

**THE COMBINED BOARD OF KELSTON DEAF EDUCATION  
CENTRE AND VAN ASCH DEAF EDUCATION CENTRE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

# THE COMBINED BOARD OF KELSTON DEAF EDUCATION CENTRE AND VAN ASCH DEAF EDUCATION CENTRE

Financial Statements - For the year ended 31 December 2017

## Index

<b>Page</b>	<b>Statement</b>
<a href="#"><u>1</u></a>	Statement of Responsibility
<a href="#"><u>2</u></a>	Statement of Comprehensive Revenue and Expense
<a href="#"><u>3</u></a>	Statement of Changes in Net Assets/Equity
<a href="#"><u>4</u></a>	Statement of Financial Position
<a href="#"><u>5</u></a>	Statement of Cash Flows
<a href="#"><u>6</u></a>	Statement of Accounting Policies
<a href="#"><u>11</u></a>	Notes to the Financial Statements

## Statement of Responsibility

For the year ended 31 December 2017

The Board of Trustees accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

The management (including the principal and others as directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2017 fairly reflects the financial position and operations of the school.

The School's 2017 financial statements are authorised for issue by the Board.

Rachel Douglas

Full Name of Board Chairperson



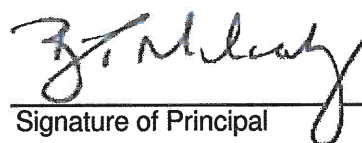
Signature of Board Chairperson

6 / 12/ 2018

Date:

Bernadette Mulcahy-Bouwman

Full Name of Principal



Signature of Principal

6 / 12/ 2018

Date:

Michael Rondel

Limited Statutory Manager - Finance & Property



6 / 12/ 2018

Louise May Gardiner Roe

Full Name of Principal



Signature of Principal

6 / 12/ 2018

Date:

# Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2017

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Restated Actual \$
<b>Revenue</b>				
Government Grants	2	30,200,857	27,837,902	30,243,870
Locally Raised Funds	3	193,196	589,344	320,304
Interest Earned		229,608	190,000	258,598
		<u>30,623,661</u>	<u>28,617,246</u>	<u>30,822,772</u>
<b>Expenses</b>				
Learning Resources <sup>1</sup>	4	24,503,696	22,412,718	23,597,268
Administration	5	4,394,478	5,012,524	4,911,932
Finance Costs		45,630	500	44,000
Property	6	2,550,879	2,481,443	2,877,196
Depreciation	7	636,391	262,470	542,698
Loss on Disposal of Property, Plant and Equipment		2,598	-	15,775
Amortisation of Intangible Assets		11,661	5,000	1,500
		<u>32,145,333</u>	<u>30,174,655</u>	<u>31,990,369</u>
<b>Net (Deficit)</b>		(1,521,672)	(1,557,409)	(1,167,597)
Other Comprehensive Revenue and Expenses		-	-	-
<b>Total Comprehensive Revenue and Expense for the Year</b>		<u>(1,521,672)</u>	<u>(1,557,409)</u>	<u>(1,167,597)</u>

<sup>1</sup> Learning Resources for the year ended 31 December 2016 has been restated. For details relating to the restatement please refer to note 27.

The above Statement of Comprehensive Revenue and Expense should be read in conjunction with the accompanying notes.



# Statement of Changes in Net Assets/Equity

For the year ended 31 December 2017

		Actual 2017 \$	Budget (Unaudited) 2017 \$	Actual Restated 2016 \$
<b>Balance at 1 January</b>	27	7,208,564	7,208,564	8,376,161
Total comprehensive revenue and expense for the year		(1,521,672)	(1,557,409)	(1,167,597)
Capital Contributions from the Ministry of Education				
Contribution - Furniture and Equipment Grant		5,544	-	-
<b>Equity at 31 December</b>		5,692,436	5,651,155	7,208,564
Retained Earnings		5,692,436	5,651,155	7,208,564
<b>Equity at 31 December</b>		5,692,436	5,651,155	7,208,564

The above Statement of Changes in Net Assets/Equity should be read in conjunction with the accompanying notes.



# Statement of Financial Position

As at 31 December 2017

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Restated Actual \$
<b>Current Assets</b>				
Cash and Cash Equivalents	8	1,058,876	(359,020)	935,919
Accounts Receivable	9	1,440,774	1,716,162	1,716,162
GST Receivable		34,073	-	-
Prepayments		22,555	11,941	11,941
Inventories	10	46,663	36,585	36,585
Investments	11	1,147,759	5,097,784	5,097,784
		<u>3,750,700</u>	<u>6,503,452</u>	<u>7,798,391</u>
<b>Current Liabilities</b>				
GST Payable		-	9,479	9,479
Accounts Payable <sup>2</sup>	14	3,392,944	3,144,856	3,144,856
Revenue Received in Advance	15	168,263	-	-
Provision for Cyclical Maintenance	16	-	19,900	19,900
Finance Lease Liability - Current Portion	17	312,240	288,042	288,042
Funds held in Trust	18	32,097	4,523	4,523
		<u>3,905,544</u>	<u>3,466,800</u>	<u>3,466,800</u>
<b>Working Capital (Deficit) /Surplus</b>		(154,844)	3,036,652	4,331,591
<b>Non-current Assets</b>				
Investments (more than 12 months)	11	3,600,000	663,272	663,272
Property, Plant and Equipment	12	2,435,571	2,573,442	2,835,912
Intangible Assets	13	22,560	10,744	10,744
		<u>6,058,131</u>	<u>3,247,458</u>	<u>3,509,928</u>
<b>Non-current Liabilities</b>				
Provision for Cyclical Maintenance	16	-	199,545	199,545
Finance Lease Liability	17	210,851	433,410	433,410
		<u>210,851</u>	<u>632,955</u>	<u>632,955</u>
<b>Net Assets</b>		<u>5,692,436</u>	<u>5,651,155</u>	<u>7,208,564</u>
<b>Equity<sup>3</sup></b>		<u>5,692,436</u>	<u>5,651,155</u>	<u>7,208,564</u>

<sup>2</sup> Accounts Payable for the year ended 31 December 2016 has been restated. For details relating to the restatement please refer to note 27.

<sup>3</sup> Equity for the year ended 31 December 2016 has been restated. For details relating to the restatement please refer to note 27.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



# Statement of Cash Flows

For the year ended 31 December 2017

		2017	2017	2016
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
<b>Cash flows from Operating Activities</b>				
Government Grants		12,081,922	11,380,131	14,151,603
Locally Raised Funds		291,244	589,344	288,498
Goods and Services Tax (net)		(43,552)	-	(85,088)
Payments to Employees		(7,049,717)	(6,973,596)	(14,168,904)
Payments to Suppliers		(5,784,682)	(6,222,848)	-
Cyclical Maintenance Payments in the year		(44,164)	-	-
Interest Paid		-	-	(37,670)
Interest Received		131,607	190,000	239,761
Net cash from / (to) the Operating Activities	28	(417,342)	(1,036,969)	388,200
<b>Cash flows from Investing Activities</b>				
Proceeds from Sale of PPE (and Intangibles)		(2,598)	-	15,814
Purchase of PPE (and Intangibles)		(161,954)	(257,470)	(1,422,356)
Purchase of Investments		1,013,297	-	(211,112)
Proceeds from Sale of Investments		-	-	-
Net cash from / (to) the Investing Activities		848,745	(257,470)	(1,617,654)
<b>Cash flows from Financing Activities</b>				
Furniture and Equipment Grant		5,544	-	7,374
Finance Lease Payments		(341,564)	(500)	(126,155)
Funds Administered on Behalf of Third Parties		27,574	-	-
Net cash from Financing Activities		(308,446)	(500)	(118,781)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>122,957</u>	<u>(1,294,939)</u>	<u>(1,348,235)</u>
Cash and cash equivalents at the beginning of the year	8	935,919	935,919	2,284,154
<b>Cash and cash equivalents at the end of the year</b>	8	<u>1,058,876</u>	<u>(359,020)</u>	<u>935,919</u>

The statement of cash flows records only those cash flows directly within the control of the School. This means centrally funded teachers' salaries and the use of land and buildings grant and expense have been omitted.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.



## Notes to the Financial Statements

### 1. Statement of Accounting Policies

For the year ended 31 December 2017

#### 1.1. Reporting Entity

The combined Board of Kelston Deaf Education Centre and Van Asch Deaf Education Centre (the School) is a Crown entity as specified in the Crown Entities Act 2004 and a school as described in the Education Act 1989. The Board of Trustees (the Board) is of the view that the School is a public benefit entity for financial reporting purposes.

#### 1.2. Basis of Preparation

##### **Reporting Period**

The financial reports have been prepared for the period 1 January 2017 to 31 December 2017 and in accordance with the requirements of the Public Finance Act 1989.

##### **Basis of Preparation**

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

##### **Financial Reporting Standards Applied**

The Education Act 1989 requires the School, as a Crown entity, to prepare financial statements in accordance with generally accepted accounting practice. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, applying Public Sector Public Benefit Entity (PBE) Standards Tier 1 reporting as the school has had expenditure greater than \$30 million over the past two years. The school is considered a Public Benefit Entity as it meets the criteria specified as "having a primary objective to provide goods and/or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for financial return to equity holders".

##### **Measurement Base**

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

##### **Presentation Currency**

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

##### **Specific Accounting Policies**

The accounting policies used in the preparation of these financial statements are set out below.

##### **Critical Accounting Estimates And Assumptions**

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

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

##### **Useful lives of property, plant and equipment**

The School reviews the estimated useful lives of property, plant and equipment at the end of each reporting date. The School believes that the estimated useful lives of the property, plant and equipment as disclosed in the Significant Accounting Policies are appropriate to the nature of the property, plant and equipment at reporting date. Property, plant and equipment is disclosed at note 12.





### ***Critical Judgements in applying accounting policies***

Management has exercised the following critical judgements in applying accounting policies:

#### ***Classification of leases***

The School reviews the details of lease agreements at the end of each reporting date. The School believes the classification of each lease as either operation or finance is appropriate and reflects the nature of the agreement in place. Finance leases are disclosed at note 17.

#### ***Recognition of grants***

The School reviews the grants monies received at the end of each reporting period and whether any require a provision to carryforward amounts unspent. The School believes all grants received have been appropriately recognised as a liability if required. Government grants are disclosed at note 2.

### **1.3. Revenue Recognition**

#### ***Government Grants***

The school receives funding from the Ministry of Education. The following are the main types of funding that the School receives;

Operational grants are recorded as revenue when the School has the rights to the funding, which is in the year that the funding is received.

Teachers salaries grants are recorded as revenue when the School has the rights to the funding in the salary period they relate to. The grants are not received in cash by the School and are paid directly to teachers by the Ministry of Education.

Use of land and buildings grants are recorded as revenue in the period the School uses the land and buildings. These are not received in cash by the School as they equate to the deemed expense for using the land and buildings which are owned by the Crown.

#### ***Other Grants***

Other grants are recorded as revenue when the School has the rights to the funding, unless there are unfulfilled conditions attached to the grant, in which case the amount relating to the unfulfilled conditions is recognised as a liability and released to revenue as the conditions are fulfilled.

#### ***Donations, Gifts and Bequests***

Donations, gifts and bequests are recorded as revenue when their receipt is formally acknowledged by the School.

#### ***Interest Revenue***

Interest Revenue earned on cash and cash equivalents and investments is recorded as revenue in the period it is earned.

### **1.4. Use of Land and Buildings Expense**

The property from which the School operates is owned by the Crown and managed by the Ministry of Education on behalf of the Crown. The School's use of the land and buildings as occupant is based on a property occupancy document as gazetted by the Ministry. The expense is based on an assumed market rental yield on the value of land and buildings as used for rating purposes. This is a non-cash expense that is offset by a non-cash grant from the Ministry.

### **1.5. Operating Lease Payments**

Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight line basis over the term of the lease.

### **1.6. Finance Lease Payments**

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

### **1.7. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value.



### **1.8. Accounts Receivable**

Accounts Receivable represents items that the School has issued invoices for or accrued for, but has not received payment for at year end. Receivables are initially recorded at fair value and subsequently recorded at the amount the School realistically expects to receive. A receivable is considered uncollectable where there is objective evidence the School will not be able to collect all amounts due. The amount that is uncollectable (the provision for uncollectibility) is the difference between the amount due and the present value of the amounts expected to be collected.

### **1.9. Inventories**

Inventories are consumable items held for sale and comprise of stationery and school uniforms. They are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale. Any write down from cost to net realisable value is recorded as an expense in the Statement of Comprehensive Revenue and Expense in the period of the write down.

### **1.10. Investments**

Bank term deposits for periods exceeding 90 days are classified as investments and are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. After initial recognition bank term deposits are measured at amortised cost using the effective interest method less impairment.

Investments that are shares are categorised as “available for sale” for accounting purposes in accordance with financial reporting standards. Share investments are recognised initially by the School at fair value plus transaction costs. At balance date the School has assessed whether there is any evidence that an investment is impaired. Any impairment, gains or losses are recognised in the Statement of Comprehensive Revenue and Expense.

After initial recognition any investments categorised as available for sale are measured at their fair value without any deduction for transaction costs the school may incur on sale or other disposal.

The School has met the requirements under section 28 of schedule 6 of the Education Act 1989 in relation to the acquisition of securities.

### **1.11. Property, Plant and Equipment**

Land and buildings owned by the Crown are excluded from these financial statements. The Board's use of the land and buildings as ‘occupant’ is based on a property occupancy document.

Improvements to buildings owned by the Crown are recorded at cost, less accumulated depreciation and impairment losses.

Property, plant and equipment are recorded at cost or, in the case of donated assets, fair value at the date of receipt, less accumulated depreciation and impairment losses. Cost or fair value as the case may be, includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Property, plant and equipment acquired with individual values under \$1,000 are not capitalised, they are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Gains and losses on disposals (*i.e.* sold or given away) are determined by comparing the proceeds received with the carrying amounts (*i.e.* the book value). The gain or loss arising from the disposal of an item of property, plant and equipment is recognised in the Statement of Comprehensive Revenue and Expense.

### **Leased Assets**

Leases where the School assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets and corresponding liability are recognised in the Statement of Financial Position and leased assets are depreciated over the period the School is expected to benefit from their use or over the term of the lease.



## **Depreciation**

Property, plant and equipment except for library resources are depreciated over their estimated useful lives on a straight line basis. Library resources are depreciated on a diminishing value basis. Depreciation of all assets is reported in the Statement of Comprehensive Revenue and Expense.

The estimated useful lives of the assets are:

Buildings	10–75 years
Furniture and equipment	10–15 years
Information and communication technology	4–5 years
Motor vehicles	5 years
Leased Assets	3 years
Library resources	12.5% Diminishing value

### **1.12. Impairment of property, plant and equipment and intangible assets**

The school does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

#### *Non cash generating assets*

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

### **1.13. Accounts Payable**

Accounts Payable represents liabilities for goods and services provided to the School prior to the end of the financial year which are unpaid. Accounts Payable are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

### **1.14. Employment Entitlements**

#### *Short-term employee entitlements*

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

#### *Long-term employee entitlements*

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows



#### **1.15. Revenue Received in Advance**

Revenue received in advance relates to fees received from international, hostel students and grants received where there are unfulfilled obligations for the School to provide services in the future. The fees are recorded as revenue as the obligations are fulfilled and the fees earned.

The School holds sufficient funds to enable the refund of unearned fees in relation to international students, should the School be unable to provide the services to which they relate.

#### **1.16. Funds Held in Trust**

Funds are held in trust where they have been received by the School for a specified purpose, or are being held on behalf of a third party and these transactions are not recorded in the Statement of Revenue and Expense. The School holds sufficient funds to enable the funds to be used for their intended purpose at any time.

#### **1.17. Shared Funds**

Shared Funds are held on behalf of a cluster of participating schools as agreed with the Ministry of Education. The cluster of schools operate activities outside of school control. These amounts are not recorded in the Statement of Revenue and Expense. The School holds sufficient funds to enable the funds to be used for their intended purpose.

#### **1.18. Provision for Cyclical Maintenance**

The property from which the School operates is owned by the Crown, and is vested in the Ministry. The Ministry has gazetted a property occupancy document that sets out the Board's property maintenance responsibilities. The Board is responsible for maintaining the land, buildings and other facilities on the School site in a state of good order and repair.

Cyclical maintenance, which involves painting the interior and exterior of the School, makes up the most significant part of the Board's responsibilities outside day-to-day maintenance. The provision for cyclical maintenance represents the obligation the Board has to the Ministry and is based on the Board's ten year property plan (10YPP).

#### **1.19. Financial Assets and Liabilities**

The School's financial assets comprise cash and cash equivalents, accounts receivable, and investments. All of these financial assets, except for investments that are shares, are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

Investments that are shares are categorised as "available for sale" for accounting purposes in accordance with financial reporting standards.

The School's financial liabilities comprise accounts payable, borrowings, finance lease liability, and painting contract liability. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

#### **1.20. Borrowings**

Borrowings are recognised at the amount borrowed. Borrowings are classified as current liabilities unless the School has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### **1.21. Goods and Services Tax (GST)**

The financial statements have been prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated as GST inclusive.

The net amount of GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statements of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### **1.22. Budget Figures**

The budget figures are extracted from the School budget that was approved by the Board at the start of the year.

#### **1.23. Services received in-kind**

From time to time the School receives services in-kind, including the time of volunteers. The School has elected not to recognise services received in kind in the Statement of Comprehensive Revenue and Expense.



## 2. Government Grants

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Operational grants	10,494,989	10,816,443	9,705,143
Teachers' salaries grants	15,842,428	13,829,153	15,807,194
Use of Land and Buildings grants	2,028,650	1,869,203	1,966,280
Other MoE Grants	964,463	608,187	2,038,299
Other government grants	870,327	714,916	726,954
	<u>30,200,857</u>	<u>27,837,902</u>	<u>30,243,870</u>

## 3. Locally Raised Funds

Local funds raised within the School's community are made up of:

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
<b>Revenue</b>			
Donations	2,513	-	96,342
Other revenue	186,320	589,344	214,687
Transport Revenue	4,113	-	5,731
Trading	250	-	3,544
	<u>193,196</u>	<u>589,344</u>	<u>320,304</u>
<i>Surplus for the year Locally raised funds</i>	<u>193,196</u>	<u>589,344</u>	<u>320,304</u>

## 4. Learning Resources

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Curricular	1,946,575	1,919,127	2,939,427
Equipment repairs	48,832	144,521	47,535
Information and communication technology	128,968	212,131	97,617
Extra-curricular activities	-	-	-
Library resources	-	6,750	2,260
Employee benefits - salaries	21,137,594	18,330,175	19,015,223
Resource/attached teacher costs	1,057,182	1,361,073	1,163,383
Staff development	184,545	438,941	331,823
	<u>24,503,696</u>	<u>22,412,718</u>	<u>23,597,268</u>



## 5. Administration

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Audit Fee	19,579	15,500	44,283
Board of Trustees Fees	23,641	9,000	15,254
Board of Trustees Expenses	191,734	216,131	199,715
Communication	133,921	139,500	137,350
Consumables	132,517	165,531	102,695
Operating Lease	451,734	474,987	380,029
Legal Fees	26,391	19,650	9,371
Other	331,352	474,161	710,352
Employee Benefits - Salaries	2,837,798	2,992,042	3,053,023
Insurance	52,794	249,620	19,198
Service Providers, Contractors and Consultancy	193,017	256,402	240,662
	<u>4,394,478</u>	<u>5,012,524</u>	<u>4,911,932</u>

## 6. Property

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Caretaking and Cleaning Consumables	92,424	67,900	131,609
Consultancy and Contract Services	-	-	-
Cyclical Maintenance Provision	-	-	31,260
Adjustment to the Provision	(175,281)	-	-
Grounds	47,527	59,000	69,082
Heat, Light and Water	135,583	115,000	147,123
Rates	9,811	4,500	12,512
Repairs and Maintenance	143,077	100,893	197,394
Use of Land and Buildings	2,028,650	1,869,203	1,966,280
Security	26,996	25,000	36,234
Employee Benefits - Salaries	242,092	239,947	285,702
	<u>2,550,879</u>	<u>2,481,443</u>	<u>2,877,196</u>

The use of land and buildings figure represents 8% of the school's total property value. This is used as a 'proxy' for the market rental of the property. Property values are established as part of the nation-wide revaluation exercise that is conducted every 30 June for the Ministry of Education's year-end reporting purposes.

## 7. Depreciation of Property, Plant and Equipment

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Buildings	29,343	60,000	42,943
Building Improvements	-	-	-
Furniture and Equipment	120,364	100,000	120,618
Information and Communication Technology	88,408	70,000	99,791
Motor Vehicles	19,169	10,000	30,187
Textbooks	-	-	-
Leased Assets	336,488	-	232,099
Library Resources	42,619	22,470	17,060
	<u>636,391</u>	<u>262,470</u>	<u>542,698</u>





**8. Cash and Cash Equivalents**

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Cash on Hand	1,250	-	500
Bank Current Account	400,167	(359,020)	694,361
Bank Call Account	4,843	-	241,058
Short-term Bank Deposits	652,616	-	-
Cash equivalents and bank overdraft for Cash Flow Statement	1,058,876	(359,020)	935,919

The carrying value of short-term deposits with maturity dates of 90 days or less approximates their fair value.

**9. Accounts Receivable**

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Receivables	266,904	708,247	708,247
Interest Receivable	136,695	38,694	38,694
Teacher Salaries Grant Receivable	1,037,175	969,221	969,221
	1,440,774	1,716,162	1,716,162
Receivables from Exchange Transactions	403,599	746,941	746,941
Receivables from Non-Exchange Transactions	1,037,175	969,221	969,221
	1,440,774	1,716,162	1,716,162

**10. Inventories**

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Stationery	46,663	36,585	36,585
	46,663	36,585	36,585

**11. Investments**

The School's investment activities are classified as follows:

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Current Asset			
Short-term Bank Deposits	1,147,759	5,097,784	5,097,784
Non-current Asset			
Long-term Bank Deposits	3,600,000	663,272	663,272



## 12. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2017	\$	\$	\$	\$	\$	\$
Buildings	386,354	6,069	-	-	(29,343)	363,080
Furniture and Equipment	834,155	29,217	-	-	(120,364)	743,008
Information and Communication	244,137	66,539	-	-	(88,408)	222,268
Motor Vehicles	23,043	2,133	-	-	(19,169)	6,007
Leased Assets	708,399	97,574	-	-	(336,488)	469,485
Library Resources	119,404	16,169	(2,589)	-	(42,619)	90,365
Work in Progress	520,420	20,938	-	-	-	541,358
<b>Balance at 31 December 2017</b>	<b>2,835,912</b>	<b>238,639</b>	<b>(2,589)</b>	<b>-</b>	<b>(636,391)</b>	<b>2,435,571</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2017	\$	\$	\$
Buildings	607,520	(244,440)	363,080
Furniture and Equipment	2,098,475	(1,355,467)	743,008
Information and Communication	1,192,927	(970,659)	222,268
Motor Vehicles	309,247	(303,240)	6,007
Leased Assets	1,132,078	(662,593)	469,485
Library Resources	471,069	(380,704)	90,365
Work in Progress	541,358	-	541,358
<b>Balance at 31 December 2017</b>	<b>6,352,674</b>	<b>(3,917,103)</b>	<b>2,435,571</b>

The net carrying value of equipment held under a finance lease is \$469,485 (2016: \$708,399)

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2016	\$	\$	\$	\$	\$	\$
Buildings <sup>4</sup>	285,317	143,980	-	-	(42,943)	386,354
Furniture and Equipment	469,128	485,645	-	-	(120,618)	834,155
Information and Communication	206,702	137,226	-	-	(99,791)	244,137
Motor Vehicles	53,230	-	-	-	(30,187)	23,043
Leased Assets	372,979	567,519	-	-	(232,099)	708,399
Library Resources	134,359	17,821	(15,716)	-	(17,060)	119,404
Work in Progress <sup>4</sup>	-	520,420	-	-	-	520,420
<b>Balance at 31 December 2016</b>	<b>1,521,715</b>	<b>1,872,611</b>	<b>(15,716)</b>	<b>-</b>	<b>(542,698)</b>	<b>2,835,912</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2016	\$	\$	\$
Buildings <sup>4</sup>	601,451	(215,097)	386,354
Furniture and Equipment	2,069,258	(1,235,103)	834,155
Information and Communication	1,128,984	(884,847)	244,137
Motor Vehicles	307,114	(284,071)	23,043
Leased Assets	1,034,505	(326,106)	708,399
Library Resources	476,134	(356,730)	119,404
Work in Progress <sup>4</sup>	520,420	-	520,420
<b>Balance at 31 December 2016</b>	<b>6,137,866</b>	<b>(3,301,954)</b>	<b>2,835,912</b>

<sup>4</sup> Work in Progress and Buildings as at 31 December 2016 have been restated. For details relating to the restatement please refer to note 27.





### 13. Intangible Assets

The School's Intangible Assets are made up of acquired computer software.

2017	Opening \$	Additions \$	Disposals \$	Amortisation \$	Closing \$
<b>Cost</b>					
Intangible Assets (Cost)	59,552	23,477	-	-	83,029
<b>Balance at 31 December 2017</b>	<b>59,552</b>	<b>23,477</b>	<b>-</b>	<b>-</b>	<b>83,029</b>
<b>Accumulated Amortisation</b>					
Intangible Assets (Amortisation for the year)	48,808	-	-	11,661	60,469
<b>Balance at 31 December 2017</b>	<b>48,808</b>	<b>-</b>	<b>-</b>	<b>11,661</b>	<b>60,469</b>
<b>Net Book Value at 31 December 2017</b>					<b>22,560</b>

2016	Opening \$	Additions \$	Disposals \$	Amortisation \$	Closing \$
<b>Cost</b>					
Intangible Assets	59,552	-	-	-	59,552
<b>Balance at 31 December 2016</b>	<b>59,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,552</b>
<b>Accumulated Amortisation</b>					
Intangible Assets (Amortisation for the year)	48,808	-	-	-	48,808
<b>Balance at 31 December 2016</b>	<b>48,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,808</b>
<b>Net Book Value at 31 December 2016</b>					<b>10,744</b>

### 14. Accounts Payable

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Operating creditors	273,840	550,486	550,486
Accruals	282,373	391,517	391,517
Banking staffing overuse	1,487,408	759,415	759,415
Employee Entitlements - salaries	1,038,527	1,176,792	1,176,792
Employee Entitlements - leave accrual	310,796	266,646	266,646
	<b>3,392,944</b>	<b>3,144,856</b>	<b>3,144,856</b>
Payables for Exchange Transactions	3,392,944	3,144,856	3,144,856
	<b>3,392,944</b>	<b>3,144,856</b>	<b>3,144,856</b>

The carrying value of payables approximates their fair value.

### 15. Revenue Received in Advance

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Other	168,263	-	-
	<b>168,263</b>	<b>-</b>	<b>-</b>



## 16. Provision for Cyclical Maintenance

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Provision at the Start of the Year	219,445	219,445	226,396
Increase to the Provision During the Year	-	-	31,260
Adjustment to the Provision	(175,281)	-	-
Use of the Provision During the Year	(44,164)	-	(38,211)
Provision at the End of the Year	-	219,445	219,445
Cyclical Maintenance - Current	-	19,900	19,900
Cyclical Maintenance - Term	-	199,545	199,545
	-	219,445	219,445

The Provision has been reversed in the current period due to significant uncertainty around the balance. Refer to Note 22.

## 17. Finance Lease Liability

The School has entered into a number of finance lease agreements for computers. Minimum lease payments payable:

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
<b>Minimum lease payments payable :</b>			
No Later than One Year	354,610	288,042	288,042
Later than One Year and no Later than Five Years	224,572	433,410	433,410
Later than Five Years	-	-	-
<i>Total minimum lease payments</i>	<u>579,182</u>	<u>721,452</u>	<u>721,452</u>
Future finance charges	(56,091)	-	-
<i>Present value of minimum lease payments</i>	<u>523,091</u>	<u>721,452</u>	<u>721,452</u>
<b>Present value of minimum lease payments payable :</b>			
Current Portion	312,240	288,042	288,042
Term Portion	210,851	433,410	433,410
<i>Total present value of minimum lease payments</i>	<u>523,091</u>	<u>721,452</u>	<u>721,452</u>

## 18. Funds Held in Trust

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Funds Held in Trust on Behalf of Third Parties - Current	32,097	4,523	4,523
	<u>32,097</u>	<u>4,523</u>	<u>4,523</u>

These funds are held where the school is agent for representative amounts and therefore these are not included in the Statement of Comprehensive Revenue and Expense.

## 19. Related Party Transactions

The School is a controlled entity of the Crown, and the Crown provides the major source of revenue to the school. The school enters into transactions with other entities also controlled by the Crown, such as government departments, state-owned enterprises and other Crown entities. Transactions with these entities are not disclosed as they occur on terms and conditions no more or less favourable than those that it is reasonable to expect the school would have adopted if dealing with that entity at arm's length.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the school would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.



## 20. Remuneration

### Key management personnel compensation

Key management personnel of the School include all trustees of the Board, Principals, and Deputy Principals.

	2017 Actual \$	2016 Actual \$
<i>Board Members</i>		
Remuneration	23,641	15,254
Full-time equivalent members	-	-
<i>Leadership Team</i>		
Remuneration	1,595,846	1,474,109
Full-time equivalent members	15.00	15.00
Total key management personnel remuneration	1,619,487	1,489,363
Total full-time equivalent personnel	15.00	15.00

The full time equivalent for Board members has been determined based on attendance at Board meetings, Committee meetings and for other obligations of the Board, such as stand downs and suspensions, plus the estimated time for Board members to prepare for meetings.

### Principal

The total value of remuneration paid or payable to the Principal was in the following bands:

	2017 Actual \$	2016 Actual \$
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments - Principal (Van Asch Deaf Education Centre)	150-160	130-140
Salary and Other Payments - Principal (Kelston Deaf Education Centre)	120-130	130-140
Benefits and Other Emoluments - Principal (Van Asch Deaf Education Centre)	4 - 5	0 - 0
Benefits and Other Emoluments - Principal (Kelston Deaf Education Centre)	4 - 5	0 - 0
Termination Benefits	0	0

### Other Employees

The number of other employees with remuneration greater than \$100,000 was in the following bands:

Remuneration \$	2017 FTE Number	2016 FTE Number
120 -130	1.00	-
110 - 120	1.00	-
100 - 110	5.00	3.00
	6.00	3.00

The disclosure for 'Other Employees' does not include remuneration of the Principal.

## 21. Compensation and Other Benefits Upon Leaving

The total value of compensation or other benefits paid or payable to persons who ceased to be trustees, committee member, or employees during the financial year in relation to that cessation and number of persons to whom all or part of that total was payable was as follows:

	2017 Actual \$	2016 Actual \$
Total	-	2,413
Number of People	-	1

## 22. Contingencies

There are no contingent liabilities (except as noted below) and no contingent assets as at 31 December 2017 (Contingent liabilities and assets at 31 December 2016: nil). The Combined School has an obligation to the Ministry of Education to maintain in good order at all times, land, buildings and other facilities on the School site. In respect to Van Asch Deaf Education Centre, the school is part of the Christchurch Schools Rebuild Programme which will result in the School's buildings either being repaired or rebuilt in the future. At the present time there is significant uncertainty over the maintenance requirements of the school in the future. In respect to Kelston Deaf Education Centre, the school has recently finished a rebuild process and as such there is still significant uncertainty over the maintenance requirements of the school in the future. As a result the Combined School cannot make a reliable estimate of the maintenance required on the Combined Schools' buildings so no cyclical maintenance provision has been recognised, even though the Combined School will be required to maintain any buildings that are not replaced.



## 23. Commitments

### (a) Capital Commitments

As at 31 December 2017 the Board has not entered into any contract agreements for capital works.

(Capital commitments at 31 December 2016: nil)

### (b) Operating Commitments

As at 31 December 2017 the Board has entered into the following contracts:

(a) operating leases for laptops, photocopier and motor vehicles;

	2017 Actual \$	2016 Actual \$
No later than One Year	509,756	533,932
Later than One Year and No Later than Five Years	224,556	673,481
Later than Five Years	-	-
	<u>734,312</u>	<u>1,207,413</u>

## 24. Managing Capital

The School's capital is its equity and comprises capital contributions from the Ministry of Education for property, plant and equipment and accumulated surpluses and deficits. The School does not actively manage capital but attempts to ensure that income exceeds spending in most years. Although deficits can arise as planned in particular years, they are offset by planned surpluses in previous years or ensuing years.

## 25. Financial Instruments

The carrying amount of financial assets and liabilities in each of the financial instrument categories are as follows:

### Loans and Receivables

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Cash and Cash Equivalents	1,058,876	(359,020)	935,919
Receivables	1,440,774	1,716,162	1,716,162
Investments - Term Deposits	4,747,759	5,761,056	5,761,056
Total Loans and Receivables	<u>7,247,409</u>	<u>7,118,198</u>	<u>8,413,137</u>

### Financial liabilities measured at amortised cost

Payables	3,392,944	3,144,856	3,144,856
Finance Leases	523,091	721,452	721,452
Total Financial Liabilities Measured at Amortised Cost	<u>3,916,035</u>	<u>3,866,308</u>	<u>3,866,308</u>



The School's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The School has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments.

## **Market Risk**

### ***Price Risk***

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The School has no financial instruments that give rise to price risk.

### ***Fair value interest rate risk***

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The School's exposure to fair value interest rate risk arises from bank deposits that are at fixed rates of interest. The exposure to fair value interest rate risk is not actively managed by the School, as investments are generally held to maturity.

### ***Cash flow interest rate risk***

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The School's exposure to cash flow interest rate risk is limited to on-call deposits. This exposure is not considered significant and is not actively managed.

### ***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The School has no financial instruments that give rise to currency risk.

## **Credit risk**

Credit risk is the risk that a third party will default on its obligation to the School, causing it to incur a loss.

Due to the timing of the School's cash inflows and outflows, surplus cash is invested with registered banks.

In the normal course of business, exposure to credit risk arises from cash and term deposits with bank and receivables. For each of these, the maximum credit risk exposure is best represented by the carrying amount in the statement of financial position.

Investments are entered into only with registered banks that are in accordance with section 158 of the Crown Entities Act 2004. The School has experienced no defaults of interest or principal payments for term deposits and forward foreign exchange contracts.

Concentrations of credit risk for receivables is limited to the Ministry of Education, hence the school is satisfied with the level of credit risk associated with the Ministry of Education.

No collateral or other credit enhancements are held for financial instruments that give rise to credit risk.

## **Liquidity risk**

### ***Management of liquidity risk***

Liquidity risk is the risk that the School will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities.

The School mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and maintaining sufficient on-call bank deposits.

### ***Contractual maturity analysis of financial liabilities***

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest cash outflows.





	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
<b>2016</b>						
Accounts Payable	3,144,856	3,144,856	3,144,856	-	-	-
Finance leases	721,452	721,452	288,042	433,410	-	-
<b>Total</b>	<b>3,866,308</b>	<b>3,866,308</b>	<b>3,432,898</b>	<b>433,410</b>	-	-
<b>2017</b>						
Accounts Payable	3,571,712	3,571,712	3,571,712	-	-	-
Finance leases	523,091	579,182	354,610	224,572	-	-
<b>Total</b>	<b>4,094,803</b>	<b>4,150,894</b>	<b>3,926,322</b>	<b>224,572</b>	-	-

## 26. Events After Balance Date

On the 7th September 2018 the Ministry of Education formally agreed to continue to support the school in financial matters for at least 12 months from the 7th September 2018.

## 27. Prior Period Restatement

All material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery, by restating the comparative prior period amounts or, if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity.

A restatement has been made to the 31 December 2016 financial information. The adjustments are set out below:

### a. Host School Costs

Restatement of opening retained earnings, accounts payable and learning resources due to host school costs relating to prior years as well as costs relating to the year ended 31 December 2016 not being recorded correctly. This resulted in an understatement of expenditure, an over statement of opening and closing retained earnings and an under statement of accounts payable.

	Original Balance \$	Adjustment \$	Restated Balance \$
<b>Impact on Statement of Financial Position as at 31 December 2016</b>			
Accounts Payable	2,786,247	358,609	3,144,856
Retained Earnings	8,653,104	(276,943)	8,376,161

### Impact on Statement of Comprehensive Revenue and Expenses

Learning Resources	23,515,602	81,666	23,597,268
--------------------	------------	--------	------------

### b. Work In Progress

Restatement of buildings cost, buildings accumulated depreciation and work in progress due to the incorrect classification of costs relating to a work in progress at 31 December 2016 being inappropriately capitalised. This resulted in an understatement in work in progress at year end and an over statement in buildings cost and buildings accumulated depreciation.

	Original Balance \$	Adjustment \$	Restated Balance \$
<b>Impact on Statement of Financial Position as at 31 December 2016</b>			
Work In Progress	-	520,420	520,420
Buildings - Cost	1,121,876	(520,425)	601,451
Buildings - Accumulated Depreciation	(215,102)	5	(215,097)



**28. Reconciliation of surplus/deficit with net cash flow from operating activities**

	2017 Actual \$	2016 Actual \$
<b>Reported deficit for the period</b>	(1,521,672)	(1,167,597)
<b>Non Cash items</b>		
Depreciation	636,391	542,698
Loss on asset disposal	2,598	15,775
Amortisation	11,661	1,500
Finance costs	45,630	292
Provision for cyclical maintenance	(175,281)	31,260
<b>Movement in working capital items</b>		
(Increase)/Decrease in accounts receivable	275,388	937,178
(Increase)/Decrease in prepayments	(10,614)	93,310
(Increase)/Decrease in inventories	(10,078)	3,678
(Increase)/Decrease in GST	(43,552)	(85,088)
Increase/(Decrease) in accounts payable	248,088	240,730
Increase/(Decrease) in revenue in advance	168,263	(187,325)
Increase/(Decrease) in cyclical maintenance	(44,164)	(38,211)
<b>Net cash flow from operating activities</b>	<u>(417,342)</u>	<u>388,200</u>

**29. Annual Reporting Deadline**

The Board of Trustees did not comply with Section 87A(1) of the Education Act 1989 in that it did not submit its annual financial statements for audit by 31 March 2018.

The Board of Trustees have failed to comply with Section 87C of the Education Act 1989 in that the Board did not report by 31 May 2018, the date fixed by the Ministry of Education, by which schools were required to have sent their financial statements to the Ministry of Education.



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF THE COMBINED BOARD OF VAN ASCH DEAF EDUCATION CENTRE AND KELSTON DEAF EDUCATION CENTRE'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Auditor-General is the auditor of the Combined Board of Van Asch Deaf Education Centre and Kelston Deaf Education Centre (the School). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the School on his behalf.

#### Opinion

We have audited the financial statements of the School on pages 2 to 21, that comprise the statement of financial position as at 31 December 2017, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the School:

- present fairly, in all material respects:
  - its financial position as at 31 December 2017; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 6 December 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Failure to meet statutory reporting deadline

Without modifying our opinion, we draw attention to the fact that the Board of Trustees did not comply with section 87C(1) of the Education Act 1989, which requires the Board to provide its audited financial statements to the Ministry of Education by 31 May 2018.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

#### Responsibilities of the Board of Trustees for the financial statements

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



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

In preparing the financial statements, the Board of Trustees is responsible on behalf of the School for assessing the School's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to close or merge the School, or there is no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Education Act 1989.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the School's approved budget.

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We assess the risk of material misstatement arising from the Novopay payroll system, which may still contain errors. As a result, we carried out procedures to minimise the risk of material errors arising from the system that, in our judgement, would likely influence readers' overall understanding of the financial statements.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Trustees is responsible for the other information. The other information comprises the information which accompanies the financial statements, but does not include the financial statements, and our auditor's report thereon.

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

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

## **Independence**

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

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



**Mike Hoshek, Partner  
For Deloitte Limited**

On behalf of the Auditor-General  
Christchurch, New Zealand