



# Audited Financial Statements and Statement of Service Performance

1 July 2016 –  
30 June 2017

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

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December 2017

**AQA**

Academic  
**Quality**Agency  
For New Zealand Universities

## **2016 – 2017 Report from the Chair**

2016 – 2017 was an exciting year for the Academic Quality Agency for New Zealand Universities (AQA), as it completed its fifth cycle of academic audits and developed a new model for a sixth cycle of academic audit. Cycle 6 Academic Audit reflects the maturity of quality assurance in New Zealand universities, responds to recommendations in the 2015 External Review of AQA and retains consistency with international expectations. Operationalisation of Cycle 6 is underway, and I would like to take this opportunity to thank members of universities and external advisors who have contributed to its development.

Cycle 6 Academic Audit introduces an ‘enhancement theme’. Enhancement themes have been used in the quality assurance and quality enhancement practices of Scottish higher education institutions since 2003, and address topics which are importance to individual universities and are of national significance. AQA and the New Zealand universities will draw on Scottish experience to develop an enhancement theme that adds value for universities and students. The enhancement theme topic of “Access, outcomes and opportunities for Māori students and for Pasifika students” is an opportunity to make a material contribution to closing the gap in retention and achievement rates for these students.

Another ‘new’ component of Cycle 6 is the inclusion of students, or recent graduates, as members of audit panels. AQA will work with the New Zealand Union of Students’ Associations to develop a sustainable model for engaging students with academic audit.

The final reports of Cycle 5 Academic Audits of New Zealand Universities were published in 2016 – 2017, with the reports for the University of Otago and Lincoln University being released in September and December of 2016, respectively. Cycle 5 for a university does not formally conclude until the AQA Board has accepted a one-year follow-up report on progress against recommendations and affirmations made by the Audit Panel. Follow-up reports were accepted for the University of Waikato and Auckland University of Technology.

In other review and academic audit activity, AQA undertook a Review of the Committee on University Academic Programmes (published July 2017), making six commendations and seventeen recommendations; and a one-year follow-up visit and report for the National University of Samoa. AQA also made its own follow-up report on progress against recommendations made in the 2015 External

Review of AQA. The Agency has made good progress in addressing recommendations and has found this Review to be of great value as it developed its thinking for Cycle 6.

In addition to quality assurance, AQA also undertakes a series of quality enhancement activities with the main such activity being its annual Support for Quality conference. The day before the Support for Quality conference, AQA co-hosted, with NZUSA and Ako Aotearoa, a Student Voice in Universities Summit. The Summit is part of capability building activities to develop a future pool of student auditors.

Formally, AQA reports on its performance in a Statement of Service Performance. In 2016 – 2017, AQA achieved targets in all measures related to its four goals of quality assurance, quality enhancement – universities, quality enhancement – AQA and quality support. Its financial performance was better than budget and AQA made an operating surplus of almost \$38,000.

AQA Board membership remained stable over the 2016 - 2017 year and the Board met in July 2016, November 2016 and March 2017. I would like to thank my fellow Board members for their ongoing contribution to AQA.

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

**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 2017**

**ACADEMIC QUALITY AGENCY FOR  
NEW ZEALAND UNIVERSITIES  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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**ACADEMIC QUALITY AGENCY FOR  
NEW ZEALAND UNIVERSITIES  
FOR THE YEAR ENDED 30 JUNE 2017**

**BACKGROUND**

**Establishment of AQA**

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 \$53,864 was provided on a cost-recovery basis by New Zealand universities undergoing academic audit in the current financial year and \$46,069 was contributed through the 2016/2017 review of the Committee on University Academic Programmes (CUAP).

Reviews 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 (AQA)**

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; and
- (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 2017 are our responsibility.

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 Matear  
Executive Director  
Academic Quality Agency for New Zealand Universities

Date: 18 September 2017

Date: 18 September 2017

## 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 2017

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 13 to 26, that comprise the statement of financial position as at 30 June 2017, 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 13 to 26:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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 service performance achievements measured against the proposed outcomes described in the investment plan for the year ended 30 June 2017.

Our audit was completed on 18 September 2017. 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 relating to the financial statements and the statement of service performance, and explain our independence.

#### **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 opinion.



**Responsibilities of the Board for the financial statements and the statement of service performance**

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

The Board is also responsible on behalf of AQA for preparing a statement of service performance that is fairly presented.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board is responsible on behalf of AQA for assessing AQA'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 the Board intends to liquidate AQA or to cease operations, or has no realistic alternative but to do so.

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

**Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

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

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

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

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 statement of service performance, 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 AQA'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 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 AQA'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 statement of service performance 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 AQA to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance 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.

#### **Independence**

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

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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**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.

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**STATEMENT OF SERVICE 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 and academic, student and lay members who are appointed by the NZVCC but operate independently of them and of the universities.

Measure	2016/17 Delivered	2016/17 Quantity Estimated	2015/16 Delivered	2015/16 Quantity Estimated
1.1 Academic audit reports published as per indicative timeline <sup>1</sup>	2 (Otago – Aug/Sept, Lincoln - Dec)	2 (Otago, Lincoln)	2 (Waikato Oct. 2015, AUT April 2016)	2 (Waikato, AUT)
1.2 Academic audit follow-up reports received as per indicative timeline	2 (Waikato, AUT)	2 (Waikato, AUT)	3 (Auckland, Victoria, Canterbury)	3 (Auckland, Victoria, Canterbury)
1.3 Feedback on audit process sought from recently audited universities as per indicative timeline	2 (Otago and Lincoln)	2 (Otago, Lincoln)	2 (Waikato, AUT)	2 (Waikato, AUT)
1.4 Proportion of auditors appointed to NZ university audit panels who have received auditor training	100%	100%	90% (n=10)	100%
1.5 Development of Cycle 6	Cycle 6 was endorsed by the Vice-Chancellors on 6/7 April 2017	Cycle 6 method approved by Vice-Chancellors	New for 2016/17	

**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. In 2016/17 Quality Enhancement activities will include "Learning from Cycle 5".

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

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).

Measure	2016/17 Delivered	2016/17 Quantity Estimated	2015/16 Delivered	2015/16 Quantity Estimated
2.1 Publication of AQA newsletter	4 (September, December, March, June published)	4	3	4
2.2 Workshops and/or meetings held with New Zealand universities on matters pertaining to university quality	2  (Student voice and Quality in Universities Summit, 12 October 2016; Workshop with DVCs(A), 11 Jan. 2017)	2	8	2
2.3 'Support for Quality' Conference	1 (13 Oct. 2016)	1	1	1 (October 2015)
2.4 Biennial QE/communications survey of stakeholders	1 (survey distributed with June newsletter)	1	1 (as part of AQA review)	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	2016/17 Delivered	2016/17 Quantity Estimated	2015/16 Delivered	2015/16 Quantity Estimated
3.1 Membership of related national boards, committees and working groups	3 (JCG; NZQA evaluation indicator working group, NZQA assessment practice conference)	2	1	2
3.2 Membership of related international boards and working groups	1 (Pacific benchmarking initiative reference group)	1	1	1

Measure	2016/17 Delivered	2016/17 Quantity Estimated	2015/16 Delivered	2015/16 Quantity Estimated
3.3 Enhancement of AQA operations*	<p>See 1 year follow up report available on the AQA website</p> <p>AQA Board considered the Constitution at its meeting of 12 July, 2016 and determined that no changes were recommended at that time, but may be reconsidered depending on the design of Cycle 6 and the findings of the Productivity Commission</p> <p>Review of international best practice included in Cycle 6 Discussion paper considered by the AQA Board at its 7 November 2016 meeting</p>	<p>Implementation in line with AQA report to Vice-Chancellors</p> <p>Review of Constitution completed and approved by Vice-Chancellors</p> <p>1 Paper on international best practice in academic audit presented to the AQA Board</p>	Report published September 2015.	Review undertaken in June 2015; report to be received 2015/16
3.4 External consultancy or other contracts undertaken	2 (Review of CUAP; follow-up visit and report for National University of Samoa)	1 (Review of CUAP)	1	2 (Macao, one other – likely Oman)

\* Measure amended from 2015/16

#### 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	2016/17 Reviewed	2016/17 Quantity Estimated	2015/16 Delivered	2015/16 Quantity Estimated
4.1 Review of annual service lease agreement with Universities New Zealand	Review completed and lease re-signed (17-18 May, 2017)	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:**

	<b>2016/17 Actual \$</b>	<b>2016/17 Estimate \$</b>	<b>2015/16 Actual \$</b>
<b>Total revenue</b>	<b>517,728</b>	<b>547,390</b>	<b>544,087</b>
<b>Total expense</b>	<b>480,091</b>	<b>574,671</b>	<b>532,887</b>
<b>Surplus/(deficit)</b>	<b>37,637</b>	<b>(27,281)</b>	<b>11,200</b>

For and on behalf of the board



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

Date: 18 September 2017



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

Date: 18 September 2017



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

		AQA Actual 2017 \$	AQA Budget 2017 \$	AQA Actual 2016 \$
	<b>Note</b>			
<b>Revenue</b>				
Annual Grant from Universities		400,000	400,000	400,000
Audit Fees		109,856	136,390	130,327
Interest Revenue		2,393	3,000	5,054
Consultancy & Sundry Revenue		5,479	8,000	8,706
<b>Total Revenue</b>		<b>517,728</b>	<b>547,390</b>	<b>544,087</b>
Less Expenditure	7	480,091	574,671	532,887
<b>Surplus/(Deficit) for the year</b>		<b>\$37,637</b>	<b>(\$27,281)</b>	<b>\$11,200</b>
<b>Other Comprehensive Revenue and Expense</b>				
		0	0	0
<b>Total Comprehensive Revenue and Expense for the year</b>		<b>\$37,637</b>	<b>(\$27,281)</b>	<b>\$11,200</b>
<b>Surplus/(deficit) attributable to:</b>				
Owners of the controlling entity		\$37,637	(\$27,281)	\$11,200
Minority interest		0	0	0
		<b>\$37,637</b>	<b>(\$27,281)</b>	<b>\$11,200</b>
<b>Total comprehensive revenue and expense attributable to:</b>				
Owners of the controlling entity		\$37,637	(\$27,281)	\$11,200
Minority interest		0	0	0
		<b>\$37,637</b>	<b>(\$27,281)</b>	<b>\$11,200</b>

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**STATEMENT OF CHANGES IN EQUITY**

	AQA Actual 2017 \$	AQA Budget 2017 \$	AQA Actual 2016 \$
<b>Equity at start of the year</b>	<b>191,074</b>	<b>191,074</b>	<b>179,874</b>
Total Comprehensive Revenue and Expense for the year	37,637	(27,281)	11,200
<b>Equity at end of the year</b>	<b>\$228,711</b>	<b>\$163,793</b>	<b>\$191,074</b>

**ACADEMIC QUALITY AGENCY FOR  
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**STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2017**

	<b>Note</b>	<b>AQA Actual 2017 \$</b>	<b>AQA Budget 2017 \$</b>	<b>AQA Actual 2016 \$</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	8	233,353	175,743	204,922
GST Refund		0	2,000	2,106
Receivables (from exchange transactions)	9	4,803	28,500	35,974
Recoverable (from non-exchange transactions)		0	0	0
		<u>238,156</u>	<u>206,243</u>	<u>243,002</u>
<b>Non-Current Assets</b>				
Property, Plant & Equipment	10	0	7,550	0
Intangible Assets	11	11,600	0	0
		<u>11,600</u>	<u>0</u>	<u>0</u>
		<u><b>\$249,756</b></u>	<u><b>\$213,793</b></u>	<u><b>\$243,002</b></u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables (from exchange transactions)	12	19,056	40,000	40,119
GST		65	0	0
Non-exchange liabilities				
Employee benefit liability	13	1,924	10,000	11,809
Revenue received in advance				
		<u>21,045</u>	<u>50,000</u>	<u>51,928</u>
<b>Non-Current Liabilities</b>				
Employee benefit liability		0	0	0
Non-exchange liabilities		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
		<u><b>\$21,045</b></u>	<u><b>\$50,000</b></u>	<u><b>\$51,928</b></u>

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**STATEMENT OF FINANCIAL POSITION (cont.)**  
**AS AT 30 June 2017**

<b>Note</b>	<b>AQA Actual 2017 \$</b>	<b>AQA Budget 2017 \$</b>	<b>AQA Actual 2016 \$</b>
<b>Net Assets/Equity</b>			
Accumulated revenue and expense	228,711	163,793	191,074
Net assets/equity attributable to the owners of the controlling entity	228,711	163,793	191,074
Minority interests	0	0	0
<b>Total Net Assets/Equity</b>	<b>\$228,711</b>	<b>\$163,793</b>	<b>\$191,074</b>
<b>Total Net Assets/Equity and Liabilities</b>	<b>\$228,711</b>	<b>\$163,793</b>	<b>\$191,074</b>

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

Note	AQA ACTUAL 2017 \$	AQA BUDGET 2017 \$	AQA ACTUAL 2016 \$
<b>Cash Flows from Operating Activities</b>			
<b>Proceeds from:</b>			
Interest Received	2,372	2,909	5,508
Annual Grants from Universities	400,000	400,000	400,000
Audit Fees	135,043	137,639	108,279
Other Receipts	7,979	11,187	9,273
Goods and Services Tax	2,654	(106)	1,291
Payments to Suppliers	(227,015)	(291,290)	(285,857)
Payments to Employees	(278,684)	(274,518)	(243,007)
<b>Net Cash Flows from Operating Activities</b>			
	42,349	(14,179)	(4,513)
<b>Cash Flows from Investing Activities</b>			
(Increase)/ Decrease in Term Deposits & Portfolio	(101,618)	-	(2,352)
(Purchase)/Proceeds from Intangible Assets	(13,920)	(15,000)	0
<b>Net Inflow/(outflow) from Investing Activities</b>	(115,538)	(15,000)	(2,352)
<b>Net Increase (Decrease) In cash and cash equivalents</b>	(73,189)	(29,179)	(6,865)
Opening Cash at Beginning of Year	149,365	149,365	156,230
<b>Closing Cash at 30 June</b>	<b>\$76,176</b>	<b>\$120,186</b>	<b>\$149,365</b>
Represented by:			
Petty Cash	99		198
BNZ Bank Accounts (Excluding term Deposits)	76,077		149,167
	<b>\$76,176</b>		<b>\$149,365</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 2017 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 18 September 2017.

**(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 2017 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.

##### (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 AQAs assets and liabilities at 30 June 2017 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 recognised 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) Intangible Asset**

**Recognition and Measurement**

Intangible Assets are initially recognised at cost. The Intangible Asset-Website Upgrade is recorded at cost less accumulated amortisation. Subsequent costs are added to the carrying amount of the website upgrade, 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.

**Amortisation**

Amortisation is provided on website upgrade as the practice of reducing the value of assets to reflect their reduced economic worth over time. It is provided at the following rates:

Website Upgrade	50% DV
-----------------	--------

**(i) Budget**

The budget figures for AQA are those approved by the AQA Board at their 22 March 2016 meeting, including the Annual Grant figure approved by the Vice-Chancellors at their 9-10 June 2016 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.

**(j) Goods and Services Tax**

The financial statements are exclusive of GST except for Trade Payables and Trade Receivables which are GST inclusive.

**(k) 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.

**(l) 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 and reviews 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 2017 was earned from Grants, Rendering of Services, Interest and exchange transactions.

## 7 Expenses

	AQA Actual 2017 \$	AQA Budget 2017 \$	AQA Actual 2016 \$
ACC Levy	881	800	586
Advertising and marketing	0	1,000	0
Audit Fee (Financial audit)	9,290	8,000	9,080
Accountancy	6,000	4,300	3,000
Amortisation of Intangibles	2,320	0	0
AQA Chairman & Board Honoraria	29,041	23,409	25,330
Bad Debts	25	0	0
Bank Fees	413	400	265
Computer Maintenance and Training	16,642	16,282	16,806
Conference Fees	5,308	2,300	1,673
Consultancy	57,018	85,100	66,621
Depreciation - Computer Equipment	0	7,450	102
Depreciation - Office Equipment, Furniture & Fittings	0	0	310
Insurance	5,623	7,000	6,046
Interest expenses	66	0	0
IRD Penalties	256	0	0
Legal expenses	0	1,000	6,695
Loss on sale of Asset	0	0	0
Meeting Costs	1,220	4,000	4,220
Office Expenses, Administration and General	9,521	17,300	12,560
Occupancy Rent	22,408	30,122	30,245
Recruitment Costs	0	5,000	8,763
Review of the Unit	0	0	1,065
Salaries	252,829	256,122	231,337
Subscriptions	2,723	2,700	1,210
Superannuation Contributions (including KiwiSaver)	8,300	9,000	8,215
Staff Development (exc. travel)	0	1,000	306
Telephone and Tolls	407	2,300	1,387
Travel and Accommodation:			
- New Zealand Travel	1,915	3,237	4,409
- International Travel	4,612	7,795	6,866
- Board Travel	3,405	5,755	5,202
- Audit Travel	18,112	30,613	46,500
- Accommodation and meals	12,243	33,690	25,172
NZVCC Staff Services	9,513	8,996	8,916
	<b>480,091</b>	<b>574,671</b>	<b>532,887</b>

## 8 Cash and Cash Equivalents

	AQA 2017	AQA 2016
	\$	\$
Bank of New Zealand		
Current Account (0.25%)	13,878	18,851
Call Account (0.55%)	62,199	130,316
BNZ Short-term Deposits (2.75 to 3.15%)	157,177	55,557
	<u>          </u>	<u>          </u>
Petty Cash	99	198
	<u><b>233,353</b></u>	<u><b>204,922</b></u>

## 9 Receivables – Exchange Transactions

	AQA 2017	AQA 2016
	\$	\$
Sundry Debtors	1,223	24,484
Prepaid Expenses	3,150	6,127
Accrued Audit Fees Income	0	4,954
Accrued Interest	430	409
	<u>          </u>	<u>          </u>
	<u><b>4,803</b></u>	<u><b>35,974</b></u>

## 10 Property, Plant and Equipment

	Computer Equipment	Office Equipment and Furniture	Total
	\$	\$	\$
<b>Cost or valuation</b>			
<b>Balance at 1 July 2015</b>	2,132	2,071	4,203
<b>Additions</b>	0	0	0
<b>Disposals</b>	0	0	0
<b>Balance at 30 June 2016</b>	<u>2,132</u>	<u>2,071</u>	<u>4,203</u>
<b>Balance at 1 July 2016</b>	2,132	2,071	4,203
<b>Additions</b>	0	0	0
<b>Disposals</b>	0	0	0
<b>Balance at 30 June 2017</b>	<u>2,132</u>	<u>2,071</u>	<u>4,203</u>
<b>Accumulated depreciation and impairment losses</b>			
<b>Balance 1 July 2015</b>	2,030	1,761	3,791
<b>Depreciation expense</b>	102	310	412
<b>Elimination on disposal</b>	0	0	0
<b>Balance at 30 June 2016</b>	<u>2,132</u>	<u>2,071</u>	<u>4,203</u>
<b>Accumulated depreciation and impairment losses</b>			
<b>Balance 1 July 2016</b>	2,132	2,071	4,203
<b>Depreciation expense</b>	0	0	0
<b>Elimination on disposal</b>	0	0	0
<b>Balance at 30 June 2017</b>	<u>2,132</u>	<u>2,071</u>	<u>4,203</u>
<b>Carrying amounts</b>			
<b>At 1 July 2015</b>	102	310	412
<b>At 30 June / 1 July 2016</b>	0	0	0
<b>At 30 June 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## 11 Intangible Assets

	<b>Total</b>
	\$
<b>Cost or valuation</b>	
Balance at 1 July 2015	0
Additions	0
Disposals	0
<b>Balance at 30 June 2016</b>	<b>0</b>
Balance at 1 July 2016	0
Additions	13,920
Disposals	0
<b>Balance at 30 June 2017</b>	<b>13,920</b>
<b>Accumulated Amortisation and Impairment Losses</b>	
Balance at 1 July 2015	0
Amortisation expense	0
Elimination on disposal	0
<b>Balance at 30 June 2017</b>	<b>0</b>
Balance at 1 June 2016	0
Amortisation Expense	2,320
Elimination on disposal	0
<b>Balance at 30 June, 2017</b>	<b>2,320</b>
<b>Carrying amounts</b>	
At 1 July 2015	0
At 30 June / 1 July 2016	0
At 30 June 2017	11,600

The related amortisation expense has been disclosed separately in Note 4h.

## 12 Payables – Exchange Transactions

	AQA 2017	AQA 2016
	\$	\$
Accounts Payable	580	6,874
Accruals	15,495	30,261
BNZ Credit Card	2,981	2,984
Income in Advance	0	0
	<b>\$19,056</b>	<b>\$40,119</b>

### 13 Employee Benefit Liability

	AQA 2017	AQA 2016
	\$	\$
Short term Employee Entitlements		
Salary Accrual	8,857	8,464
Employer Superannuation Contribution on Salary Accrual	354	303
Annual Leave	(7,007)	2,925
Employer Superannuation Contribution on Annual Leave	(280)	117
Total short-term Employee Entitlements	1,924	11,809
Total long-term Employee Entitlements	0	0
Total Employee Entitlements	<b>\$1,924</b>	<b>\$11,809</b>

### 14 Financial Instruments

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

	AQA 2017	AQA 2016
	\$	\$
Loans and Receivables		
Cash and cash equivalents	233,353	204,922
Trade and Other receivables	4,803	35,974
Financial liabilities measured at amortised cost		
Trade and Other payables	19,056	40,119

#### 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 2017	AQA 2016
	\$	\$
Cash on Hand	99	198
Bank Balances	76,078	149,167
Accounts Receivable	4,803	35,974
Bank Term Deposits	157,177	55,557
BNZ Credit Cards (credit limit as at 30 June)	8,000	8,000

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.

### 15 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 (2016, \$400,000) 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 \$47,957 (2016, \$53,790) for those services.

AQA's Board includes and pays an honorarium to a member of the Vice-Chancellors' Committee (see note 16) or their employing university.

### 16 Employee and Board Remuneration

The Executive Director's remuneration and benefits is in the \$180,000-\$190,000 band (2016, \$180,000 - \$190,000). There were no other employees who received remuneration greater than \$100,000.

The following members of the Board were paid honoraria during the year ended 30 June 2017.

Name	Term	2017 \$ (Sub Totals)	2017 \$	2016 \$
Emeritus Professor Pat Walsh	Chair 01/07/2016 – 30/6/2017	11,200		11,200
	Chair 01/01/2016-30/6/2016 (Paid 28/7/2016)	5,600	16,800	
Pania Gray	Deputy Chair Term - 01/07/2016 – 30/6/2017	1,748		2,265
	Deputy Chair 01/01/2016-30/6/2016 (Paid 28/7/2016)	231	1,979	
Professor Neil Quigley	Member 01/07/2016 – 30/6/2017	1,920		1,920
	Member 01/01/2016-30/6/2016 (Paid 28/7/2016)	960	2,880	
Jonathan Gee (paid to NZUSA)	Member 01/07/2016 – 30/6/2017	1,920		960
	Member 01/01/2016-30/6/2016 (Paid 31/7/2016)	960	2,880	
Kaye McAulay	Member 01/07/2016 – 30/6/2017	1,286		960
	Member 01/01/2016-30/6/2016 (Paid 28/7/2016)	643	1,930	
Professor Jack Heinemann	Member 01/07/2016 – 30/6/2017		1,287	2,880
Michèle Stanton	Member 01/07/2016 – 30/6/2017		1,287	1,920
John Sinclair	Deputy Chair 1/7/2015 – 31/12/2015			1,305
Paul Smith (paid to NZUSA)	Member 1/1/2015 – 30/6/2015			1,920
			<b>\$29,041</b>	<b>\$25,330</b>

### 17 Commitments and contingencies

There were no contingent liabilities at 30 June 2017. (2016 nil)

There were no operating, finance or capital commitments as at 30 June 2017. (2016 nil)

### 18 Events after reporting date

No material events occurred after 30 June 2017.

**19 Auditors' Remuneration**

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

	<b>AQA 2017</b>	<b>AQA 2016</b>
	\$	\$
Audit of the Financial Statements	8,665	8,455
Maximum Disbursements	125	125
Office of the Auditor-General overhead charge	500	500
<b>Total</b>	<b>\$9,290</b>	<b>\$9,080</b>



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