

The logo of Te Pokapū Kōwhiri, featuring a stylized white tree with many branches and leaves, set against a dark background.

# Audited Financial Statements and Statement of Service Performance

1 July 2015 –  
30 June 2016

*Te Pokapū Kōwhiri Mātauranga  
mō ngā Whare Wānanga o Aotearoa*

December 2016

**AQA**

Academic  
**Quality**Agency  
For New Zealand Universities

## **2015-16 Report from the Chair**

The 2015-16 year saw some significant changes in personnel for AQA. Dr Jan Cameron retired after six highly successful years as AQA Director. Jan ably led AQA through the development of the Cycle 5 academic audit and a positive external review of AQA in 2015 which constituted an affirmation of the high quality of her work as Director. Jan's contribution to academic quality was celebrated at a farewell function in February, 2016. Heather Kirkwood resigned from the role of Deputy Director of AQA in November 2015. Heather also made a valuable contribution to AQA through her support for academic audit and in undertaking critical analyses and reviews of AQA audit findings. On behalf of the Board, I wish to thank Jan and Heather for the outstanding contribution they have made to AQA and to academic quality in New Zealand universities and internationally. Emeritus Professor Sheelagh Matear has succeeded Jan as the Executive Director of AQA and Zareena Khan commenced as Finance, Communications and Operations Manager.

AQA noted with great sadness the deaths of Dr John Jennings, former Director of AQA and Professor Roy Crawford, former Vice-Chancellor of the University of Waikato and Chair of the Panel for the 2015 External Review of AQA.

The Cycle 5 Academic Audit reports for the University of Waikato and Auckland University of Technology were released in the 2015-16 year. In addition to its Cycle 5 activities, AQA undertook an academic audit of the National University of Samoa and a programme review for the Macau Polytechnic Institute.

The development of a sixth cycle of academic audit is underway. The incoming Executive Director visited New Zealand universities as part of her induction and establishment activities. These discussions, and relevant recommendations from the External Review of AQA will inform the development of Cycle 6.

The five-yearly external review of AQA was released in November, 2015. The Panel made eleven commendations and thirteen recommendations. Commendations included AQA's responsiveness to recommendations made in the previous review, having a system of quality audit that meets the highest standards of independence and integrity, quality enhancement activities and international engagement. Recommendations were made with respect to the student voice in academic audit, processes regarding

approval of audit reports between Board meetings and other audit processes, auditor training and panel composition and opportunities for Cycle 6. AQA is addressing the recommendations and will make a one-year follow-up report on progress at the end of 2016.

Membership of the AQA Board changed in 2015-16 with Dr Andrew West, Mr John Sinclair and Mr Paul Smith departing and Professor Neil Quigley, Dr Kaye McAulay and Mr Jonathan Gee joining the Board. Pania Gray has been appointed as Deputy Chair. The AQA Board met three times in the 2015-16 year and I would like to thank outgoing, continuing and new Board members for their contribution to AQA.

A handwritten signature in dark ink, appearing to read 'Pat Walsh', with a stylized, cursive script.

**Emeritus Professor Pat Walsh**

**Chair**

Academic Quality Agency for New Zealand Universities



# **ACADEMIC QUALITY AGENCY FOR NEW ZEALAND UNIVERSITIES**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2016**

**ACADEMIC QUALITY AGENCY FOR  
NEW ZEALAND UNIVERSITIES  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**ACADEMIC QUALITY AGENCY FOR  
NEW ZEALAND UNIVERSITIES  
FOR THE YEAR ENDED 30 JUNE 2016**

**BACKGROUND**

**Establishment of AOA**

The Academic Quality Agency for New Zealand Universities (AQA) was established in 1993 (as the New Zealand Universities Academic Audit Unit) by the New Zealand universities acting jointly through the New Zealand Vice Chancellors' Committee (NZVCC), and began operations in 1994.

AQA is a subsidiary of NZVCC for financial reporting purposes. This in no way compromises the operational independence of the AQA in carrying out its activities. It is funded by the universities and its Board is appointed by the NZVCC. However, its operations, including academic audits, are independent of the NZVCC and of the individual universities.

**Sources of Funds**

An annual operating grant of \$400,000 from the universities was the main source of funding received by AQA. Additional revenue of \$130,327 was provided on a cost-recovery basis by New Zealand universities undergoing academic audit in the current financial year.

Review and audits of non-New Zealand institutions, conference fees and interest earned supplement this revenue.

**Further Information about Academic Quality Agency for New Zealand Universities (AOA)**

The AQA website, [www.aqa.ac.nz](http://www.aqa.ac.nz) provides a wide range of information and publications.

The AQA offices are located at Level 9, 142 Lambton Quay, Wellington.



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**STATEMENT OF RESPONSIBILITY**

We acknowledge that:

- (a) The preparation of financial statements of the Academic Quality Agency for New Zealand Universities and judgements used herein are our responsibility.
- (b) The establishment and maintenance of an internal control system designed to give reasonable assurance as to the integrity and reliability of the financial and non-financial reports for the year ended 30 June 2016 are our responsibility; and

In our opinion the financial statements for the year under review fairly reflect the financial position and operations of the Academic Quality Agency for New Zealand Universities.

For and on behalf of the board



Pania Aroha Gray  
Deputy Chair of the Board  
Academic Quality Agency for New Zealand Universities



Emeritus Professor Sheelagh Mear  
Executive Director  
Academic Quality Agency for New Zealand Universities

Date: 22 September 2016

Date: 22-9-16

**INDEPENDENT AUDITOR'S REPORT****TO THE READERS OF ACADEMIC QUALITY AGENCY FOR NEW ZEALAND UNIVERSITIES'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

The Auditor-General is the auditor of Academic Quality Agency for New Zealand Universities (AQA). The Auditor-General has appointed me, Henry McClintock, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements and the statement of service performance of AQA on her behalf.

**Opinion on the financial statements and the statement of service performance**

We have audited:

- the financial statements of AQA on pages 12 to 24, that comprise the statement of financial position as at 30 June 2016, 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 that include accounting policies and other explanatory information; and
- the statement of service performance of AQA on pages 8 to 11.

In our opinion:

- the financial statements of AQA on pages 12 to 24:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Sector Public Benefit Entity Standards Reduced Disclosure Regime.
- the statement of service performance presents fairly, in all material respects, AQA's performance measured against the proposed outcomes described in the investment plan for the year ended 30 June 2016.

Our audit was completed on 22 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of AQA's financial statements and statement of service performance 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 AQA's internal control.



An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of the disclosures in the financial statements and the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

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

### **Responsibilities of the Board**

The Board is responsible for preparing financial statements that comply with generally accepted accounting practice in New Zealand and present fairly AQA's financial position, financial performance and cash flows.

The Board is also responsible for preparing a statement of service performance that presents fairly AQA's service performance measured against the proposed outcomes described in its investment plan.

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

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the statement of service performance, whether in printed or electronic form.

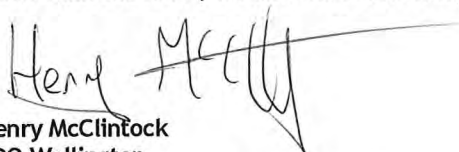
### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



**Henry McClintock**  
BDO Wellington  
On behalf of the Auditor-General  
Wellington, New Zealand

**ACADEMIC QUALITY AGENCY FOR  
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FINANCIAL STATEMENTS  
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**STATEMENT OF OBJECTIVES**

**Mission**

The mission of the Academic Quality Agency for New Zealand Universities is to contribute to high quality New Zealand university education by:

- engaging as a leader and advocate in the development of universities based on high quality, internationally acceptable, academic practices;
- providing quality assurance and quality enhancement services which assist universities in facilitating excellent student experience and learning outcomes.

**Terms of Reference**

- to consider and review the universities' mechanisms for monitoring and enhancing the ongoing academic quality of academic programmes, their delivery and their learning outcomes, and the extent to which the universities are achieving their stated aims and objectives in these areas,
- to comment on the extent to which procedures in place in individual universities are applied effectively,
- to comment on the extent to which procedures in place in individual universities reflect good practice in maintaining quality,
- to identify and commend to universities national and international good practice in regard to academic quality assurance and quality enhancement,
- to assist the university sector to improve its educational quality,
- to advise the New Zealand Vice-Chancellors' Committee on quality assurance matters;
- to carry out such contract work as is compatible with its audit role.



**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF PERFORMANCE**

**Objective 1: Quality Assurance**

**To ensure academic audits are timely and produce audit reports which are of assistance to universities, are authoritative, fair and perceptive.<sup>1</sup>**

Description: AQA undertakes regular academic audits of all New Zealand universities using a framework developed by AQA in consultation with the sector and other stakeholders. Academic audits are conducted to a schedule approved by the Board and with the agreement of the universities. From time to time, AQA may be contracted to undertake other forms of audit or review including academic audits of international universities. The quality and timeliness of the work of AQA are overseen by a Board, comprised of a Vice-Chancellor an academic, a student and lay members who are appointed by the NZVCC but operate independently of them and of the universities.

Measure	2015/16 Delivered	2015/16 Quantity Estimated	2014/15 Quantity Delivered	2014/15 Quantity Estimated
1.1 Academic audit reports published as per indicative timeline <sup>2</sup>	2 (Waikato Oct. 2015, AUT Apr. 2016)	2 (Waikato, AUT)	4 (Auckland, Victoria, Canterbury, NUS)	4 (Auckland, Victoria, Canterbury, NUS)
1.2 Academic audit follow-up reports received as per indicative timeline	3 (Auckland, Victoria, Canterbury)	3 (Auckland, Victoria, Canterbury)	1 (Massey)	1 (Massey)
1.3 Feedback on audit process sought from recently audited universities as per indicative timeline	2 (Waikato, AUT)	2 (Waikato, AUT)	3 (Auckland, Victoria, Canterbury)	3 (Auckland, Victoria, Canterbury)
1.4 Proportion of auditors appointed to NZ university audit panels who have received auditor training	90% (n=10)	100%	N/A *	N/A *

\* Change in measure from 2014/15.

<sup>1</sup> Objectives as per AQA Constitution.

<sup>2</sup> Indicative audit timelines published in Cycle 5 Academic Audit Handbook for Universities and available from the AQA website: [www.aqa.ac.nz/cycle5](http://www.aqa.ac.nz/cycle5).

## Objective 2: Quality Enhancement – Universities

**To contribute to the development, dissemination and implementation of new policies and good practices in quality assurance and quality enhancement in education, both nationally and internationally.**

Description: AQA's mission includes assisting universities to facilitate excellent student experience and learning outcomes. AQA undertakes this quality enhancement role in a variety of ways, including by identifying and commending national and international good practice in regard to academic quality assurance and quality enhancement, and by facilitating dialogue between university staff on quality matters.

Measure	2015/16 Delivered	2015/16 Quantity Estimated	2014/15 Quantity Delivered	2014/15 Quantity Estimated
2.1 Publication of AQA newsletter	3	4	4	4
2.2 Workshops and/or meetings held with New Zealand universities on matters pertaining to university quality	8 (meetings held with all universities as part of new ED induction and preliminary discussion of cycle 6)	2	5 (Individual meetings – Canterbury, Waikato, AUT, Massey – plus workshop with NZUSA on Student Voice)	4 (Individual meetings – Waikato, AUT, Massey, and Otago)
2.3 Biennial 'Support for Quality' Conference	1	1 (October 2015)	1 (September 2014)	1
2.4 Biennial QE/communications survey of stakeholders	1 (undertaken as part of 2015 review of AQA)	1	N/A (2015/16)	1

## Objective 3: Quality Enhancement – AQA

**To improve the quality of AQA activities, including audit practice, by interaction with other education and academic quality assurance agencies, both nationally and internationally.**

Description: AQA's work is benchmarked internationally: the agency is independently audited every five years (last audited in June 2015) and has been assessed as meeting the Guidelines of Good Practice in Quality Assurance of the International Network for Quality Assurance Agencies in Higher Education (confirmed 2013, valid until 2017). Interaction and engagement with national and international peer agencies is an important component of AQA's continued commitment to its own development and to the professional development of its staff and activities.



Measure	2015/16 Delivered	2015/16 Quantity Estimated	2014/15 Quantity Delivered	2014/15 Quantity Estimated
3.1 Membership of related national boards, committees and working groups	1 (JCG)	2	3	3
3.2 Membership of related International boards and working groups	1	1	1	1
3.3 Independent review of AQA operations including assessment against Guidelines of Good Practice (GGP) in Quality Assurance of the International Network for Quality Assurance Agencies in Higher Education	Report published September 2015.	Review undertaken in June 2015; report to be received 2015/16	Review undertaken in June 2015; report to be received 2015/16	Review undertaken in June 2015; report to be received 2015/16
3.4 External consultancy or other contracts undertaken	1 (Macao)	2 (Macao, one other – likely Oman)	4 (USP; NUS HKCAAVQ; TNQAB)	2 (USP, one other)

#### Objective 4: Quality Support

**To ensure effective processes and adequate resourcing to achieve the above objectives at a high level of satisfaction for universities and other stakeholders.**

Description: AQA's annual operating grant is funded by the universities collectively. The Board of AQA prepares and recommends a budget to the committee of New Zealand Vice-Chancellors prior to the commencement of each financial year. In doing so, the Board seeks to ensure that the annual grant provides for an adequate level of resources to enable the organisation to achieve its stated objectives for that year, and that the organisation's net asset levels and cash flow are sufficient to sustain its continued operation.

Measure	2015/16 Delivered	2015/16 Quantity Estimated	2014/15 Quantity Delivered	2014/15 Quantity Estimated
4.1 Review of annual service lease agreement with Universities New Zealand	Review completed and lease re-signed	Review completed and lease re-signed	Review completed and lease re-signed	Review completed and lease re-signed
4.2 Review of budget and staffing requirements alongside ongoing monitoring of AQA Strategic Plan	Review undertaken	Review undertaken	Review undertaken	Review undertaken
4.3 Approval of requested annual grant by Vice-Chancellors	Annual grant approved as sought	Annual grant approved as sought	Annual grant approved as sought	Annual grant approved as sought

#### Total cost of service:

	2015/16 Actual \$	2015/16 Estimate \$	2014/15 Actual \$
<b>Total revenue</b>	<b>544,087</b>	<b>499,000</b>	<b>565,063</b>
<b>Total expense</b>	<b>532,887</b>	<b>497,667</b>	<b>550,124</b>
<b>Surplus/(deficit)</b>	<b>11,200</b>	<b>1,333</b>	<b>14,939</b>

For and on behalf of the board



Pania Aroha Gray  
Deputy Chair of the Board  
Academic Quality Agency for New Zealand Universities

Date: 22 September 2016.



Emeritus Professor Sheelagh Matear  
Executive Director  
Academic Quality Agency for New Zealand Universities

Date: 22-9-16



**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**

		<b>AQA Actual 2016</b>	<b>AQA Budget 2016</b>	<b>AQA Actual 2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Annual Grant from Universities		400,000	400,000	380,000
Audit Fees		130,327	86,000	169,283
Interest Revenue		5,054	3,000	6,515
Consultancy & Sundry Revenue		8,706	10,000	9,265
<b>Total Revenue</b>		<b>544,087</b>	<b>499,000</b>	<b>565,063</b>
Less Expenditure	7	532,887	497,667	550,124
<b>Surplus/(Deficit) for the year</b>		<b>\$11,200</b>	<b>\$1,333</b>	<b>\$14,939</b>
<b>Other Comprehensive Revenue and Expense</b>				
		0	0	0
<b>Total Comprehensive Revenue and Expense for the year</b>		<b>\$11,200</b>	<b>\$1,333</b>	<b>\$14,939</b>
<b>Surplus/(deficit) attributable to:</b>				
Owners of the controlling entity		\$11,200	\$1,333	\$14,939
Minority Interest		0	0	0
		<b>\$11,200</b>	<b>\$1,333</b>	<b>\$14,939</b>
<b>Total comprehensive revenue and expense attributable to:</b>				
Owners of the controlling entity		\$11,200	\$1,333	\$14,939
Minority Interest		0	0	0
		<b>\$11,200</b>	<b>\$1,333</b>	<b>\$14,939</b>

**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF CHANGES IN EQUITY**

	<b>AQA Actual 2016</b>	<b>AQA Budget 2016</b>	<b>AQA Actual 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Equity at start of the year</b>	<b>179,874</b>	<b>179,874</b>	<b>164,935</b>
Total Comprehensive Revenue and Expense for the year	11,200	1,333	14,939
<b>Equity at end of the year</b>	<b>\$191,074</b>	<b>\$181,207</b>	<b>\$179,874</b>



**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF FINANCIAL POSITION  
AS AT 30 June, 2016**

	Note	AQA Actual 2016 \$	AQA Budget 2016 \$	AQA Actual 2015 \$
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8	204,922	181,249	209,831
GST Refund		2,106	2,000	3,305
Receivables (from exchange transactions)	9	35,974	39,998	23,672
Recoverable (from non-exchange transactions)		0	0	0
		243,002	223,247	236,808
<b>Non-Current Assets</b>				
Property, Plant & Equipment	10	0	7,960	412
				412
<b>Total Assets</b>		<b>\$243,002</b>	<b>\$231,207</b>	<b>\$237,220</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables (from exchange transactions)	11	40,119	40,000	42,899
Non-exchange liabilities		0	0	0
Employee benefit liability	12	11,809	10,000	14,457
Revenue received in advance				0
		51,928	50,000	57,346
<b>Non-Current Liabilities</b>				
Employee benefit liability		0	0	0
Non-exchange liabilities		0	0	0
		0	0	0
<b>Total Liabilities</b>		<b>\$51,928</b>	<b>\$50,000</b>	<b>\$57,346</b>

**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF FINANCIAL POSITION (cont.)**  
**AS AT 30 June, 2016**

	<b>Note</b>	<b>AQA Actual 2016 \$</b>	<b>AQA Budget 2016 \$</b>	<b>AQA Actual 2015 \$</b>
<b>Net Assets/Equity</b>				
Accumulated revenue and expense		191,074	181,207	179,874
Net assets/equity attributable to the owners of the controlling entity		191,074	181,207	179,874
Minority interests				
<b>Total Net Assets/Equity</b>		<b>\$191,074</b>	<b>\$181,207</b>	<b>\$179,874</b>
<b>Total Net Assets/Equity and Liabilities</b>		<b>\$191,074</b>	<b>\$181,207</b>	<b>\$179,874</b>

**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF CASHFLOWS**

	<b>AQA ACTUAL 2016</b>	<b>AQA BUDGET 2016</b>	<b>AQA ACTUAL 2015</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>			
<b>Proceeds from:</b>			
Interest Received	5,508	2,969	6,427
Annual Grants from Universities	400,000	400,000	380,000
Audit Fees	108,279	65,200	173,133
Other Receipts	9,273	13,148	10,048
Goods and Services Tax	1,291	(360)	(1,045)
Payments to Suppliers	(285,857)	(255,699)	(288,848)
Payments to Employees	(243,007)	(238,840)	(242,138)
<b>Net Cash Flows from Operating Activities</b>			
	(4,513)	(13,582)	37,577
<b>Cash Flows from Investing Activities</b>			
Increase/ (Decrease) in Term Deposits & Portfolio	(2,352)	0	(2,082)
Proceeds from Purchase of Property, Plant & Equipment	0	(15,000)	0
<b>Net Inflow/ (outflow) from Investing Activities</b>			
	(2,352)	(15,000)	(2,082)
<b>Net Increase (Decrease) in cash and cash equivalents</b>			
	(6,865)	(28,582)	35,495
Opening Cash at Beginning of Year	156,230	156,230	120,735
<b>Closing Cash at 30 June</b>	<b>\$149,365</b>	<b>\$127,648</b>	<b>156,230</b>
<b>Represented by:</b>			
Petty Cash	198		270
BNZ Bank Accounts (Excluding term Deposits)	149,167		155,960
	<b>\$149,365</b>		<b>156,230</b>



**ACADEMIC QUALITY AGENCY FOR  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 Reporting Entity**

The reporting entity AQA is a financial subsidiary of the New Zealand Vice-Chancellor's Committee (NZVCC) which is a public benefit entity and was established under the Education Act 1989. As a subsidiary of NZVCC, AQA is required to prepare financial statements in accordance with Section 153-156 of the Crown Entities Act 2004.

The consolidated financial statements for the year ended 30 June 2016 are published (separately) by NZVCC and comprise of NZVCC and AQA together referred to as the 'Group'.

**2 Basis of Preparation**

**(a) Statement of Compliance**

The financial statements of AQA have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAPP). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards as appropriate for Tier 2 Public Sector Public Benefit Entity (PBE) Standards, for which all reduced disclosure regime exemptions have been adopted.

AQA has elected to report in accordance with Tier 2 Public Sector PBE Standards as for the two most recent reporting periods the Group has had between \$2m and \$30m operating expenditure.

These financial statements were authorised for issue by Pania Aroha Gray, Deputy Chair of the Board of AQA and Emeritus Professor Sheelagh Matear, Executive Director of AQA, on 22 September 2016.

**(b) Measurement Basis**

The consolidated financial statements have been prepared on the historical cost basis except, as indicated below:

- Financial Instruments
- Property, Plant & Equipment
- Long-term employee benefits.

**(c) Functional and Presentation Currency**

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

There has been no change in the functional currency of AQA or any significant foreign operations of AQA during the year.

**3 Use of Judgements and Estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**(a) Judgements**

Judgements made in applying accounting policies that have had the most significant effects on the amounts recognised in the AQA financial statements include the following:

- Revenue recognition – non-exchange revenue (conditions vs restrictions).

**(b) Assumptions and estimation uncertainties**

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2016 include the following:

- Key assumptions underlying determining the recoverable amounts for impairment testing.
- Useful life, recoverable amount, depreciation method and rate.

**(c) Changes in accounting estimates**

There have been no changes in accounting estimates during the period.



#### 4 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the AQA.

Certain comparative amounts in the statements of comprehensive revenue and expense have been reclassified and or represented as a result of changes in the accounting policies and prior errors (see note 5 and note 6).

##### (a) Foreign Currency

Transactions in foreign currencies are recorded at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at appropriate closing exchange rates, and gains or losses due to currency fluctuations on these items are included in the Financial Statements.

##### (b) Revenue

###### Revenue from Exchange Transactions

Revenue from exchange transactions are those where AQA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity.

Revenue from exchange transactions is recognised when the amount of revenue is earned and is reported in the financial period to which it relates.

###### Grant Revenue

Grant revenue is received from the eight universities on a six-monthly basis and is applied on a straight-line basis over the financial year in which it relates.

###### Rendering of Services

Revenue from services rendered is recognised in surplus or deficit in proportion to the stage-of-completion of the transaction at the reporting date.

###### Revenue from Non-Exchange Transactions

Non-exchange transactions are those where AQA receives an inflow of resources but provides no (or nominal) direct consideration in return.

##### (c) Employee Benefits

###### Short-term Employee benefits

Short-term employee benefit liabilities, wages and salaries, including non-monetary benefits and annual leave are recognised when AQA has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

##### (d) Finance income

Interest revenue is recognised using the effective interest method as it accrues.

##### (e) Financial Instruments

All assets and liabilities of AQA, with the exception of Property, Plant & Equipment and intangible assets are financial instruments and are recognised in the Statement of Financial Position. No other financial instruments exist other than those recognised in the Statement of Financial Position. Revenues and expenses in relation to these financial instruments are recognised in the Statement of Comprehensive Revenue and Expenditure.

Financial instruments are measured in accordance with the accounting policies disclosed in relation to each type of asset and liability. Unless stated, the carrying amounts reflected in the financial statements equate to the estimated fair value of AQA's assets and liabilities at 30 June 2016 for each financial instrument.

###### Creditors and Other Payables

Creditors and other payables are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

###### Trade and Other Receivables

Trade and Other Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, trade and other receivables are measured at amortised cost using the effective interest method less any impairment losses.

###### Cash and Cash Equivalents

Cash includes cash on hand and funds on deposit with banks (with maturities or able to be matured within 90 days) and is measured at its face value.



- (f) **Impairment of Non-Derivative Financial Assets**  
 AQA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar characteristics. All impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in surplus or deficit.
- (g) **Property, Plant and Equipment**
- Recognition and Measurement**  
 Property, plant and equipment are initially recognised at cost. Property, plant and equipment are recorded at cost less accumulated depreciation. Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the entity and the cost of the item can be measured reliably. All other costs are recognised in surplus or deficit as an expense when incurred.
- Depreciation**  
 Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:
- |  |         |
|--|---------|
| Computers and Printers                   | 48%SL   |
| Office equipment, furniture and fittings | 16.2%SL |
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
- (h) **Budget**  
 The budget figures for AQA are those approved by the AQA Board at their 25 March 2015 meeting, including the Annual Grant figure approved by the Vice-Chancellors at their 5 June 2014 meeting.
- The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by AQA for the preparation of the financial statements.
- (i) **Goods and Services Tax**  
 The financial statements are exclusive of GST except for Trade Payables and Trade Receivables which are GST inclusive.
- (j) **Taxation**  
 AQA is a subsidiary of NZVCC which is a statutory body and registered with the Charities Services under the Charities Act 2005. AQA has been established with the same purposes as NZVCC. AQA's purpose is to manage its finances and conduct its activities for the benefit of NZVCC, which has charitable status, and AQA are therefore exempt from income tax.
- (k) **Statement of Cash Flows**  
 The statement of cash flows has been prepared using the direct approach method.
- Cash includes cash on hand and deposits held at call with banks.
- Operating activities includes cash received from all revenue sources of AQA including annual university grants, cost-recovery of New Zealand university academic audit costs, audits of non-New Zealand institutions, consultancy, conference fees and interest earned.
- 5 **Adjustments arising on transition to the new PBE accounting standards**  
 There have been no reclassifications on the face of the financial statements in adopting the new PBE accounting standards.
- 6 **Revenue**  
 All AQA revenue for the year ended 30 June 2016 was earned from Grants, Rendering of Services, Interests and exchange transactions.

## 7 Expenses

	AQA Actual 2016 \$	AQA Budget 2016 \$	AQA Actual 2015 \$
ACC Levy	586	800	547
Advertising and marketing	0	1,000	0
Audit Fee (Financial audit)	9,080	8,000	9,125
Accountancy	3,000	4,300	2,600
AQA Chairman & Board Honoraria	25,330	32,700	22,449
Bank Fees	265	400	457
Computer Maintenance and Training	16,806	13,222	11,859
Conference Fees	1,673	2,300	4,070
Consultancy	66,621	41,009	87,728
Depreciation - Computer Equipment	102	7,452	615
Depreciation - Office Equipment, Furniture & Fittings	310	0	336
Insurance	6,046	7,000	5,757
Legal expenses	6,695	1,000	0
Loss on sale of Asset	0	0	0
Meeting Costs	4,220	5,300	2,305
Office Expenses, Administration and General	12,560	17,000	17,269
Occupancy Rent	30,245	30,122	30,122
Recruitment Costs	8,763	5,000	1,465
Review of the Unit	1,065	0	0
Salaries	231,337	227,576	236,445
Subscriptions	1,210	2,700	1,432
Superannuation Contributions (Including KiwiSaver)	8,215	9,000	9,379
Staff Development (exc. travel)	306	1,000	332
Telephone and Tolls	1,387	2,300	1,648
Travel and Accommodation:			
- New Zealand Travel*	4,409	2,346	10,624
- International Travel*	6,866	4,565	18,827
- Board Travel	5,202	3,458	1,977
- Audit Travel*	46,500	30,580	38,090
- Accommodation and meals	25,172	28,700	25,487
NZVCC Staff Services	8,916	8,837	9,179
	<b>532,887</b>	<b>497,667</b>	<b>550,124</b>

\*- There has been a slight variation in the classification of Travel. International Travel that relate to Audits have been classified under Audit Travel unlike International Travel as done previously. International Travel now consists of the Non Audit financials like SFQ Conference.



**8 Cash and Cash Equivalents**

	AQA 2016	AQA 2015
	\$	\$
Bank of New Zealand		
Current Account (0.25%)	18,851	31,799
Call Account (0.55%)	130,316	124,161
BNZ Short-term Deposits (2.93%)	55,557	53,601
Petty Cash	198	270
	<b>204,922</b>	<b>\$209,831</b>

**9 Receivables – Exchange Transactions**

	AQA 2016	AQA 2015
	\$	\$
Sundry Debtors	24,484	4,505
Prepaid Expenses	6,127	14,499
Accrued Audit Fees Income	4,954	4,200
Accrued Interest	409	468
	<b>\$35,974</b>	<b>\$23,672</b>

**10 Property, Plant and Equipment**

	Computer Equipment	Office Equipment and Furniture	Total
	\$	\$	\$
<b>Cost or valuation</b>			
Balance at 1 July 2014	2,132	2,071	4,203
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2015	<b>2,132</b>	<b>2,071</b>	<b>4,203</b>
Balance at 1 July 2015	2,132	2,071	4,203
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2016	<b>2,132</b>	<b>2,071</b>	<b>4,203</b>
<b>Accumulated depreciation and impairment losses</b>			
Balance 1 July 2014	1,415	1,426	2,841
Depreciation expense	615	335	950
Elimination on disposal	0	0	0
Balance at 30 June 2015	<b>2,030</b>	<b>1,761</b>	<b>3,791</b>
Accumulated depreciation and impairment losses			
Balance 1 July 2015	2,030	1,761	3,791
Depreciation expense	102	310	412
Elimination on disposal	0	0	0
Balance at 30 June 2016	<b>2,132</b>	<b>2,071</b>	<b>4,203</b>
<b>Carrying amounts</b>			
At 1 July 2014	717	645	1,362
At 30 June / 1 July 2015	102	310	412
At 30 June 2016	<b>0</b>	<b>0</b>	<b>0</b>

The related depreciation expense for each category has been disclosed separately in Note 4g.



## 11 Payables – Exchange Transactions

	AQA 2016	AQA 2015
	\$	\$
Accounts Payable	6,874	21,511
Accruals	30,261	16,821
BNZ Credit Card	2,984	3,201
Income in Advance	-	1,356
	<b>\$40,119</b>	<b>\$42,889</b>

## 12 Employee Benefit Liability

	AQA 2016	AQA 2015
	\$	\$
Short term Employee Entitlements		
Salary Accrual	8,464	6,131
Employer Superannuation Contribution on Salary Accrual	303	245
Annual Leave	2,925	7,770
Employer Superannuation Contribution on Annual Leave	117	311
Total short term Employee Entitlements	11,809	14,457
Total long term Employee Entitlements	0	0
Total Employee Entitlements	<b>\$11,809</b>	<b>\$14,457</b>

## 13 Financial Instruments

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

	AQA 2016	AQA 2015
	\$	\$
Loans and Receivables		
Cash and cash equivalents	204,922	209,831
Trade and Other receivables	35,974	23,672
Financial liabilities measured at amortised cost		
Trade and Other payables	40,119	41,533

### Credit Risk

Financial instruments which potentially subject AQA up to credit risk principally consist of Cash and Cash Equivalents and Trade and Other Receivables.

The maximum exposures to credit risk at balance date were:

	AQA 2016	AQA 2015
	\$	\$
Cash on Hand	198	270
Bank Balances	149,167	155,960
Accounts Receivable	35,974	23,672
Bank Term Deposits	55,557	53,601
BNZ Credit Cards (credit limit as at 30 June)	8,000	16,000

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

#### Concentrations of Credit Risk

AQA is not exposed to any concentration of credit risk.

#### Interest Rate Risk

AQA is primarily a short term investor in on-call funds and term deposits not exceeding 180 days. The interest rate risk exposure on deposits pertains to fluctuations in market rates of interest.

#### Foreign Exchange Risk

Transactions in foreign currencies are recorded at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at appropriate closing exchange rates, and gains or losses due to currency fluctuations on these items are included in the Financial Statements.

### 14 Related Party Transactions

NZVCC is a related party by virtue of the fact that the NZVCC has the capacity to appoint all members of the governing body of AQA.

During the year NZVCC applied for and received \$400,000 (2015, \$380,000) of University Annual Grants on behalf of the AQA. These funds were then paid to the AQA upon receipt of an invoice.

NZVCC provided serviced offices and provided other administrative services to AQA during the year and was paid \$53,790 (2015, \$51,068) for those services.

AQA's Board includes and pays an honorarium to a member of the Vice-Chancellors' Committee (see note 15) or their employing university.

### 15 Employee and Board Remuneration

The Director's remuneration and benefits is in the \$180,000-\$190,000 band (2015, \$140,000 - \$150,000). There were no other employees who received remuneration greater than \$100,000.

The following members of the Board were paid or due and payable honoraria during the year ended 30 June 2016.

Name	Term	2016 \$	2015 \$
Emeritus Professor Pat Walsh	Chair 01/07/2015 – 30/6/2016	11,200	4,667
Emeritus Professor David Mackay	Chair 1/7/2014 – 29/1/2015	0	6,533
John Sinclair	Deputy Chair 1/7/2015 – 31/12/2015	1,305	2,609
Pania Gray	Deputy Chair 01/07/2015 – 30/6/2016	2,265	1,920
Daniel Haines (paid to NZUSA)	Member 1/7/2014 – 30/12/2014	0	960
Professor Harlene Hayne (paid to the University of Otago)	Member 1/7/2014 – 30/12/2014	0	960
Professor Jack Heinemann	Member 1/1/2015 – 30/6/2016	2,880	960
Professor Neil Quigley	Member 1/7/2015 – 30/6/2016	1,920	
Paul Smith (paid to NZUSA)	Member 1/1/2015 – 30/6/2015	1,920	960
Michèle Stanton	Member 1/7/2014 – 30/6/2015	1,920	1,920
Jonathan Gee (paid to NZUSA)	Member 1/1/2016 – 30/6/2016	960	0
Kaye McAulay	Member 1/1/2016 – 30/6/2016	960	0
		<b>\$25,330</b>	<b>\$22,449</b>

**16 Commitments and contingencies**

There were no contingent liabilities at 30 June 2016. (2015 nil)

There were no operating, finance or capital commitments as at 30 June 2016. (2015 nil)

**17 Events after reporting date**

No material events occurred after 30 June 2016.

**18 Auditors' Remuneration**

The auditor of AQA is BDO Wellington on behalf of the Auditor-General.

	<b>AQA 2016</b>	<b>AQA 2015</b>
	\$	\$
Audit of the Financial Statements	8,455	8,250
Maximum Disbursements	125	125
Office Audit General overhead charge	500	500
<b>Total</b>	<b>\$9,080</b>	<b>\$8,875</b>