



# INDEPENDENT AUDITOR'S REPORT



Chartered Accountants

## TO THE READERS OF VICTORIA UNIVERSITY OF WELLINGTON AND GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020

The Auditor-General is the auditor of Victoria University of Wellington (the University) and group. The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance of the University and group on his behalf.

### Opinion

We have audited:

- the financial statements of the University and group on pages 26 to 49, that comprise the statement of financial position as at 31 December 2020, 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 the University and group on pages 10 to 20.

In our opinion:

- the financial statements of the University and group on pages 26 to 49:
  - present fairly, in all material respects:
    - the financial position as at 31 December 2020; and
    - the financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the statement of service performance on pages 10 to 20:
  - presents fairly, in all material respects, the University and group's service performance achievements as compared with the forecast outcomes included in the investment plan for the year ended 31 December 2020; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 1 April 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of COVID-19 on the University. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

### Emphasis of Matter

Without modifying our opinion, we draw your attention to note 1 on page 32 which outlines the impact of COVID-19 on the University.

### 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.

### Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and statement of service performance for the current year. These matters were addressed in the context of our audit of the financial statements and statement of service performance as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the responsibilities of the auditor for the audit of the financial statements and statement of service performance section of the audit report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and statement of service performance. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements and statement of service performance.

### Student enrolment, Government grant revenue and academic results

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>The core function of the University is to deliver tertiary education to students at a consistently high level of academic quality.</p> <p>The University recognised \$158.3m of Government funding, received through the Tertiary Education Commission (TEC), the quantum of which has in part historically been based on equivalent full-time student enrolments (EFTS) and retention and achievement results.</p> <p>As part of the Government's COVID-19 response, the link between achievement of enrolment, retention and achievement targets and government funding was suspended for 2020.</p> <p>The University reports its actual achievement against enrolment, retention and achievement targets in the statement of service performance. Due to the significance of student enrolment, retention and academic results in assessing the University's overall performance for the period, we view the University's reporting of EFTS, retention and achievement results as a key audit matter.</p>	<p>In obtaining our audit evidence we:</p> <ul style="list-style-type: none"> <li>■ understood the University's key processes, systems and controls to support accurate EFTS calculations and student achievement performance information;</li> <li>■ used our professional judgement to select performance measures that in our view are significant in terms of assessing the University's performance in the period. Our detailed testing was focused on assessing the accuracy of reported performance against these selected measures;</li> <li>■ tested on a sample basis the controls surrounding the Student Management System from which the reported enrolment, retention and achievement data is extracted;</li> <li>■ tested a sample of student enrolments and withdrawals and their recognition within the Student Management System to assess whether EFTS numbers have been accurately reported;</li> <li>■ tested the reconciliation of reported student achievement performance, on a sample basis, to the Student Management System;</li> <li>■ compared the University's actual EFTS results against target EFTS in the Investment Plan and sought to understand significant variances;</li> <li>■ reviewed correspondence and verified a sample of remittances from TEC to assess the appropriateness of Government grant revenue recorded in the financial statements;</li> <li>■ compared recorded Government grant revenue with the University's investment plan and sought to understand any significant variances; and</li> <li>■ considered Government grant revenue financial statement disclosures and the presentation of student enrolment, achievement and retention information in the statement of service performance for compliance with PBE IPSAS 23: Revenue from Non-Exchange Transactions and PBE FRS 48: Service Performance Reporting.</li> </ul>

### Responsibilities of the Council for the financial statements and the statement of service performance

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

The Council is also responsible on behalf of the University and group for preparing a statement of service performance that is fairly presented and that complies with generally accepted accounting practice in New Zealand.

The Council 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 Council is responsible on behalf of the University and group for assessing the University and group's ability to continue as a going concern.

The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Council intends to liquidate the University and group or to cease operations, or has no realistic alternative but to do so.

The Council's responsibilities arise from the Education and Training Act 2020, Crown Entities Act 2004 and the Public Finance 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 the University and group's Council

approval budget for the financial statements and the Investment Plan for the statement of service performance.

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 the University and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University and group'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 the University and group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the statement

of service performance of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated statement of service performance. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Council 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.

From the matters communicated with the Council, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements and service performance information of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Council is responsible for the other information. The other information comprises the information included on pages 1 to 9, 21 to 25 and 55 to 58, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

### Independence

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

We also provide reasonable assurance compliance services for the University and group in relation to the reported external research income included in its Performance-Based Research Fund return, on behalf of the Auditor-General. We have no other relationship with, or interest in, the University or any of its subsidiaries.



### Grant Taylor

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