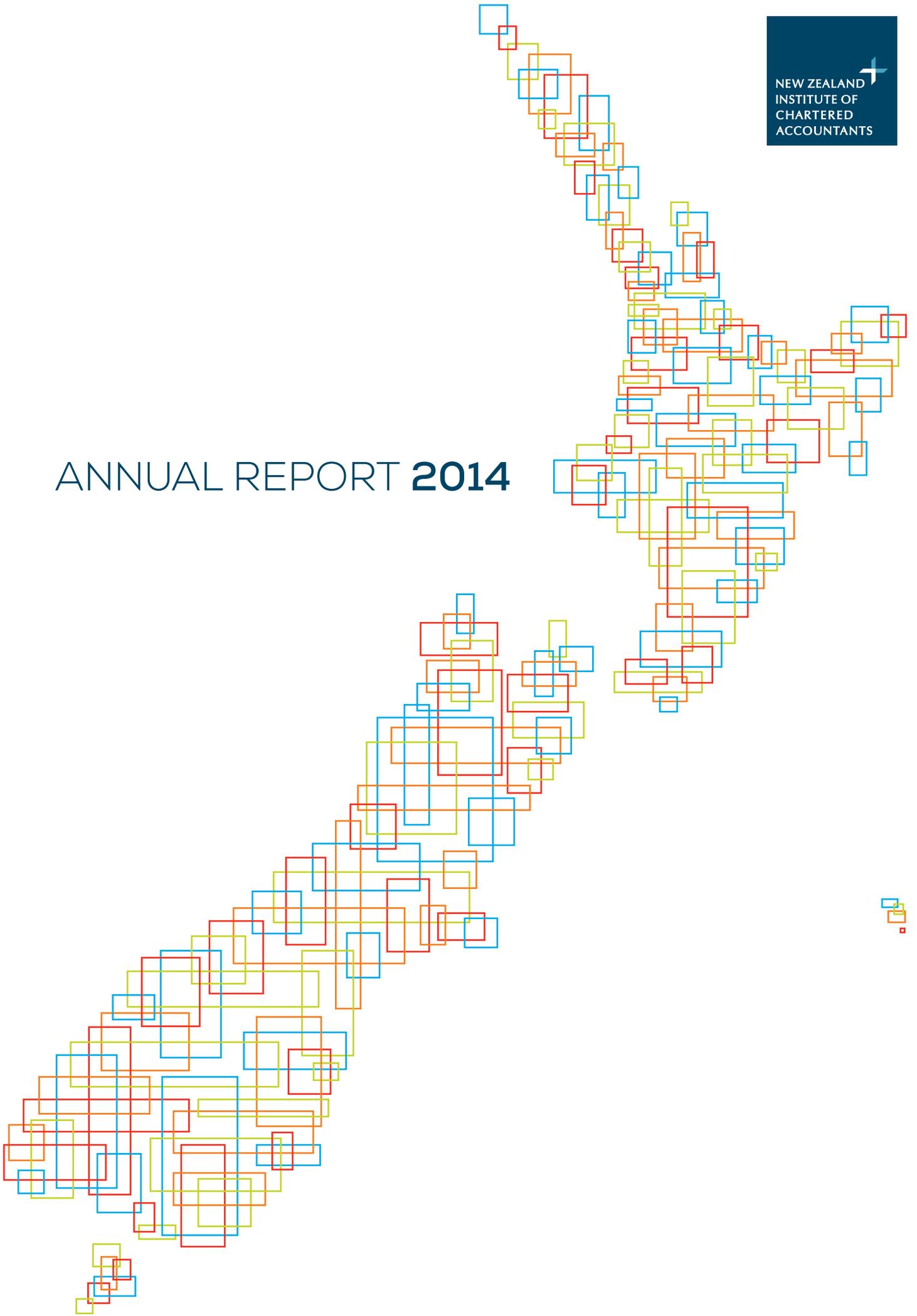


# ANNUAL REPORT **2014**





# NZICA REGIONS

AUCKLAND

REST OF NORTH ISLAND

WELLINGTON

SOUTH ISLAND

INTERNATIONAL

- AUSTRALIA
- UNITED KINGDOM AND EUROPE
- ASIA/AMERICA/OTHER



## NZICA NATIONAL OFFICE

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CHARTERED ACCOUNTANTS HOUSE,  
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PO BOX 11342,  
WELLINGTON, NEW ZEALAND

## NATIONAL CUSTOMER SERVICE CENTRE

0800 4NZICA (0800 469 422)  
or +64 4 474 7840  
For regional addresses and contact details  
visit [nzica.com/nzicanetwork](http://nzica.com/nzicanetwork)

# OUR ROLE

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NZICA IS THE MEMBERSHIP BODY OF CHOICE FOR MORE THAN 33,000 ACCOUNTING AND BUSINESS PROFESSIONALS WHO WORK ACROSS NEW ZEALAND AND AROUND THE GLOBE.

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NZICA's mission is to enable our members to excel in the accounting profession and be trusted leaders in the wider business community.

A dynamic organisation, we are focused on championing the accounting profession and nurturing the next generation of business leaders, while acting in the public interest.

Overseen by a Council, Board and Executive Management Team our services are delivered by a skilled team of over 160 people across 18 offices in New Zealand, Australia and the UK.

NZICA's services include our qualifying programme, quality assurance, advocacy, professional development, a comprehensive library and ongoing professional support.

## WE STRIVE TO:

- ensure that the quality, expertise and integrity of our members meets the highest standards, so businesses and individuals can be assured they are working with the best and brightest accounting professionals
- deliver the professional education and training required to achieve an NZICA designation, and provide the continuing professional development required to maintain the high standards of those designations
- work on behalf of New Zealanders to advocate for sound public policy in the financial, regulatory and taxation areas.

Internationally, we advocate for New Zealand's interests through our membership of international accountancy bodies.

At 30 June 2014, NZICA was working with the Institute of Chartered Accountants Australia (ICAA) to create Chartered Accountants Australia and New Zealand with the vision of becoming the trusted leaders in business and finance.

The new organisation will have more than 100,000 members, giving us greater scale and influence on the world stage.

# CONTENTS

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## SECTION 1: The year in review

---

President's letter .....	4
Chair's report.....	6
Chief Executive's report.....	7

---

## SECTION 2: About the new organisation

---

Our transition to Chartered Accountants Australia and New Zealand.....	10
New organisational structure.....	11
Guiding our transition.....	13

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## SECTION 3: NZICA service performance and governance

---

Quality assurance and professional conduct.....	16
Governance.....	19

---

## SECTION 4: Financial statements

---

Financial statements.....	27
Notes to the financial statements.....	31
Auditor's report.....	46



SECTION 1:

# The year in review

# PRESIDENT'S LETTER



**FRED HUTCHINGS FCA**  
NZICA President

The 2013/14 year marked the beginning of a new era for Chartered Accountants and has set the scene to further distinguish our CA designation locally and globally.

Significant milestones for members include:

- a successful vote to create the new organisation, Chartered Accountants Australia and New Zealand
- significant progress in bringing together the operational activities of New Zealand Institute of Chartered Accountants (NZICA) and The Institute of Chartered Accountants Australia (ICAA) as part of the transition to our new organisation
- the launch of our new Chartered Accountants Australia and New Zealand brand and member magazine, *Acuity*
- the continued development of the Chartered Accountants Program.

## OUR NEW BRAND

With the launch of our new identity, Chartered Accountants Australia and New Zealand, we are building on the heritage of our two organisations in upholding the CA designation. Our focus is on prioritising our education and lifelong learning, principled leadership in terms of professional integrity in the public interest, innovation in the way we deliver thought leadership and improving all aspects of our service to our members.

What I'm really excited by is the strength of our new organisation and the opportunity for our network of over 100,000 members who are valued and respected around the globe. Within our network are individuals who are operating around the world as trusted leaders in business and finance, providing sound and rational judgement and challenging the norm with fresh thinking and new perspectives. This is the value that our members bring to businesses on a daily basis. Together we are in a stronger position to reinforce that Chartered Accountant is the pre-eminent designation for business.

Together our organisation is better placed to make its mark in an increasingly globalised and competitive world. As the Australian and New Zealand governments collaborate to drive closer economic integration, Chartered Accountants Australia and New Zealand and our members will be better placed to advise on important business and economic matters.

As part of our brand launch we created a new and inspiring magazine. I'm so proud of *Acuity*, which I believe is a really strong publication and one that will be a source of business insight and intelligence for our members and the wider business community. *Acuity* is providing fresh ideas and perspectives on economic, business and finance issues. It is sending a strong message about the direction and strength of our new organisation and will be a great tool for opinion leaders, regulators, decision makers and politicians.

## ACCOUNTING INFRASTRUCTURE REFORM BILL

The Accounting Infrastructure Reform Bill (AIRB) contains an amendment to the NZICA Act 1996 which will allow NZICA and ICAA to take the steps necessary to formalise a new professional membership body.

The New Zealand Parliament passed the third and final reading of the Accounting Infrastructure Reform Bill (AIRB) on 30 October, marking a significant and exciting milestone for the organisation. Prior to the Bill becoming law, several further steps need to be taken to complete the process. These are expected to occur during the coming months. During this time we will keep you informed about the Bill's progress and continue to implement the strategies and priorities of Chartered Accountants Australia and New Zealand.

## THANK YOU

It has been an honour to be 2014 President and work with such a dedicated group of people. I would like to thank the leadership and wider team for their professionalism and dedication to serving our members. This has undoubtedly been a challenging year for many and I am proud to see our team continuing to provide such a positive approach and focus on serving members. I would also like to thank the NZICA Councillors for their support and contribution throughout the year.

It has been a great thrill for me to be President of NZICA at this exciting time and a real opportunity to meet and welcome many new members from around New Zealand.



Fred Hutchings FCA  
NZICA President

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# CHAIRMAN'S REPORT



**GRAHAM CROMBIE FCA**  
NZICA Board Chair

The last 12 months have been significant in the history of NZICA. The member vote at the end of 2013 to support the creation of our new organisation with the ICAA was the accumulation of years of effort by a large number of members and signals the beginning of a new era for our organisation.

While a significant focus has been on the creation of Chartered Accountants Australia and New Zealand, there have also been a wide range of other positive developments in the year under review.

## OUR NEW ORGANISATION

Last year's historic vote was the first step in creating a new future for our members and a stronger voice globally. It also gives us a fresh opportunity and a chance to improve our offering for members, including greater investment in education, services, policy, advocacy and thought leadership. We are also pleased to have delivered a reduced core membership subscription fee for the 2014/15 financial year.

## RESULTS

As you will see from the financial statements, NZICA has had a positive year against our expectations recording a surplus of \$0.877m before impairments, but after costs incurred in the Chartered Accountants Australia and New Zealand amalgamation process. The transition to the new organisation began in earnest this year with good progress on a number of fronts, setting us up for successful completion when legislation is passed. We have taken the opportunity this year to align accounting policies with where we believe Chartered Accountants Australia and New Zealand will be and, hence, the impairment of the investment in the new Chartered Accountants Program. The Board is comfortable with the financial position of NZICA.

## THANK YOU

In December 2013 we welcomed Kirsten Patterson as the acting Chief Executive of NZICA. Kirsten joined our organisation in August 2012 as Chief Operating Officer and has been appointed to the New Zealand Country Head role under the new Chartered Accountants Australia and New Zealand structure. Kirsten replaced Craig Norgate, who led NZICA through the consultation process with members and has now taken the role of Transformation Director in the new organisation. I would like to thank both Kirsten and Craig for their outstanding leadership in a period of significant change.

I would like to acknowledge the leadership and commitment of all our staff to serving members through this period of change. The professional attitude and commitment in a challenging environment has been most appreciated by our membership.

I would also like to acknowledge the significant commitment that Board, Council, advisory board and local leadership team members have made over the past 12 months to NZICA. Our organisation would not be able to achieve at the level we do without this, largely voluntary, contribution.

We are moving into a new and exciting period and I look forward to the vision of Chartered Accountants Australia and New Zealand coming to life.

A handwritten signature in black ink, appearing to be 'Graham Crombie', written in a cursive style.

Graham Crombie FCA  
NZICA Board Chair

# CHIEF EXECUTIVE'S REPORT



**KIRSTEN PATTERSON**

NZICA Acting Chief Executive

When I was appointed as Acting Chief Executive in December we were about to embark on our transition towards our new organisation. In what is a relatively short period of time we have made some huge steps forward. There is still much to do but I am really proud of what the whole organisation has achieved to date.

During this time of immense change we have remained committed to delivering a great service to our members. While there have undoubtedly been some challenges, our members have been understanding, and our teams have remained positive, focused and dedicated to keeping things working smoothly.

I've been impressed with the enthusiasm that everyone has shown for shaping our new organisation. While many of our people will have experienced change and challenge they have maintained a professional and positive approach. This is a strong indication of their respect for our members and the Chartered Accounting profession.

While a major effort was required to create our new organisation, there have been several other significant areas of development this year.

The new Chartered Accountants Program is now bedding down; this year saw the launch of two self-study modules and the final Capstone module. Capstone, which blends online and face-to-face learning, is the pinnacle of the Chartered Accountants Program journey. It focuses on the development of the key professional competencies essential to becoming a Chartered Accountant.

We continued to guide and encourage secondary school students towards a career in business and finance through our support of the Young Enterprise Trust. At tertiary level we received great feedback about our Executive Insight Programme, which gives accounting students the opportunity to gain practical experience with senior managers at leading businesses and organisations.

We have made major advances on access to a range of professional development and increased the number of online courses. A range of successful specialist conferences, including Audit, Trust and Women in Business, were among this year's highlights.

Building on the success of last year's "Business does better" campaign we released two more case studies under the title "No ordinary business minds" to promote the value CAs bring to business. The case studies outlined the pivotal role played by our members in the success of their clients and featured in the *New Zealand Herald*, on YouTube and via social media channels such as Facebook.

Our annual Remuneration and Employment Survey remains the leading source of remuneration trends in the New Zealand accounting profession. The 2013 findings were based on the responses of over 8,600 members and once again showed a significant remuneration gap between male and female CAs. We have helped to raise awareness and explore ways to reduce this gap by working with members, advisory groups and fellow professional bodies.

Members in public practice have been advised of developments in practice review and we have continued our work with the Financial Markets Authority around auditor oversight. There have also been significant developments in financial reporting and insolvency regulation.

I would also like to highlight the significant change management process currently underway and acknowledge our people who have provided enormous support during this transition time. We actively engaged all

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NZICA employees in consultation on the proposal and structure for the new organisation. Feedback was received from over 80% of our employees which was very encouraging. We have worked hard to transition to our new organisation while retaining the knowledge and skills of as many of our people as possible.

As we look to the future, we will be investing in leadership development and a new performance achievement and remuneration strategy to ensure the continued success of our new organisation.

It has been a year of change, of challenges and of progress. We have welcomed some new faces and said goodbye to some old friends. We have celebrated the launch of our new brand and taken some big steps forward in creating our new organisation. It has been a privilege to be part of this organisation as it builds towards an exciting future and I'm excited to be part of our new leadership team. I'm enormously proud of the contribution that every person has made towards creating our new body that will better serve our members, and I look forward to another positive year.



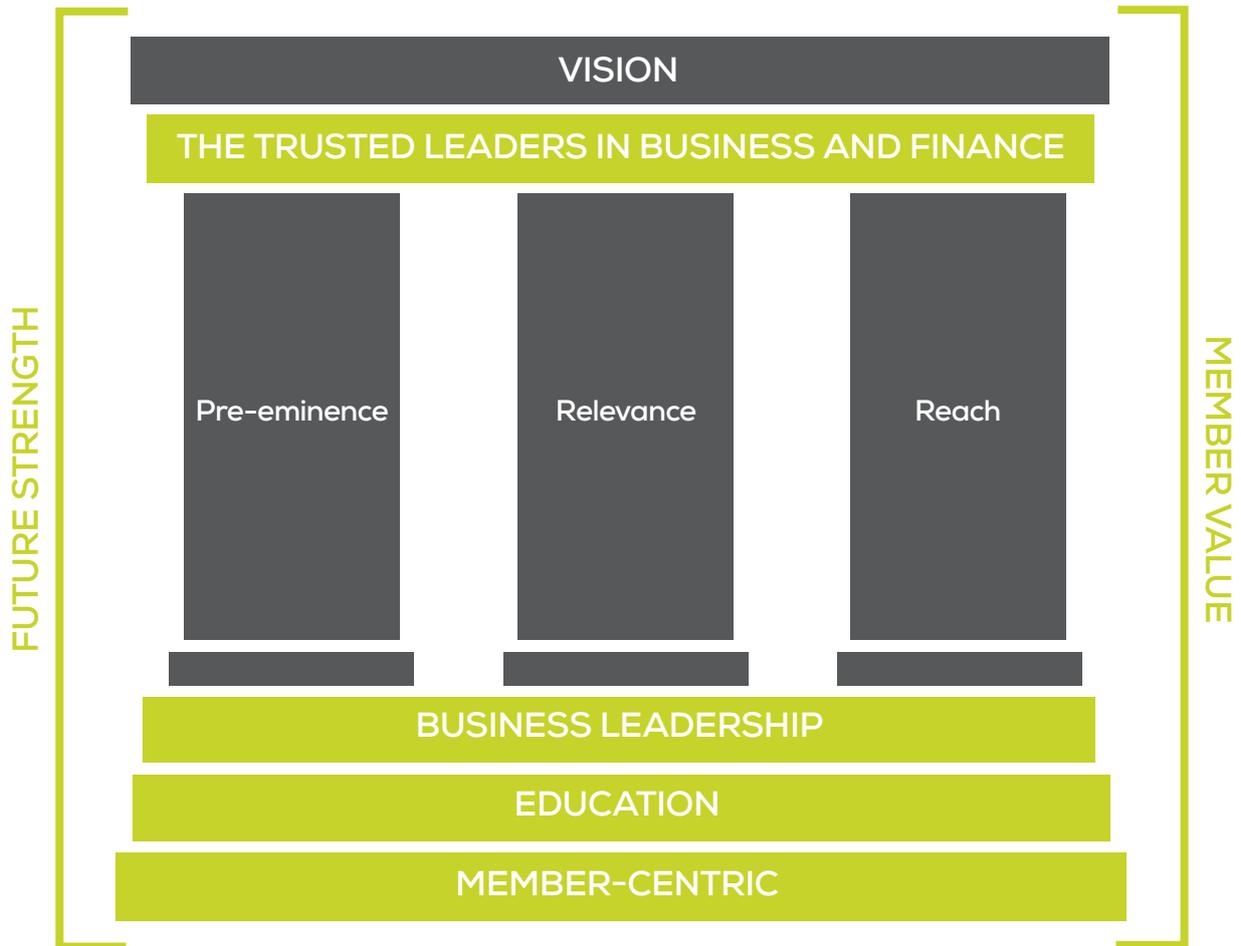
Kirsten Patterson  
NZICA Acting Chief Executive

SECTION 2:

# About the new organisation

# OUR TRANSITION

THE TRANSITION TO CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND HAD PROGRESSED SIGNIFICANTLY AT YEAR END.



The successful result of the member vote to form a new organisation was announced on 1 November 2013. NZICA had been in discussion with the Government about the changes to the NZICA Act that might be required in the event of a positive vote. The Government was able to introduce legislation in the form of the Accounting Infrastructure Reform Bill (AIRB), which included the necessary changes to the NZICA Act, to the New Zealand Parliament on 2 December. The Bill had its first reading on 28 January and was referred to the Commerce Select Committee, which reported back on 19 May. The second reading was held on 2 July and a third and final reading passed by Parliament on

30 October. The Bill is now awaiting Royal Assent in New Zealand. In Australia, The ICAA has been working with officials regarding the process to amend the Royal Charter. No delays are expected once the New Zealand legislation is enacted.

The strength of the member vote and progress of the AIRB created a strong basis for both Boards to agree to amalgamate NZICA and ICAA, to the maximum extent possible, pending enactment and amendment to the Royal Charter. This has meant extending the existing collaboration agreement to all activities except some aspects of finance, governance and regulatory activities.

## LEADERSHIP

In the 2013/14 financial year, a transitional management team was appointed to oversee the move to Chartered Accountants Australia and New Zealand. This was followed by the appointment of the current Strategic Leadership Team (SLT), comprising:

- Lee White FCA – Chief Executive Officer
- Jeana Abbott – Head of Human Resources
- Jason Dale CA – Head of Education
- Simon Grant FCA – Head of Members
- Leo Morta – Chief Information Officer
- Kirsten Patterson – New Zealand Country Head
- Ken Picard FCA – Chief Financial Officer
- Rob Ward AM FCA – Head of Leadership & Advocacy

Aside from the legislative process, our focus since the vote has been on the internal organisation design and

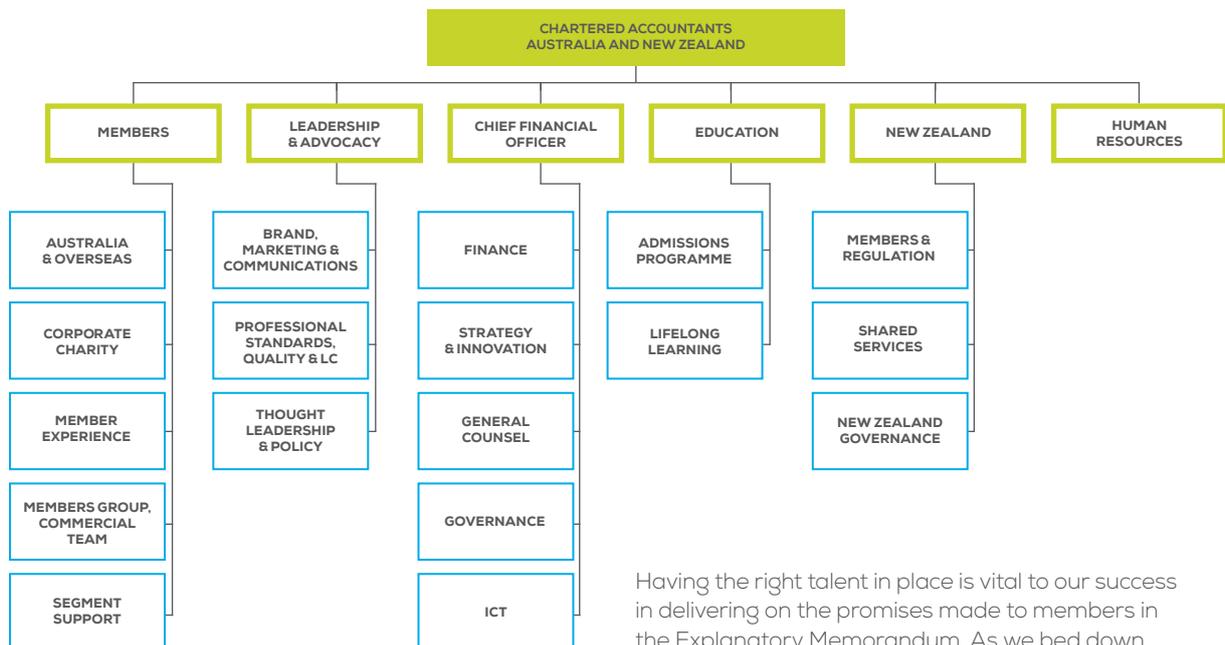
implementation of new systems that will help us deliver on our strategy and promised results. The draft organisation structure was shared with staff in November and was finalised in April 2014.

## ORGANISATIONAL CHANGE

As we have progressed through transition we have been mindful to retain talent and institutional knowledge. Of our total NZICA employees 83% were directly mapped into suitable roles. We were also pleased to make a further 27 internal appointments.

It was important to us to run a strong staff consultation process and provide timely and relevant information throughout that process. The new structure has created career opportunities for many and there has been a focus in recent months on supporting our people through change and transition. This has been provided through change workshops, employee assistance programmes and career transition services.

## NEW ORGANISATIONAL STRUCTURE



Having the right talent in place is vital to our success in delivering on the promises made to members in the Explanatory Memorandum. As we bed down the new organisation our attention is turning to the strategic initiatives designed to deliver the pre-eminence, relevance and reach that were integral to the proposition to members. With the calibre of the team now in place we are confident of delivering on the aspirations we shared with members.

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## KEY ACHIEVEMENTS

- MEMBERSHIP ENDORSEMENT OF THE STRATEGIC DIRECTION OF CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND
  - A NEW TEAM OF TALENTED SENIOR LEADERS WITH DIVERSE SKILLS AND EXPERIENCE
  - WORKING TOWARDS ENHANCED MEMBER SERVICE AND ENGAGEMENT
  - DEVELOPING AND SUPPORTING OUR MEMBERS GLOBALLY
  - BUILDING AN EXCITING, CONTEMPORARY NEW BRAND
- 

## DEVELOPING OUR CULTURE

We have launched a culture programme to help our people to build on their strengths and work collaboratively to provide a strong knowledge and service network for our members. Our brand values – Educate, Serve, Connect and Innovate – provide us with a strong focus, and the Senior Leadership Team is committed to championing a culture that aligns closely to those values.

Our key priorities have been to create innovative ways for our people to connect with each other and develop leadership skills particularly through a series of internal network events, developing our employer brand and building a high performing environment that will enable us to sustain momentum and growth.

The first culture survey for the new organisation took place in August 2014 and will be used to guide and target our culture activity. It will also set the benchmark against which successes will be measured.

As we look to the future we will continue to focus on leadership and networking opportunities for our people to connect and learn. A new performance, achievement and talent framework will give people clarity and direction in their delivery of great service to our members.

It is important to our culture that we proactively recognise success through internal profiles and stories that demonstrate the results achieved by our people in action.

## OUR BRAND

The new Chartered Accountants Australia and New Zealand brand positions us as a modern and future-focused organisation, able to support our members as they respond to the unique challenges and opportunities of business in a global context.

As Chartered Accountants Australia and New Zealand we will develop as a centre of excellence and leverage the expertise of members to drive our business and cutting-edge thought leadership.

## THOUGHT LEADERSHIP

Our thought leadership platform future[inc] was launched in New Zealand in August and is gaining momentum and influence. future[inc] is a platform for thought provoking presentations and papers designed to inspire and engage the business community, governments, regulators, academics, Chartered Accountants and the media on a range of topics.

## ENHANCED MEMBER SERVICES

Throughout the transition period we have continued to deliver on a trans-Tasman shared services strategy to improve the capability of information communications technology (ICT) to provide better services to members. This has included the introduction of Salesforce, a new customer relationship management (CRM) system. The new system is enhancing member experience by increasing the availability of online services such as the provision of digital application forms. Work also continues behind the scenes in developing a member communications preference centre. The preference centre will allow members greater control in selecting the information from the organisation that is most relevant to them.

## GLOBAL SUPPORT

Another focus in 2013/14 has been developing and supporting our network of international members. The new organisation recognises that in an increasingly complex globalised business environment Chartered Accountants Australia and New Zealand needs to meet needs of our members regardless of where they are in the world. Along with our established operations base in the United Kingdom, the new organisation will be serving our overseas members from offices in Hong Kong, Singapore and Kuala Lumpur.

## GUIDING OUR TRANSITION

	Member-centric	Education	Business leadership
Strategic Initiatives	For members to see the organisation as the most valuable resource they have	To be the leader in business education in Australia and New Zealand	To be recognised as the leading trans-Tasman voice for business and a leading voice for the profession internationally
Strategies	<ul style="list-style-type: none"> <li>• Create positive experiences for members at every point of their interaction</li> <li>• Increase member involvement in product and service development</li> <li>• Provide tools and practical resources to help members excel in business and the profession</li> <li>• Ensure programmes and services are relevant to our members and stakeholders</li> <li>• Establish offices in Singapore, Kuala Lumpur and Hong Kong to better engage our members in Asia</li> <li>• Enhance technology and activities that enable members to network, exchange ideas and debate issues affecting the profession or areas of expertise</li> <li>• Deliver a differentiated segmentation strategy to ensure value to members throughout their life cycle</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver a balance between strategic and technically based learning that enables members to excel in business</li> <li>• Develop a fully resourced lifelong learning program that provides a broad spectrum of high quality education to meet the professional development needs of all members</li> <li>• Continue investment in the Chartered Accountants Program to ensure it maintains its high quality</li> <li>• Extend partnerships with leading domestic and international learning institutions and businesses</li> <li>• Provide educational technology solutions that enable flexibility, relevance and connectivity in the delivery of all education programmes</li> <li>• Explore specialist education and recognition pathways</li> <li>• Attract and retain the best talent and develop Chartered Accountants who are valued, trusted and respected</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiate Chartered Accountants from other accountants and advisors through effective marketing and branding</li> <li>• Formulate policy that influences national economic and regulatory agendas in domestic markets, bring trans-Tasman economic relations to life, and increase influence on international professional and technical standards</li> <li>• Lead a conversation about the future of the profession, education and the profession, and how technology will impact on the profession</li> <li>• Engage and collaborate with other bodies and organisations to deliver better member value, support the profession and promote financial integrity for society</li> <li>• Uphold the importance of discipline, ethics and conduct of the profession</li> </ul>



SECTION 3:

# NZICA service performance and governance

# QUALITY ASSURANCE AND PROFESSIONAL CONDUCT

NZICA REGULATES THE CONDUCT OF ITS MEMBERS IN ACCORDANCE WITH THE NEW ZEALAND INSTITUTE OF CHARTERED ACCOUNTANTS ACT 1996 AND OTHER LEGISLATION REGULATING THE PROFESSION OF ACCOUNTANCY IN NEW ZEALAND.

NZICA will continue to use the name New Zealand Institute of Chartered Accountants in correspondence relating to professional conduct and practice review. The New Zealand Institute of Chartered Accountants' regulatory brand is connected to Chartered Accountants Australia and New Zealand but operates independently to carry out regulatory functions in accordance with New Zealand legislation.

## QUALITY ASSURANCE

NZICA's Quality Assurance division protects the reputation of the CA, ACA and AT designations through activities including:

- practice review
- regulation of issuer auditors (quality review and licensing)
- compliance monitoring
- professional standards setting
- professional support.

## PRACTICE REVIEW

During the year the Practice Review Unit completed 496 practice reviews – the results are summarised in the table below.

When a re-review is required, we request that practitioners develop a remedial action plan to address issues identified and improve quality. NZICA follows up on progress in 12 months. In 2013/14, the majority of unsatisfactory ratings were the result of poor quality audit and insolvency work. NZICA works actively with practitioners to improve quality in these instances through the use of mentors, education and close monitoring of action plans. The anticipated introduction of two new regimes in 2015 should also help address these issues.

The NZICA Board approved changes to the Practice Review Manual during the year. As a result, NZICA is largely adopting a risk-based approach to identify the firms, practitioners and services more likely to pose a potential risk to the public or CA designation, which will then be subject to review. Using this approach NZICA proactively identifies risks in the market and addresses them using a combination of education, tools and guidance in addition to desktop and on-site reviews where appropriate. Audit, assurance and certain insolvency engagements will continue to be reviewed on a cyclical basis to meet certain requirements.

Result	Number of Reviews 2012/13	Number of Reviews 2013/14	Percentage 2012/13	Percentage 2013/14
Satisfactory	539	431	85%	87%
Re-review required in 12 months	67	48	10%	10%
Unsatisfactory	33	17	5%	3%
<b>Total</b>	<b>639</b>	<b>496</b>	<b>100%</b>	<b>100%</b>

Note: The reduction in Practice Reviews was the result of shift in policy from undertaking reviews on a three-year cyclical basis to a five-year cyclical basis, the impact of which can be seen in the 2013/14 year.

## REGULATION OF ISSUER AUDITORS (QUALITY REVIEW AND LICENSING)

NZICA is an accredited body under section 50 of the Auditor Regulation Act 2011 (ARA). The ARA provided for a transitional regime whereby existing issuer auditors were able to continue to audit their issuer audit clients until 30 April 2014. During the course of the year, the majority of firms and auditors undertook the full licensing process. At the end of June 2014 there were 141 fully licensed auditors and 30 registered audit firms.

NZICA is responsible for monitoring its licensed auditors and registered audit firms' compliance with the conditions of licences and registrations, minimum standards for obtaining licences and registrations, NZICA's Code of Conduct and other requirements relating to issuer audits.

In addition to its role as an accredited body, NZICA undertakes quality reviews of all domestic licensed auditors and registered audit firms as part of its contract with the Financial Markets Authority. The Auditor Regulation Advisory Group provides advice and assistance to NZICA on the exercise of NZICA's auditor licensing and registration functions and the quality review process.

## COMPLIANCE MONITORING

NZICA continues to monitor members to ensure that they comply with NZICA's requirements. In 2013/14 this work included reviewing mandatory notifications, assisting members with queries regarding professional development requirements and monitoring members to ensure that any breaches are promptly addressed.

## PROFESSIONAL STANDARDS SETTING

The NZICA Council approved revisions to the Code of Ethics during the year and the revised Code of Ethics took effect on 1 January 2014.

## PROFESSIONAL SUPPORT

The Professional Support team assists members and the general public with a wide range of queries. The majority of queries relate to public practice, concerns from clients regarding their Chartered Accountant, or members wanting to discuss matters about their clients.

## PROFESSIONAL CONDUCT

Effective regulation of members is essential to ensure that they uphold the high ethical and technical standards required of them by the Code of Ethics. When members fail to uphold these standards, NZICA's disciplinary processes ensure that appropriate action is taken.

During the 2013/14 year 93 complaints were concluded; 20 were determined by the Disciplinary Tribunal and 66 by the Professional Conduct Committee. Seven complaints were withdrawn. A further 27 complaints were dismissed by the Chair of the Professional Conduct Committee as not meeting the threshold for a formal complaint.

At the Disciplinary Tribunal, seven members were struck off and the Tribunal declared that a further three former members would have been struck off had they remained as members. Seven members were censured and one member had no additional sanction other than costs and publicity.

The Disciplinary Tribunal considered a range of charges against members. These included five members who had criminal convictions that brought the profession into disrepute (ie convictions for tax fraud, theft in a special relationship, false accounting, failure to file company tax returns and perjury, and distributing a prospectus containing false statements), misconduct in a professional capacity (ie theft from employers which did not result in conviction, fraudulent donation rebate claims while an employee of a CA practice), negligence or incompetence in a professional capacity (ie as an expert witness in the Family Court), and breaching the Code of Ethics or NZICA Rules (ie payments out of a trust account without authority, operating a CA practice while insolvent, pursuing payment of fees without right, and failing to respond to NZICA).

Over 50% of the complaints resolved by the Professional Conduct Committee were closed with no further action required. Seventeen members (including one non-member principal) received a caution, which does not form part of a member's formal record with NZICA. Twelve complaints were considered by the Professional Conduct Committee to be serious enough to warrant referral to the Disciplinary Tribunal but were dealt with by consent.

## REVIEWER OF COMPLAINTS/APPEALS COUNCIL

The robustness of NZICA's disciplinary process is tested by the Reviewer of Complaints who is an independent barrister, and the Appeals Council which is made up of two senior members of NZICA and a legally qualified chair. In 2013/14, the Reviewer of Complaints determined ten complaints against the procedures and decisions of the Professional Conduct Committee. In each case the Reviewer concluded that the Professional Conduct Committee's decision making was sound, both procedurally and substantively. As with the previous year, all complaints to the Reviewer of Complaints were made by complainants. Three appeals against decisions of the Disciplinary Tribunal were concluded by the Appeals Council, and these were also all in favour of the Professional Conduct Committee. One appeal was against publicity only, one was against both the findings of guilt and the sanction, and unusually one was an appeal by the Professional Conduct Committee seeking an increased sanction against a member. One further appeal remains open.

In the 2013/14 financial year, 81 new complaints were opened. This is a small increase on complaint numbers in the previous year where 73 were opened, but reflects the continued effort that goes into filtering complaints to ensure only valid complaints are formally opened. A large number of matters are also referred to Professional Support to attempt to resolve informally.

Of the 81 complaints, 53 (65%) were about public practitioners. There were no complaints opened this year regarding breaches of auditing standards relating to issuers.

Of the complaints opened in 2013/14, 33% related to poor client service, 15% related to objectivity and independence, 10% related to integrity, and 10% to individual member behaviour. This is broadly consistent with the types of complaints in previous years and correlates to the proportions of complaints against public practitioners.

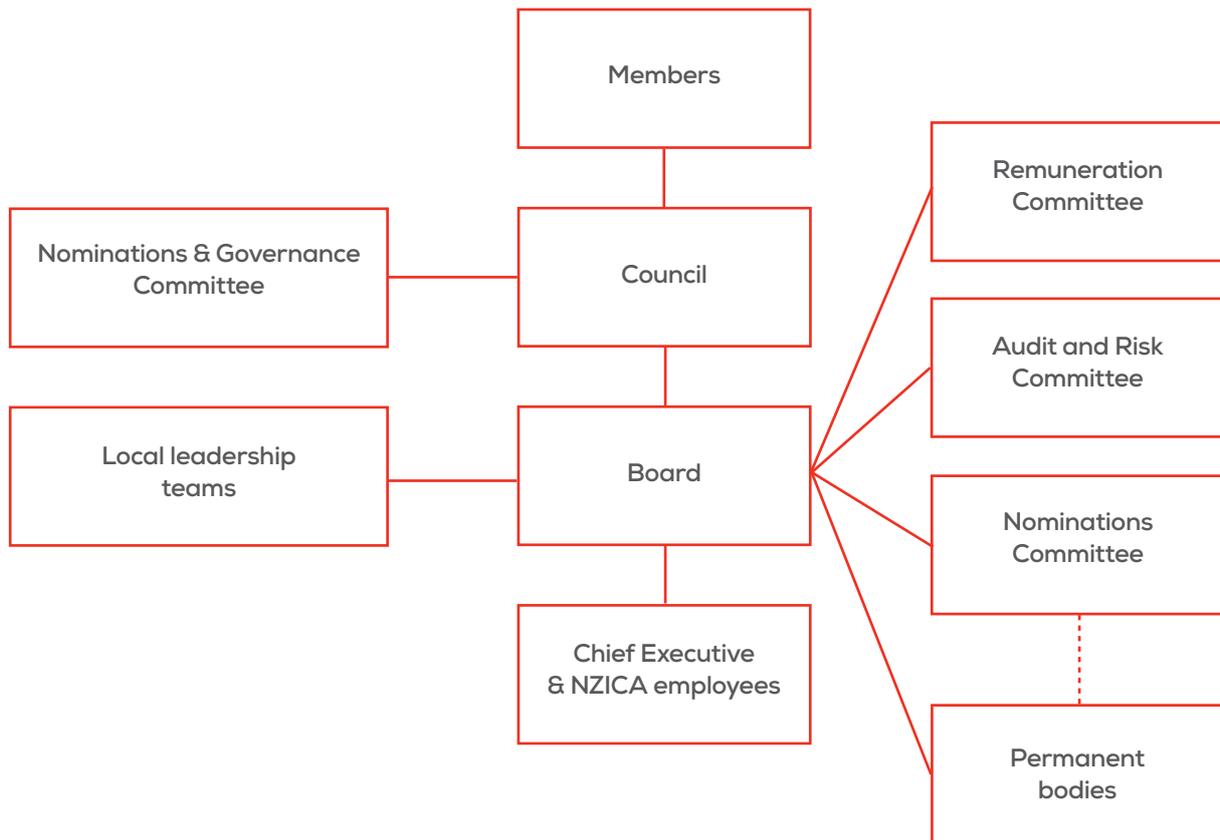
Forty-six out of the 81 complaints (57%) were made by members of the public (generally, clients), 9 (11%) by other members, 11 (14%) were as a result of Practice Review, and 15 (18%) resulted from matters which came to NZICA's attention (such as criminal convictions or professional misconduct).

The costs of the professional conduct processes for the year were \$1.342m, offset by costs ordered against members of \$0.461m. This is compared with 2013 where costs were \$1.619m, and costs orders of \$0.364m were made.

# GOVERNANCE

NZICA OPERATES WITHIN A STATUTORY AND REGULATORY FRAMEWORK TO PROMOTE QUALITY, EDUCATION AND INTEGRITY IN THE ACCOUNTING PROFESSION, REGULATE OUR MEMBERS AND ADVOCATE ON THEIR BEHALF.

## GOVERNANCE STRUCTURE



## CONTEXT FOR NZICA GOVERNANCE IN 2013/14

Much of 2014 has been spent progressing the move to the new organisation to the extent legally possible, while waiting for legislation to be passed. However, NZICA governance requirements have and will continue to be met until the date that the new organisation is legally effected.

## STATUTORY AUTHORITY

NZICA was established in 1908 (as the then New Zealand Society of Accountants). Since then it has operated under the New Zealand Institute of Chartered Accountants Act 1996 (the Act), which formalises NZICA's role as a regulatory body with responsibility for the profession in New Zealand. In general terms, the Act prescribes the role of NZICA in regulating its members' activities and conduct, in the public interest.

## RULES OF NZICA

NZICA's Rules are a requirement under Section 6 of the Act and are key in regulating NZICA's governance, quality assurance, conduct functions and aspects of general operation. The Rules specify policy and procedures around the governance, operation and administration of NZICA.

Amendments to the Rules are authorised either through member vote at an annual or special general meeting, or by the Board (for some Appendices). Policies, procedures and operations of NZICA must be consistent and compliant with the Rules as applicable.

## CODE OF ETHICS

Section 7 of the Act requires NZICA to “always have a Code of Ethics that governs the professional conduct of its members”. The Code sets out fundamental principles and provides guidance on professional conduct needed to sustain public confidence in the profession, and is a positive point of difference between NZICA members and other accountants. Compliance with the Code is mandatory for all NZICA members at all times. Non-compliance with the Code of Ethics may expose a member to disciplinary action.

The Code of Ethics is based on the following five fundamental principles:

- integrity
- objectivity and independence
- competence
- quality performance
- professional behaviour.

## COUNCIL

Responsibility for the direction of NZICA's affairs is vested in the Council under Section 6 of the Act. Within the responsibilities of the Act and Rules, Council's role is to:

- (a) develop and approve NZICA's long-term strategic intent and governance principles
- (b) develop and approve, with the Board, NZICA's five to ten year strategic plan
- (c) provide input to the Board on key policy issues that will significantly impact members
- (d) appoint and evaluate the Board and approve remuneration levels for Board members
- (e) appoint and evaluate the Nominations and Governance Committee
- (f) elect the President and Vice President
- (g) confer life memberships and fellowships
- (h) represent interests of the membership as a whole.

The Council comprises 19 elected Councillors and up to six Appointed Councillors (a combination of geographically elected and appointed to balance location, sector, demographic and skills representation).

### Current Council

Fred Hutchings FCA, President, Tauranga  
(elected November 2013)

Kevin Murphy FCA, Vice President, New Plymouth  
(elected November 2013)

Andrew Robinson FCA, United Kingdom

Baubre Murray FCA, Wellington

Bernard Mazur CA, Auckland

Dr Brian McCulloch FCA, Wellington

Cassandra Crowley CA, Wellington

Chris Pool CA, Northland

Dione Schick CA, Singapore

Don MacKenzie CA, Christchurch

Grant Ellis FCA, Auckland

Grant Wilson CA, Marlborough/Nelson

Ian Leggett FCA, United Kingdom

Aaron Snodgrass CA, Gisborne

Michael Stowers CA, Auckland

Mike Atkinson CA, Auckland

Murray Taylor FACA, Auckland

Peter Hanson FCA, Sydney

Richard Dey FCA, Tauranga

Shelly Mitchell-Jenkins FCA, Manawatu

Stephen Walker FCA, Wellington

Susan Tremlett FCA, Auckland

Tim Loan FCA, Southland

The following Council members resigned or retired at the 2013 AGM held on 26 November 2013:

Andrew Dick FCA  
 Leanne Milligan FCA  
 Rob McDonald FCA  
 Sharon Cooke FCA

### Meeting Dates

31 July 2013, 26 November 2013

Meeting Date	Attended	Apologies
31 July 2013	19	7
26 November 2013	24	2

*Note: From December 2013 to June 2014 the NZICA Council did not meet, since transition preparations were underway to move to the new trans-Tasman organisation structure for Chartered Accountants Australia and New Zealand.*

## NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee (N&G) is appointed by Council to ensure that there is sufficient talent available for governance roles within NZICA. The N&G's functions are to:

- nominate candidates for appointment to the Board, and Appointed Councillors to provide a balance of sector, demographic and skills on Council
- ensure the effectiveness of NZICA's governance
- facilitate the performance evaluation of Council and Board
- advise Council on remuneration matters for those holding governance roles within NZICA.

N&G has six members, which may include one or more independents. Meetings are held as required but average about two per year.

### Current Committee Members

Tony Burn FCA (Chair)  
 David Jackson FCA  
 Fred Hutchings FCA  
 Graham Crombie FCA  
 Peter Gulliver FCA  
 Susie Johnstone FCA

### Meeting Dates

10 September 2013, 9 October 2013, 20 November 2013, 10 December 2013 (joint with ICAA Nominations Committee)

Member	Meetings	Attended
Tony Burn FCA (Chair)	4	4
Graham Crombie FCA	4	4
Peter Gulliver FCA	4	3
Susie Johnstone FCA	4	4
David Jackson FCA	4	1
Liz Hickey FCA (until November 2013)	4	4
Fred Hutchings FCA (from November 2013)	0	0

*Note: From December 2013 to June 2014 the NZICA Nominations and Governance Committee did not meet, since transition preparations were underway to move to the new trans-Tasman Institute structure for Chartered Accountants Australia and New Zealand.*

## BOARD

The Board is responsible for strategic planning, policy and operational matters to achieve the strategy agreed with Council. The Board's functions are prescribed as follows:

- (a) to act as the Executive Board of the Institute
- (b) to carry out the functions of the Institute
- (c) to develop and approve, with the Council, the Institute's five to ten year strategic plan
- (d) to be responsible for developing, approving, implementing and monitoring the other strategic and operational plans and policies of the Institute
- (e) to appoint, authorise delegations for, oversee, and direct all permanent bodies, national committees, and other committees, boards and tribunals of the Institute
- (f) to appoint and monitor performance of the Chief Executive and authorise delegations to the Chief Executive
- (g) to be responsible for the financial affairs of the Institute and approve the annual plan and budget.

The Board has a close working relationship with Council and the Chief Executive in carrying out its functions. The Board comprises eight members including the Chair and two independents, and meets approximately eight times a year. The President, Vice President and Chief Executive are ex-officio members of the Board with no voting rights.

### Current Board

Graham Crombie FCA (Chair)

Allan Newman FCA

Catherine Drayton FCA

Catherine Savage CA

Doug McKay

Fred Hutchings FCA

(Vice President, Ex-Officio until November 2013, and President, Ex Officio from November 2013)

Hugh Rennie QC

Kevin Murphy FCA

(Vice President, Ex-Officio from November 2013)

Murray Jack FCA

Neil Paviour-Smith FCA

### Meeting Dates

30 July 2013, 23 August 2013, 8 October 2013, 25 November 2013

The NZICA Board has continued to meet during 2014 through the transition period to the new Chartered Accountants ANZ organisation, as follows:

27 February 2014, 25 March 2014 (Joint with ICAA Board), 20 May 2014, 30 June 2014

Member	Meetings	Attended
Graham Crombie FCA (Chair)	8	8
Catherine Drayton FCA	8	7
Murray Jack FCA	8	8
Doug McKay	8	8
Allan Newman FCA	8	7
Neil Paviour-Smith FCA	8	8
Hugh Rennie QC	8	8
Catherine Savage CA	8	5
Liz Hickey FCA (President, Ex Officio until November 2013)	4	4
Fred Hutchings FCA (Vice President, Ex-Officio until November 2013, and President, Ex-Officio from November 2013)	8	8
Kevin Murphy FCA (Vice President, Ex-Officio from November 2013)	4	4

The Board employs the following sub-committees to assist it in discharging its functions.

## AUDIT AND RISK COMMITTEE

The Board of NZICA has delegated to the Audit and Risk Committee its responsibilities and role in respect of fulfilling its risk assurance and audit responsibilities. Prior to 2013 this committee was known as the Audit, Finance and Risk Management Committee.

### Current Committee Members

Hugh Rennie QC (Chair)  
Catherine Drayton FCA  
Catherine Savage CA  
Neil Paviour-Smith FCA

### Meeting Dates

26 July 2013, 20 May 2014

Member	Meetings	Attended
Hugh Rennie QC (Chair)	2	2
Catherine Drayton FCA	2	1
Neil Paviour-Smith FCA	2	2
Catherine Savage CA	2	1

## NOMINATIONS COMMITTEE

The Board of NZICA has delegated to the Nominations Committee its responsibilities and role in respect of appointments and oversight of national committees, and other committees, boards and tribunals of the Institute.

### Current Committee Members

Allan Newman FCA (Chair)  
Fred Hutchings FCA  
Graham Crombie FCA

### Meeting Dates

8 October 2013, 20 May 2014

Member	Meetings	Attended
Allan Newman FCA (Chair)	2	2
Graham Crombie FCA	2	2
Fred Hutchings FCA (from November 2013)	2	2

## REMUNERATION COMMITTEE

The Board of NZICA has delegated to the Remuneration Committee its responsibilities and role in respect of remuneration-related activities. This includes demonstrating to the Institute's members and stakeholders that NZICA sets remuneration in a fair and reasonable manner in accordance with objective criteria.

### Current Committee Members

Graham Crombie FCA (Chair)  
Murray Jack FCA  
Doug McKay

### Meeting Dates

The Remuneration Committee did not meet during the 2013/14 year. All business was conducted via email.

## LOCAL LEADERSHIP TEAMS

Members in each local area are supported by and represented by a Local Leadership Team (LLT). There are 18 of these across New Zealand and internationally as follows:

1. Northland
2. Auckland
3. Waikato
4. Bay of Plenty
5. Gisborne-East Coast
6. Hawke's Bay
7. Taranaki
8. Whanganui
9. Manawatu
10. Wellington
11. Wairarapa
12. Marlborough-Nelson
13. Canterbury-Westland
14. Otago
15. Southland
16. Sydney
17. Melbourne
18. United Kingdom

These groups are made up of elected representatives and each group matches the profile of the members in the area they represent.

The functions of LLTs are to:

- provide input on local member segments, needs and preferences
- identify local emerging issues
- identify local emerging talent
- facilitate access to local network(s)
- carry out such other functions consistent with the NZICA Rules as NZICA and the LLT may agree from time to time.

Local staff work closely with the LLTs in their region. New Zealand Regional Managers report through a member of the Executive Management Team to the Chief Executive.

## NATIONAL PERMANENT BODIES

At national level, NZICA has in place a number of tribunals, committees and advisory groups (collectively called permanent bodies) to contribute to the achievement of our strategic and business plans by providing technical expertise in specific areas or representation of member views and interests across particular sectors. Each group comprises NZICA members and in some cases non-members to provide an external perspective or to bring specific expertise. Permanent bodies are prescribed in the Rules (Section 11, Appendix VI) and in the case of the conduct bodies, the New Zealand Institute of Chartered Accountants Act 1996. All permanent bodies report to the Board.

### ADMISSIONS/MEMBERSHIP, TECHNICAL BODIES AND SECTOR ADVISORY GROUPS

- Admissions and Membership Committee
- PreP Academic Committee
- Admissions Appeals Tribunal
- Practice Review Advisory Group
- Professional Standards Board
- Auditor Regulation Advisory Group
- Public Practice Advisory Group
- Corporate Sector Advisory Group
- Public Sector Advisory Group
- Regional Advisory Group
- Tax Advisory Group

### STATUTORY BODIES

- Professional Conduct Committee
- Disciplinary Tribunal
- Appeals Council

### JUDGING/SELECTION PANELS

- Research PhD Scholarships Panel
- Awards Judging Panels

## CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND BOARD DESIGNATE

This is a joint Committee established by ICAA and NZICA comprising directors from both organisations to oversee the establishment of Chartered Accountants Australia and New Zealand. Following legal amalgamation this committee will formally become the Chartered Accountants Australia and New Zealand Board.

Member	Meetings	Attended
<b>ICAA</b>		
Craig Farrow FCA – until May 2014	9	8
Tim Gullifer FCA – until December 2013	5	5
Michael Forde FCA	9	9
Mel Ashton FCA (Observer)	9	8
Ben Miels FCA – from November 2013	6	5
Andrea Waters FCA – from November 2013	6	6
Mike Blake FCA – from November 2013	6	4
Darren Scammell FCA (Observer) – from April 2014	3	3
Mary Waldron FCA – from May 2014	2	2
<b>NZICA</b>		
Liz Hickey FCA (Observer) – until December 2013	4	4
Graham Crombie FCA	9	9
Murray Jack FCA	9	9
Catherine Drayton FCA – until December 2013	5	4
Doug McKay – from November 2013	6	6
Fred Hutchings FCA (Observer) – from January 2014	4	4
Neil Paviour-Smith FCA – from November 2013	5	5

## CHIEF EXECUTIVE AND MANAGEMENT

The Chief Executive fulfils a leadership role with management, and is a strategic partner of the Board as an ex-officio member with speaking rights but no voting rights. The Chief Executive is involved in the Board's setting of objectives, attends all Council and Board meetings and reports on policy and strategic issues, operations and performance against strategic objectives. The Chief Executive is responsible for staff recruitment and performance management.

In addition to contributing to and managing the development of NZICA's various plans, NZICA's management team is responsible to the Chief Executive for the implementation of these plans and for assisting the Chief Executive in reporting progress against them to the Board. Management has the opportunity to communicate with NZICA's various governance bodies through the Chief Executive and may be asked, through the Chief Executive and with the Chief Executive's consent, to present to or undertake work for these governance bodies.

## GOVERNANCE POLICIES AND PRACTICES

Some key aspects of our governance policies and practices are highlighted below.

### INDUCTION

An important aspect of ensuring that Councillors, Board and N&G members discharge their responsibilities effectively is that they commence their role with sufficient induction. This is facilitated by the Governance Director following the commencement of members' terms.

### PERFORMANCE EXPECTATIONS

Members of the Council, Board, N&G and other committees/boards are expected to meet the requirements of the Governance Manual and their own obligations to the governance body to which they are elected or appointed, as well as to comply with NZICA's Code of Ethics, values and Rules. It is expected that they will discharge their duties with regard to the following:

- regular and full attendance, and active contribution at meetings
- turnaround of decisions by circular resolution within specified timeframes
- sufficient preparation for meetings, including familiarity with agenda material and background of issues to be raised
- integrity
- objectivity
- independence and recognition of situations where conflicts of interest must be disclosed
- confidentiality of deliberations and decisions.

### CONFLICTS OF INTEREST

The personal interests of members of governance bodies and those of an associated person must not be allowed to prevail over those of NZICA's members generally. A member of an NZICA governance body should seek to avoid conflicts of interest whenever possible. Full disclosure of any conflict or potential conflict must be made to NZICA. If a conflict does arise, a member of a governance body must consider the appropriate action to take.

### INDEMNITY

Under Rule 26, all members of NZICA's governance bodies are fully indemnified by NZICA against all costs, expenses and liability incurred in the due conduct of duties or engagement, unless incurred as a result of a wilful act, default or neglect. The Governance Director will ensure that indemnity policies for Board, Council and N&G members are maintained and regularly reviewed.

### GOVERNANCE MANUAL

NZICA has a Governance Manual which complies with the Act and Rules of NZICA and prescribes the roles, expectations, policies and processes relating to each NZICA governance body and its members.



SECTION 4:

# Financial statements

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

in thousands of New Zealand dollars

	Note	2014	2013
Revenue	1	41,623	38,825
Expenses			
Employee benefits		14,155	14,391
Depreciation	7	1,256	1,167
Amortisation	8	739	552
Professional services		1,244	1,060
Direct expenses		8,119	7,768
Premise & facility expenses		4,978	5,250
Information technology expenses		1,602	1,330
Travel related expenses		1,880	2,091
New Institute costs	3	2,447	2,779
Asset impairment expense	8	3,014	211
Other expenses	2	4,326	4,040
Total expenses		43,760	40,639
<b>Surplus/(deficit) before income tax</b>		<b>(2,137)</b>	<b>(1,814)</b>
Income tax (benefit)/expense	4	-	-
<b>Surplus/(deficit) after income tax</b>		<b>(2,137)</b>	<b>(1,814)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(expense)</b>		<b>(2,137)</b>	<b>(1,814)</b>

The operating surplus for the year ended 30 June 2014 before New Institute costs and asset impairment expenses was \$3.324m (2013: \$1.176m)

28

## STATEMENT OF CHANGES IN MEMBERS' FUNDS

For the year ended 30 June 2014

in thousands of New Zealand dollars

	Note	NZICA members' funds	Special interest groups' funds	Total members' funds
Balance at 1 July 2012		9,683	434	10,117
Surplus/(deficit) for the year		(1,920)	106	(1,814)
Other comprehensive income		-	-	-
Total comprehensive income/(expense)		(1,920)	106	(1,814)
Balance at 30 June 2013		7,763	540	8,303
Balance at 1 July 2013		7,763	540	8,303
Surplus/(deficit) for the year		(2,389)	252	(2,137)
Other comprehensive income		-	-	-
Total comprehensive income/(expense)		(2,389)	252	(2,137)
<b>Balance at 30 June 2014</b>	<b>11</b>	<b>5,374</b>	<b>792</b>	<b>6,166</b>

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

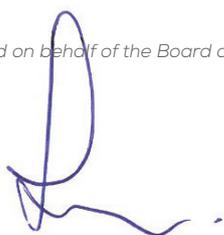
## STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

in thousands of New Zealand dollars

	Note	2014	2013
<b>Assets</b>			
Cash and cash equivalents	5	5,892	2,600
Investments		10,861	5,608
Trade and other receivables	6	13,888	1,894
Inventories		-	15
<b>Total current assets</b>		<b>30,641</b>	<b>10,117</b>
Property, plant and equipment	7	4,814	5,934
Intangible assets	8	1,675	3,129
<b>Total non-current assets</b>		<b>6,489</b>	<b>9,063</b>
<b>Total assets</b>		<b>37,130</b>	<b>19,180</b>
<b>Liabilities</b>			
Trade and other payables and liabilities	9	5,933	3,413
Employee benefits	10	1,228	1,167
Income in advance		23,245	5,660
<b>Total current liabilities</b>		<b>30,406</b>	<b>10,240</b>
Trade and other payables and liabilities	9	530	597
Employee benefits	10	28	40
<b>Total non-current liabilities</b>		<b>558</b>	<b>637</b>
<b>Total liabilities</b>		<b>30,964</b>	<b>10,877</b>
<b>Members' funds</b>			
NZICA members' funds		5,374	7,763
Special interest groups' funds		792	540
<b>Total members' funds</b>	11	<b>6,166</b>	<b>8,303</b>
<b>Total members' funds and liabilities</b>		<b>37,130</b>	<b>19,180</b>

For and on behalf of the Board of Directors


Graham Crombie FCA - Chair  
Date: 18 August 2014

Hugh Rennie QC - Director  
Date: 18 August 2014

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

in thousands of New Zealand dollars

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Cash receipts from subscription and application fees		29,278	24,232
Cash receipts from professional development		11,972	10,758
Cash receipts from other		5,304	5,615
Cash paid to suppliers		(24,037)	(24,232)
Cash paid to employees		(14,106)	(14,908)
Interest received		446	564
Net goods and services tax received		2,109	440
<b>Net cash flows from operating activities</b>	<b>12</b>	<b>10,966</b>	<b>2,469</b>
<b>Cash flows from investing activities</b>			
Proceeds from maturity of investments		22,503	24,771
Acquisition of property, plant and equipment		(203)	(1,836)
Acquisition of intangible assets		(2,299)	(2,435)
Acquisition of investments		(27,675)	(24,502)
<b>Net cash flows used in investing activities</b>		<b>(7,674)</b>	<b>(4,002)</b>
Net increase/(decrease) in cash and cash equivalents		3,292	(1,533)
Cash and cash equivalents at beginning of year		2,600	4,133
<b>Cash and cash equivalents at end of year</b>	<b>5</b>	<b>5,892</b>	<b>2,600</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

The New Zealand Institute of Chartered Accountants (NZICA) is a statutory entity constituted under the New Zealand Institute of Chartered Accountants Act 1996. NZICA represents the interests of members of the accounting profession working in New Zealand and around the world. Financial statements presented here are for this individual entity.

### (b) Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP").

NZ GAAP requires each entity to be classified as either a public benefit entity, or as a profit-orientated entity. A public benefit entity is one whose primary objective is to provide goods or services for community or social good. The directors consider that NZICA does not meet the criteria to be a public benefit entity, and accordingly it is classified as a profit-orientated entity.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

For the purposes of complying with NZ GAAP, NZICA is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR")) on the basis that it does not meet the requirements of Tier 1. NZICA has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements are prepared on the historical cost basis, and are presented in New Zealand dollars (NZD), rounded to the nearest thousand. The accounting policies have been applied consistently to all periods represented in these financial statements. Any exceptions are outlined under part (n) of these accounting policies.

The financial statements were approved by the Board of Directors on 18 August 2014.

At the date the financial statements were approved the Accounting Infrastructure Reform Bill (AIRB) had not been passed. Included in the AIRB is an amendment to the NZICA Act 1996 which allows the New Zealand Institute of Chartered Accountants and the Institute of Chartered Accountants in Australia to complete the steps necessary to formalise Chartered Accountants Australia and New Zealand as a single entity. The two Institutes have made significant progress in restructuring ongoing operations to implement the final desired structure of Chartered Accountants Australia and New Zealand. ICAA has provided a letter of comfort to NZICA for liabilities incurred by NZICA in the normal course of business should NZICA be unable to meet these commitments from its available resources including commercial means. The letter of comfort expires on the earlier of the amalgamation of the two Institutes or 30 September 2015, and provides for a transitional cash flow situation arising from the delay to the AIRB.

NZICA and ICAA have different accounting policies for the treatment of development costs. The current ICAA and proposed Chartered Accountants Australia and New Zealand accounting policy is to immediately expense all development expenditure. This will result in a zero carrying value for the NZICA-incurred Chartered Accountants Program development costs when transferred to ICAA once the AIRB has been passed and the merger completed.

Based on the current state of the AIRB and the impact of the different accounting policies for development costs, Management has applied judgement that the Chartered Accountants Program development costs should be fully impaired at balance date.

### (c) Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit.

**(d) Property, plant and equipment**

**Classes of property, plant and equipment**

The major classes of property, plant and equipment are:

- computer equipment
- equipment general
- furniture and fittings
- leasehold alterations
- library
- motor vehicles.

All items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

**Disposal of property, plant and equipment**

Where an item of property, plant and equipment is disposed of, the gain or loss is recognised in the surplus or deficit. This is calculated as the difference between the net sales price and the carrying amount of the asset.

**Depreciation**

Depreciation is charged to the surplus or deficit using the straight-line method. Depreciation is set at rates that will write-off the cost of the assets, less their estimated residual values, over their useful lives (or for leasehold alteration assets, the shorter of useful lives and the term of the lease). The estimated useful lives of major classes of assets are:

<b>Class of asset</b>	<b>Estimated life</b>
Computer equipment	3 to 5 years
Equipment general	3 to 5 years
Furniture and fittings	10 years
Leasehold alterations	5 to 16 years
Library	6 to 7 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual value of assets are reassessed at balance date.

Depreciation of assets which are constructed or developed over a period of time does not commence until the asset is available for use.

**(e) Intangible assets**

**Software**

Software applications that are acquired by NZICA are stated at cost less accumulated amortisation and impairment losses.

**Development costs**

Development expenditure in relation to new or improved services and products is recognised as an asset. This is stated at cost and amortised over the period of expected benefits in a manner consistent with the consumption of benefits, not exceeding five years. All other development expenditure is recognised as an expense in the surplus or deficit as incurred.

**Subsequent expenditure**

Subsequent expenditure on intangible assets is capitalised only when it increases the service potential or future economic benefits embodied in the related specific asset. All other expenditure is expensed as incurred through the surplus or deficit.

**Amortisation**

Amortisation is charged to the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets. Amortisation of assets which are constructed or developed over a period of time does not commence until the asset is available for use. The estimated useful lives are as follows:

<b>Type of asset</b>	<b>Estimated life</b>
Software	3 to 5 years
Development costs	3 to 5 years

**(f) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment losses. Trade and other receivables are regarded as impaired when they exceed 90 days. Impairment of other receivables past due is established on an individual assessment of receivables. Bad debts are written-off during the period in which they are identified.

**(g) Investments**

Investments comprise fixed term deposits with registered banks. All investments have a maturity date of greater than three months at inception and are initially measured at fair value. Subsequently, they are recognised at amortised cost using the effective interest rate method less impairment.

**(h) Impairment**

The carrying amounts of NZICA's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the surplus or deficit.

**Calculation of recoverable amount**

Receivables and investments are carried at amortised cost. The estimated recoverable amount is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is calculated differently depending on whether an asset generates cash or not. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For non-cash-generating assets that are not part of a cash-generating unit, value in use is based on depreciated replacement cost. For cash-generating assets, value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset. These cash flows are then discounted to present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

**(i) Employee benefits****Annual leave**

Annual leave liabilities are short-term obligations and are calculated on an accrual basis at the amount NZICA expects to pay.

**Long-service leave**

NZICA's net obligation for long-service leave is calculated using the projected unit credit method and is discounted to present value.

**(j) Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest rate method. Short-term trade and other payables are not discounted.

**(k) Income tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable for previous years.

Subscription income is not liable for income tax. In all other cases NZICA is only liable for income tax relating to members' activities where a clear service or good has been provided. Income tax is payable on any services or goods provided to non-members and interest revenue earned on investments. Income tax expense is recognised on the operating surplus derived from these activities, before taxation, adjusted for permanent differences between assessable and accounting income.

Deferred tax is provided using the balance sheet liability method. Temporary differences are provided for between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date. A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available against which the asset can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(l) Goods and services tax**

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared on a goods and services tax (GST) exclusive basis. All items in the Statement of Financial Position are stated net of GST with the exception of accounts receivable and payable, which include GST invoiced. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

**(m) Revenue recognition**

**Subscriptions**

NZICA's membership subscription year is 1 July to 30 June. Subscriptions are receivable in advance, but only those subscription receipts which are attributable to the current financial year are recognised as revenue.

**Professional competency course fees**

Competency course programmes are provided for intending members of NZICA. Course fees are receivable in advance and income is recognised as the course programme is delivered.

**Professional development**

NZICA provides professional development courses for members and non-members. Course fees are receivable in advance and income is recognised upon delivery of the course.

**Practice review fees**

NZICA is responsible for reviewing each member public practitioner to ensure that the quality of the practice's work meets legislative, financial reporting and professional standards requirements. Income from these reviews is recognised as the review progresses.

**Journal revenue**

NZICA produces the *Chartered Accountants Journal* and receives income from advertising and non-member subscriptions. Advertising revenue is recognised as each edition is published. Non-member subscriptions are receivable in advance and income is recognised over the subscription period.

**Partnership programme and sponsorship**

The Partnership Programme allows for businesses, in exchange for marketing and sponsorship funding, to align themselves with NZICA to provide benefits to NZICA and members. All revenue from the Partnership Programme is used by NZICA according to the contractual arrangements of the individual partners. This funding is recognised as revenue over the period of the programme as specified in the individual contracts.

**Other revenue-generating activities**

Other revenue generating activities include hiring out conference centre facilities, sale of publications and entrance fees. Revenue from such services is recognised in the surplus or deficit in proportion to the stage of completion of the transaction at balance date.

Interest income is recognised using the effective interest rate method.

**Donated services recognition**

The work of NZICA is dependent on the voluntary services of many members. Due to the difficulty in determining value with sufficient reliability, donated services are not recognised in these financial statements.

34

**(n) New accounting standards and interpretations**

**Changes in accounting policy and disclosure**

The accounting policies adopted are consistent with those of the previous financial year.

**(o) Financial assets**

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through the surplus or deficit, directly attributable transaction costs.

**Recognition and derecognition**

All normal purchases and sales of financial assets are recognised on the trade date. The trade date is the date that NZICA commits to purchase the asset. Normal purchases or sales of financial assets under contracts require delivery of the assets within the period. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the surplus or deficit when the loans and receivables are written-off or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

**(p) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. When the arrangement is fulfilled it may be dependent on the use of a specific asset(s) or may convey a right to use the asset(s). The right to use the asset may not be explicitly specified in an arrangement. These matters do not affect the determination of the lease.

**NZICA as lessee**

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that NZICA will obtain ownership by the end of the lease term. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received. The liability is released by allocating lease payments between rental expense and reduction of the liability.

**(q) Comparative information**

Certain prior year comparatives have been amended to align with current year disclosure.

# NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

1	Revenue		2014	2013
	Subscription and application fees		23,022	21,530
	Professional competency course fees		7,935	6,559
	Professional development		4,849	4,577
	Practice review fees		1,368	1,889
	Journal revenue		347	571
	Partnership Programme and sponsorship		1,231	1,285
	Publications		342	341
	Interest income		528	544
	Other		2,001	1,529
			41,623	38,825
2	Other expenses includes the following items:	Note	2014	2013
	Directors' fees and expenses		459	338
	Office bearers' honoraria		133	130
	Impairment of trade receivables (bad and doubtful debts)	6	66	135
	Fees paid to auditor for other services (professional development course presentation and other)		18	87
	Audit fees (for the audit of the financial statements)		77	85
	Net foreign exchange loss on overseas translations		2	22
	Loss on disposal of property, plant and equipment		67	2
3	New Institute costs		2014	2013
	<b>Proposal pre-vote costs:</b>			
	Project oversight & management		177	416
	Strategy/proposition development		83	534
	Member consultation		794	957
	Legal, due diligence & Explanatory Memorandum		148	777
	Other		69	95
	<b>Total proposal pre-vote costs</b>		1,271	2,779
	<b>Implementation costs:</b>			
	Change management		655	-
	People costs		521	-
	<b>Total Implementation Costs</b>		1,176	-
			2,447	2,779

In November 2013 members of the NZICA and ICAA Institutes voted in favour of creating Chartered Accountants Australia and New Zealand. As outlined in the Chartered Accountants Australia and New Zealand Explanatory Memorandum, NZICA and ICAA have agreed to equally share one-off transaction costs up to the completion of the vote and post-vote implementation costs, except where expenditure relates directly to the particular Institute (eg retrenchment and outplacement costs). During the 2014 financial period NZICA incurred \$2.447m, consisting of \$1.271m transaction costs up to the completion of the vote and \$1.176m implementation costs post-vote. The New Institute costs are made up of \$2.226m, which is NZICA's share of the joint expenditure plus \$0.221m of NZICA only direct costs. The Explanatory Memorandum provides members with further details of the one-off transaction and implementation costs.

The New Institute costs above do not fully capture all employee efforts spent on the New Institute proposal or implementation. A number of employee's expenses and time have been spent on the New Institute as this was the major focus during the year.

in thousands of New Zealand dollars

4	Income tax expense	2014	2013
	<b>Current tax</b>		
	Current year expense	-	-
	Total current tax (benefit)/expense	-	-
	<b>Deferred tax</b>		
	Movements in temporary differences	16	31
	Adjustments for prior years	(16)	(31)
	Total deferred tax (benefit)/expense	-	-
	<b>Total income tax (benefit)/expense</b>	<b>-</b>	<b>-</b>
	<b>Reconciliation of effective tax rate</b>		
	Deficit before income tax	(2,137)	(1,814)
	Prima facie income tax using the domestic tax rate of 28%	(598)	(508)
	Tax effects of adjustments:		
	Non-deductible expenses	40	45
	Other adjustments	39	(8)
	Non-taxable transactions with members	(521)	(151)
	Deferred tax assets not recognised	1,040	622
	<b>Total income tax (benefit)/expense</b>	<b>-</b>	<b>-</b>

#### Unrecognised deferred tax assets

Deferred tax assets arising from temporary differences of \$1,776,000 (2013: \$510,000) and unutilised losses of \$15,619,000 (2013: \$13,171,000) have not been recognised due to the uncertainty of recoverability.

5	Cash and cash equivalents	2014	2013
	Bank balances	5,891	2,032
	Call deposits	1	568
		<b>5,892</b>	<b>2,600</b>

The carrying value of cash and cash equivalents approximate their fair value due to their short-term nature.

## NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

6 Trade and other receivables	2014	2013
Trade receivables from non-related parties*	13,201	1,600
Prepayments	340	421
Other receivables	887	386
Less: provision for impairment	(540)	(513)
	<b>13,888</b>	<b>1,894</b>

\* Trade receivables include \$11.290m of 2014/15 financial year subscription revenue owing at balance date, resulting from the alignment of the due date for member subscriptions between NZICA and ICAA are due to 1 July. Income in advance includes \$19.8m of revenue relating to the 2014/15 subscription year. The difference between the amount recorded in receivables and income in advance reflects the 2014/15 member subscriptions received at 30 June 2014.

The carrying value of trade and other receivables approximates their fair value due to their short-term nature. The calculation of the provision for impairment has been based on analysis of NZICA's losses in previous periods and review of specific trade and other receivables.

The movement in the provision for impairment of receivables is as follows:

	2014	2013
Balance at 1 July	(513)	(451)
Additional provisions made during the year	(66)	(135)
Provision used during the year	39	73
<b>Balance at 30 June</b>	<b>(540)</b>	<b>(513)</b>

## 7 Property, plant and equipment

	Library	Computer equipment	Equipment general	Furniture & fittings	Leasehold alterations	Motor vehicles	Total
<b>Cost</b>							
Balance at 1 July 2013	146	4,005	1,119	1,542	4,424	70	11,306
Additions	22	170	9	2	-	-	203
Disposals	(116)	(1,149)	(526)	(73)	(166)	-	(2,030)
Balance at 30 June 2014	52	3,026	602	1,471	4,258	70	9,479
<b>Depreciation and impairment losses</b>							
Balance at 1 July 2013	(89)	(2,516)	(937)	(579)	(1,211)	(40)	(5,372)
Depreciation charge for the year	(15)	(733)	(48)	(158)	(288)	(14)	(1,256)
Disposals	68	1,148	520	61	166	-	1,963
Balance at 30 June 2014	(36)	(2,101)	(465)	(676)	(1,333)	(54)	(4,665)
<b>Carrying amounts</b>							
At 1 July 2013	57	1,489	182	963	3,213	30	5,934
At 30 June 2014	16	925	137	795	2,925	16	4,814

### Assets under construction

The costs of assets under construction is reflected in property, plant and equipment cost (computer equipment \$32,000 (2013: \$170,000)). These balances are not depreciated until the asset is available for use.

in thousands of New Zealand dollars

## 8 Intangible assets

	Total
<b>Cost</b>	
Balance at 1 July 2013	6,040
Additions	2,299
Disposals	(815)
Balance at 30 June 2014	7,524
<b>Amortisation and impairment losses</b>	
Balance at 1 July 2013	(2,911)
Amortisation charge for the year	(739)
Disposals	815
Impairment*	(3,014)
Balance at 30 June 2014	(5,849)
<b>Carrying amounts</b>	
At 1 July 2013	3,129
At 30 June 2014	1,675

\*The development costs NZICA has incurred for the joint Chartered Accountants Program have been fully impaired during 2014. The current ICAA and proposed Chartered Accountants Australia and New Zealand accounting policy is to expense all development expenditure. This will result in a zero carrying value for the Chartered Accountants Program development costs when transferred to ICAA on completion of the merger. Following the merger with ICAA and the creation of Chartered Accountants Australia and New Zealand, NZICA will not receive future revenue streams from the Chartered Accountants Program, and therefore is unable to support the carrying value of the intangible asset at balance date. This impairment is not reflective of the underlying performance of the joint Chartered Accountants Program.

### Intangible assets composition

The intangible assets balance is largely represented by the Customer Relationship Management software development of \$1,248,000 (carrying amount) which will be amortised over 5 years on a straight-line basis. As of 30 June 2013, the intangible assets balance consisted primarily of the Chartered Accountants Program (\$2,355,000).

### Assets under construction

The cost of assets under construction is nil (2013: \$2,355,000).

## NOTES TO THE FINANCIAL STATEMENTS

in thousands of New Zealand dollars

9 Trade and other payables and liabilities	2014	2013
<b>Current</b>		
Trade payables to non-related parties	1,134	626
Goods and services tax	2,253	145
Deferred lease incentives	67	67
Payable to related parties	50	48
Accrued expenses	2,429	2,527
	<b>5,933</b>	<b>3,413</b>
<b>Non-current</b>		
Deferred lease incentives	530	597
	<b>530</b>	<b>597</b>

Trade and other payables and liabilities are non-interest bearing. The carrying value of trade and other payables approximate their fair value due to their short-term nature.

10 Employee benefits	2014	2013
<b>Current</b>		
Liability for long-service leave	5	18
Liability for annual leave	564	546
Payroll accrual	658	603
	<b>1,228</b>	<b>1,167</b>
<b>Non-current</b>		
Liability for long-service leave	28	40
	<b>28</b>	<b>40</b>

The non-current portion of the long-service leave liability is calculated based on NZICA's estimate of the value of the vested liability at the end of the vesting period discounted by an appropriate discount rate. The current portion of the long-service leave liability represents the actual value of the liability that has already vested valued at current pay rates.

### 11 Members' funds

#### NZICA members' funds

NZICA members' funds represents accumulated surpluses retained by NZICA.

#### Special Interest Groups' funds

Special interest groups (SIG) activities create revenue and expenditure which is recorded in the surplus or deficit. Qualifying surpluses or deficits are transferred to SIG funds in the Statement of Financial Position. These SIG funds represent unspent funds contributed by members of these groups, and are to be specifically used for SIG activities.

in thousands of New Zealand dollars

## 12 Reconciliation of the surplus/(deficit) for the period with net cash flows from operating activities

	2014	2013
Deficit after income tax	(2,137)	(1,814)
<b>Add back non-cash items:</b>		
Depreciation and amortisation	1,995	1,719
Impairment of intangible assets	3,014	211
Loss on sale of property, plant and equipment	67	2
Foreign exchange loss	2	22
Accrued interest	(82)	-
<b>Movements in working capital:</b>		
Increase in trade and other receivables	(11,995)	(140)
Decrease/(increase) in inventories	15	(5)
Increase/(decrease) in trade and other payables and liabilities *	2,453	(295)
Increase in employee benefits	49	67
Increase in income in advance	17,585	2,702
Net movement in working capital	8,107	2,329
<b>Net cash inflow from operating activities</b>	<b>10,966</b>	<b>2,469</b>

\*Excludes accruals for investing activities, such as property plant and equipment.

## 13 Leases as lessee

Non-cancellable operating lease rentals are payable as follows.	2014	2013
Less than one year	1,862	1,843
Between one and five years	6,739	7,100
More than five years	6,077	7,403
	<b>14,678</b>	<b>16,346</b>

NZICA leases premises under operating leases. The premises leases typically run for a period of ten years. In the case of leased premises, lease payments are increased periodically to reflect market rentals. No leases include contingent rentals.

During the year ended 30 June 2014, \$1,629,000 was recognised as an expense in the surplus or deficit in respect of operating leases (2013: \$1,618,000).

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

14 Financial instruments	2014	2013
<b>Loans and receivables</b>		
Cash and cash equivalents	5,892	2,600
Trade receivables	13,201	1,600
Other receivables	887	386
Investments	10,861	5,608
<b>Total loans and receivables</b>	<b>30,841</b>	<b>10,194</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and related party payables	1,184	674
<b>Total financial liabilities measured at amortised cost</b>	<b>1,184</b>	<b>674</b>

### 15 Related parties

#### a) Identity of related parties

The organisation has a related party relationship with its Board members, the V E A Halligan Trust and its executive management.

#### b) Related party transactions

##### Board

The following were members of the Board during the year:

Fred Hutchings (President <sup>1</sup> and Vice President <sup>2</sup> )	Graham Crombie <sup>3</sup>	Allan Newman <sup>3</sup>
Kevin Murphy (Vice President <sup>1</sup> )	Catherine Drayton <sup>5</sup>	Catherine Savage <sup>4</sup>
Elizabeth Hickey (former President <sup>2</sup> )	Murray Jack <sup>3</sup>	Neil Paviour-Smith <sup>3</sup>
	Doug McKay <sup>3</sup>	Hugh Rennie <sup>3</sup>

<sup>1</sup> Term commenced in December 2013

<sup>2</sup> Term completed in November 2013

<sup>3</sup> Term commenced July 2009

<sup>4</sup> Term commenced in December 2012

<sup>5</sup> Term commenced December 2011

The 'Board Designate' is the new name for the Chartered Accountants Australia and New Zealand Board (which was set up to govern collaboration agreement between NZICA and ICAA). In essence it is a joint subcommittee of the two Institute boards.

The following were members of the Board Designate during the year:

Graham Crombie	Commenced in December 2012
Catherine Drayton	Ceased in December 2013
Murray Jack	Commenced in December 2012
Doug McKay	Commenced in November 2013
Neil Paviour-Smith	Commenced in November 2013

in thousands of New Zealand dollars

	2014	2013
Transactions between NZICA and members of the Board are as follows:		
Allan Newman (Director of Enumerate Chartered Accountants and former director of Sadler Oakly Newman)		
Paid to Allan Newman:		
Board Director fees	35	34
Amount owing at year end	3	3
Received from Sadler Oakly Newman Limited:		
Practice review fees	-	-
Catherine Drayton		
Paid to Catherine Drayton:		
Board Director fees (NZICA & Board Designate)	50	49
Amount owing at year end	3	6
Catherine Savage		
Paid to Catherine Savage:		
Board Director fees	35	19
Amount owing at year end	3	3
Doug McKay (Director and shareholder in WYMAC Consulting Limited)		
Paid to WYMAC Consulting Limited:		
Board Director fees (NZICA & Board Designate)	52	34
Amount owing at year end	6	3
Elizabeth Hickey		
Paid to Elizabeth Hickey:		
Honorarium as Office Bearer	39	63
Amount owing at year end	-	8
Fred Hutchings		
Paid to Fred Hutchings:		
Honorarium as Office Bearer	63	19
Amount owing at year end	8	3
Graham Crombie (Director of Innovatio Limited)		
Paid to Innovatio Limited:		
Board Chair fees (NZICA & Board Designate)	94	27
Amount owing at year end	9	9
Paid to Polson Higgs:		
Board Chairman fees (NZICA & Board Designate)	-	53
Amount owing at year end	-	-

## NOTES TO THE FINANCIAL STATEMENTS

*in thousands of New Zealand dollars*

15 Related parties continued	2014	2013
Hugh Rennie		
Paid to Hugh Rennie:		
Board Director fees	39	38
Amount owing at year end	4	4
Murray Jack (Chairman of Deloitte)		
Paid to Deloitte:		
Board Director fees (NZICA & Board Designate)	62	49
Professional development fees	-	5
Professional services	33	-
DT/PCC fees*	-	2
Amount owing at year end	6	6
Kevin Murphy		
Paid to TSB Bank Limited:		
Honorarium as Office Bearer	19	-
Amount owing at year end	3	-
Neil Paviour-Smith		
Paid to Neil Paviour-Smith:		
Board Director fees (NZICA & Board Designate)	52	34
Amount owing at year end	6	3

44

\*Disciplinary Tribunal/ Professional Conduct Committee fees

### c) Management compensation

Key management personnel compensation amounts to \$2,525,000 (2013: \$3,338,000).

Key management personnel comprises the Board of Directors and key senior executives within NZICA.

### 16 Contingent liabilities

There are no contingent liabilities at 30 June 2014 (2013: nil).

### 17 Capital commitments

NZICA has no capital commitments as of 30 June 2014 (2013: \$ 1.925m).

### 18 Subsequent events

Other than the information already disclosed elsewhere in these financial statements there are no other events subsequent to year end that require disclosure in these financial statements.

*in thousands of New Zealand dollars*

## 19 Accounting estimates and judgements

Information on significant areas of estimation, uncertainty and critical judgements in applying accounting policies which have the most significant effect in the preparation of these financial statements are included in the following notes:

- Note 4 – income tax expense

NZICA carries out taxable and non-taxable activities. Management has applied judgement in preparing an allocation of income and expenditure to taxable or non-taxable activities to determine the taxable income for the income year.

- Note 6 – trade and other receivables

Management apply judgement in assessing the carrying value of trade and other receivables. Receivables are considered impaired when they exceed 90 days. The calculation of the provision has been based on a review of specific trade and other receivables.

- Note 8 – impairment

The ongoing development of the new Chartered Accountants Program is being capitalised and will be amortised over five years. Estimates used in conducting the impairment test through a discounted cash flow approach include, candidate numbers, revenues and operating costs over a five-year period and the appropriate discount factor to apply. Management has applied judgment in assessing these estimates.

- Note 9 – trade and other payables and liabilities

Deferred lease incentives have been spread over the likely term the national office and Auckland premises will be occupied. Management has applied judgement in assessing the likely term of occupation.

- Note 10 – employee benefits

The value of employee benefits requires management judgement in assessing the non-current portion of the long-service leave liability. Estimates used in calculating this liability are the estimated increase in annual salaries, probability of employees reaching the vesting dates, and the appropriate discount factor to apply in determining the present value of the liability. These estimates have been based on historical human resource information for NZICA and current economic data.

## Independent Auditor's Report

To the members of the New Zealand Institute of Chartered Accountants ("NZICA")

### Report on the Financial Statements

We have audited the financial statements of NZICA on pages 28 to 45, which comprise the statement of financial position of NZICA as at 30 June 2014, statement of comprehensive income, statement of changes in members' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members, as a body, in accordance with the Rules of NZICA. Our audit has been undertaken so that we might state to NZICA's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than NZICA and NZICA's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to NZICA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness NZICA's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Certain partners of Ernst & Young have presented courses for NZICA during the year and are members of NZICA committees and advisory groups.

In addition to this, partners and employees of our firm may deal with NZICA on normal terms within the ordinary course of trading activities and membership of NZICA.

### Opinion

In our opinion, the financial statements on pages 28 to 45:

- ▶ comply with generally accepted accounting practice in New Zealand; and
- ▶ present fairly, in all material respects, the financial position of NZICA as at 30 June 2014 and its financial performance and cash flows for the year then ended.



18 August 2014  
Wellington



