



TE PŪRONGO A TE KAIATĀTARI KAUTE MOTUHAKE INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF TE HERENGA WAKA VICTORIA UNIVERSITY OF WELLINGTON AND GROUP'S FINANCIAL STATEMENTS, STATEMENT OF SERVICE PERFORMANCE AND FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE FOR THE YEAR ENDED 31 DECEMBER 2023

The Auditor-General is the auditor of Victoria University of Wellington (the University) and group. The Auditor-General has appointed me, David Borrie, 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.

We have also been requested by the University to audit the financial responsibility supplemental schedule it has prepared for the Office of the Inspector General—United States Department of Education, under United States Government Federal Regulations.

Opinion

We have audited:

- ▶ the financial statements of the University and group on pages 28 to 58, that comprise the statement of financial position as at 31 December 2023, 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 8 to 17.
- ▶ The financial responsibility supplemental schedule on pages 59 to 67.

In our opinion:

- ▶ the financial statements of the University and group on pages 28 to 58:
 - ▶ present fairly, in all material respects:
 - the financial position as at 31 December 2023; 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 8 to 17:
 - ▶ 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 and Annual Management Plan for the year ended 31 December 2023; and
 - ▶ complies with generally accepted accounting practice in New Zealand.
- ▶ the financial responsibility supplemental schedule on pages 59 to 67 is prepared, in all material respects, in accordance with Section 668.172(a) and Section 2 of Appendix B to Subpart L of Part 668 of Chapter VI of Subtitle B of Title 34 of the Code of Federal Regulations of the United States Government Federal Regulations.

Our audit was completed on 25 March 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities relating to the financial statements, the statement of service performance and the financial responsibility supplemental schedule, we comment on other information, and we 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.

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, academic results and Government funding revenue

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 \$153.7m of Government funding revenue, received through the Tertiary Education Commission (TEC), the quantum of which is based on equivalent full-time student enrolments (EFTS) and retention and achievement results.</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, Government funding revenue and retention and achievement results as a key audit matter.</p> <p>Disclosures related to government grant revenue are included in Note 2 to the financial statements and information regarding EFTS and student retention and achievement is included in the statement of service performance.</p>	<p>In obtaining our audit evidence we:</p> <ul style="list-style-type: none"> ▶ understood the University's key processes, systems and controls to record accurate EFTS and student achievement performance information; ▶ used our professional judgement to select performance measures relating to student achievement and retention, 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; ▶ tested, on a sample basis, controls relevant to the Student Management System from which the reported enrolment, retention and achievement data is extracted; ▶ tested a sample of student enrolments and withdrawals and their recognition within the Student Management System to assess whether EFTS numbers and student achievement have been accurately reported; ▶ tested reported student achievement, on a sample basis, to academic records; ▶ compared the University's actual EFTS results against target EFTS in the Investment Plan agreed with TEC and sought to understand significant variances; ▶ reviewed correspondence and verified a sample of remittances from TEC to assess the appropriateness of Government funding revenue recorded in the financial statements; ▶ compared recorded Government funding revenue with the University's Investment Plan and sought to understand any significant variances; and ▶ considered Government funding 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. <p>We considered the results of the procedures above satisfactory in forming our opinion on the financial statements and statement of service performance as a whole.</p>

Land valuation

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>The recorded value of land was \$268.4m as at 31 December 2023.</p> <p>Management engaged a registered valuer to determine the fair value of land. Note 12 describes the methodology and assumptions utilised by the valuer in arriving at the estimated fair value. The valuation required the exercise of significant judgement. Key amongst these judgements were:</p> <ul style="list-style-type: none"> ▶ the appropriate valuation methodology to apply; ▶ an assessment of market conditions; and ▶ identification of comparable sales. <p>The judgemental and subjective nature of the valuation coupled with the significance to the financial statements resulted in the valuation of land being an area of audit focus.</p>	<p>In obtaining our audit evidence we:</p> <ul style="list-style-type: none"> ▶ tested the reconciliation of land contained in the valuation report to the fixed asset register; ▶ tested, on a sample basis, whether the land contained in the valuation were owned by the University; ▶ tested on a sample basis, whether the comparable sales contained in the valuation were accurate; ▶ assessed the competence, qualifications and objectivity of the external valuer; ▶ utilised our internal valuation specialists to assess the assumptions used in the valuation and the valuation methodology applied; ▶ assessed the recording of the valuation in the fixed asset register and its reconciliation to the financial statements; and ▶ assessed the adequacy of the related financial statement disclosures. <p>As a result of the above procedures, we considered the valuation technique, data inputs and assumptions applied were reasonable in forming our opinion on the financial statements as a whole.</p>

Responsibilities of the Council for the financial statements, the statement of service performance and the financial responsibility supplemental schedule

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 and the Crown Entities Act 2004.

The Council is also responsible on behalf of the University and group for preparing the financial responsibility supplemental schedule in compliance with the requirements of Section 668.172(a) and Section 2 of Appendix B to Subpart L of Part 668 of Chapter VI of Subtitle B of Title 34 of the Code of Federal Regulations of the US Government. These requirements include:

- ▶ Each item in the supplemental schedule must have a reference to the statement of financial position, statement of comprehensive revenue and expense, or notes to the financial statements.
- ▶ The amount entered in the supplemental schedule should tie directly to a line item, be part of a line item (if part of a line item it must also include a note disclosure of the actual amount), or a note to the financial statements.
- ▶ Calculation of the specified ratios and composite scores.

Responsibilities of the auditor for the audit of the financial statements, the statement of service performance and the financial responsibility supplemental schedule

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.

Our responsibility is also to audit the financial responsibility supplemental schedule required by Section 668.172(a) and Section 2 of Appendix B to Subpart L of Part 668 of Chapter VI of Subtitle B of Title 34 of the Code of Federal Regulations of the US Government. Our audit included:

- ▶ Agreeing each item in the supplemental schedule to the reference in the audited statement of financial position, statement of comprehensive revenue and expense, or notes to the financial statements.
- ▶ Reconciling the amounts in the supplemental schedule to the notes to the supplemental schedule.
- ▶ Agreeing the amounts in the notes to the supplemental schedule to the applicable line items and/or notes to the audited financial statements.
- ▶ Re-performing the calculations of the ratios specified in the notes to the supplemental schedule.
- ▶ Re-performing the mathematical accuracy of the composite scores.

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 approved 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 evaluate the appropriateness of the reported performance information within the University's framework for reporting its performance.
- ▶ 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.

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 7, 18–27, 73–77, but does not include the financial statements, the statement of service performance and the financial responsibility supplemental schedule, 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 assurance services in relation to the University's Performance-Based Research Fund return on behalf of the Auditor-General. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the University or any of its subsidiaries.



David Borrie

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