,572	15,442	(703)	-	24,417	21,761
Non-Current Liabilities									
-	Derivative financial instruments	-	-	-	-	-	-	-	-
8,989	Employee entitlements	309	378	7,198	9,301	-	-	7,507	9,679
399	Provisions	275	94	100	32	-	-	375	126
9,388	Total non-current liabilities	584	472	7,298	9,333	-	-	7,882	9,805
33,740	Total liabilities	7,133	6,791	25,869	24,775	(703)	-	32,299	31,566
10,799	Net assets	4,772	8,426	2,850	14,605	-	-	7,622	23,031
Equity									
10,799	General funds	4,772	8,426	2,850	14,605	-	-	7,622	23,031
-	Specific reserves	-	-	-	-	-	-	-	-
10,799	Total equity	4,772	8,426	2,850	14,605	-	-	7,622	23,031

Statement of changes in equity

For the year ended 30 June 2022

Group		CAA		AvSec		Elimination		Authority	
		2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000
Equity									
Opening balance of equity at 1 July									
9,997	General funds	1,964	226	8,835	6,466	-	-	10,799	6,692
9,997	Total opening balance of equity at 1 July	1,964	226	8,835	6,466	-	-	10,799	6,692
803	Net (deficit)/surplus for the year	(931)	-	(5,985)	-	-	-	(6,916)	-
1	Capital contributions from the Crown	3,739	8,200	-	8,139	-	-	3,739	16,339
802	Total changes in equity during the year	2,808	8,200	(5,985)	8,139	-	-	(3,177)	16,339
Closing balance of equity at 30 June									
10,799	General funds	4,772	8,426	2,850	14,605	-	-	7,622	23,031
10,799	Total closing balance of equity at 30 June	4,772	8,426	2,850	14,605	-	-	7,622	23,031

Statement of cash flows

For the year ended 30 June 2022

Group		CAA		AvSec		Elimination		Authority	
		2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000	2022 Actual \$000	2022 Budget \$000
Cash Flows from Operating Activities									
51,452	Receipts from levies	15,339	18,972	35,067	55,372	-	-	50,406	74,344
7,275	Receipts from passenger security levies and charges, and other services	1,678	7,590	334	1,380	(4)	(20)	2,008	8,950
110,152	Receipts from Crown funding and Ministry contracts	26,636	29,028	91,936	96,396	-	-	118,572	125,424
770	Interest and other sundry revenue received	269	308	683	760	(314)	(391)	638	677
(132,869)	Payments to employees	(39,340)	(40,994)	(97,896)	(118,584)	-	-	(137,236)	(159,578)
(34,970)	Payments to suppliers	(6,292)	(12,588)	(31,678)	(36,313)	318	411	(37,652)	(48,490)
162	Goods and Services Tax (net)	(797)	(130)	(1,755)	(136)	-	-	(2,552)	(266)
1,972	Net cash flows from operating activities	(2,507)	2,186	(3,309)	(1,125)	-	-	(5,816)	1,061
Cash Flows from Investing Activities									
1	Sale of property, plant and equipment	41	-	96	-	-	-	137	-
(5,069)	Purchase of property, plant and equipment	(557)	(700)	(3,101)	(7,370)	-	-	(3,658)	(8,070)
(477)	Purchase of intangible assets	(3,110)	(7,552)	(157)	(345)	-	-	(3,267)	(7,897)
(5,545)	Net cash flows from investing activities	(3,626)	(8,252)	(3,162)	(7,715)	-	-	(6,788)	(15,967)
Cash Flows from Financing Activities									
-	Capital contributions from the Crown	3,739	8,200	-	8,139	-	-	3,739	16,339
-	Net cash flows from financing activities	3,739	8,200	-	8,139	-	-	3,739	16,339
(3,573)	Net increase/(decrease) in cash and cash equivalents	(2,394)	2,134	(6,471)	(701)	-	-	(8,865)	1,433
13,531	Opening cash and cash equivalents at 1 July	2,691	516	7,267	7,429	-	-	9,958	7,945
9,958	Closing cash and cash equivalents at 30 June	297	2,650	796	6,728	-	-	1,093	9,378

Information required by statute

Declaration required under the sections 171 and 172 of the Search and Surveillance Act 2012

Number of times the Authority has exercised its powers under section 24(4) of the Civil Aviation Act 1990 in 2021/22	Nil
----------------------------------------------------------------------------------------------------------------------	-----

