

# COMBINED BOARD OF SOUTH AUCKLAND MIDDLE SCHOOL AND MIDDLE SCHOOL WEST AUCKLAND

## FINANCIAL STATEMENTS

FOR PERIOD ENDED 31 DECEMBER 2018

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Ministry Numbers: 876 (South Auckland Middle School)  
877 (Middle School West Auckland)

# COMBINED BOARD OF SOUTH AUCKLAND MIDDLE SCHOOL AND MIDDLE SCHOOL WEST AUCKLAND

Financial Statements - For the period ended 31 December 2018

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# Combined Board of South Auckland Middle School and Middle School West Auckland

## Statement of Responsibility

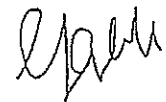
For the period ended 31 December 2018

The Board of Trustees accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements, which are for the Combined Board of South Auckland Middle School and Middle School West Auckland ("Combined Board").

The management (including the principals 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 combined board's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial period ended 31 December 2018 fairly reflects the financial position and operations of the Combined Board.

The Combined Board's 2018 financial statements are authorised for issue by the Board.



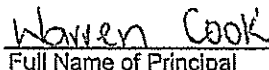
Full Name of Board Chairperson

Cameron Astill

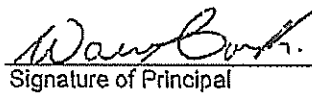
Signature of Board Chairperson

24th August 2020

Date:



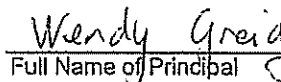
Full Name of Principal



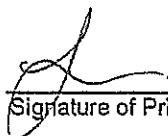
Signature of Principal



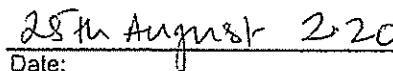
Date:



Full Name of Principal



Signature of Principal



Date:

**Combined Board of South Auckland Middle School and Middle School West Auckland**  
**Statement of Comprehensive Revenue and Expense**  
For the period ended 31 December 2018

	Notes	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
<b>Revenue</b>				
Government Grants	2	2,037,021	-	-
		2,037,021	-	-
<b>Expenses</b>				
Learning Resources	3	305,946	-	-
Administration	4	484,211	-	-
Property	5	2,140	-	-
Depreciation	6	51,975	-	-
		844,272	-	-
<b>Net Surplus / (Deficit)</b>		1,192,749	-	-
Other Comprehensive Revenue and Expenses		-	-	-
<b>Total Comprehensive Revenue and Expense for the Period</b>		1,192,749	-	-

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

**Combined Board of South Auckland Middle School and Middle School West Auckland**  
**Statement of Changes in Net Assets/Equity**  
For the period ended 31 December 2018

	Actual 2018 \$	Budget (Unaudited) 2018 \$	Actual 2017 \$
<b>Balance at 1 January</b>	-	-	-
Total comprehensive revenue and expense for the year	1,192,749	-	-
Capital Contributions from the Ministry of Education Contribution - Furniture and Equipment Grant	-	-	-
<b>Equity at 31 December</b>	<b>1,192,749</b>	<b>-</b>	<b>-</b>
Reserves	1,192,749 -	- -	- -
<b>Equity at 31 December</b>	<b>1,192,749</b>	<b>-</b>	<b>-</b>

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

**Combined Board of South Auckland Middle School and Middle School West Auckland**  
**Statement of Financial Position**  
As at 31 December 2018

	Notes	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
<b>Current Assets</b>				
Cash and Cash Equivalents	7	237,644	-	-
GST Receivable		15,323	-	-
Prepayments		1,585	-	-
		254,552	-	-
<b>Current Liabilities</b>				
Accounts Payable	9	71,455	-	-
		71,455	-	-
<b>Working Capital Surplus/(Deficit)</b>		183,097	-	-
<b>Non-current Assets</b>				
Property, Plant and Equipment	8	1,009,652	-	-
		1,009,652	-	-
<b>Net Assets</b>		1,192,749	-	-
<b>Equity</b>		1,192,749	-	-

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

**Combined Board of South Auckland Middle School and Middle School West Auckland**  
**Statement of Cash Flows**  
For the period ended 31 December 2018

	2018	2018	2017
Note	Actual	Budget	Actual
	\$	(Unaudited)	\$
		\$	
<b>Cash flows from Operating Activities</b>			
Government Grants	1,738,569	-	-
Locally Raised Funds	-	-	-
Hostel	-	-	-
International Students	-	-	-
Goods and Services Tax (net)	(15,323)	-	-
Payments to Employees	-	-	-
Payments to Suppliers	(423,975)	-	-
Interest Paid	-	-	-
Interest Received	-	-	-
<b>Net cash from / (to) the Operating Activities</b>	<b>1,299,271</b>	<b>-</b>	<b>-</b>
<b>Cash flows from Investing Activities</b>			
Proceeds from Sale of PPE (and Intangibles)	-	-	-
Purchase of PPE (and Intangibles)	(1,061,627)	-	-
Purchase of Investments	-	-	-
Proceeds from Sale of Investments	-	-	-
<b>Net cash from / (to) the Investing Activities</b>	<b>(1,061,627)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from Financing Activities</b>			
Furniture and Equipment Grant	-	-	-
Finance Lease Payments	-	-	-
Painting contract payments	-	-	-
Loans Received/ Repayment of Loans	-	-	-
Funds Administered on Behalf of Third Parties	-	-	-
<b>Net cash from Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>237,644</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year	7	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>237,644</b>	<b>-</b>

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

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

For the period ended 31 December 2018

#### a) Reporting Entity

On 29 August 2018, the Minister of Education approved the establishment of two state schools (designated character schools) under the Education Act 1989, being South Auckland Middle School and Middle School West Auckland. These are governed by an establishment board of trustees (EBOT) of a single public entity being the Combined Board of South Auckland Middle School and Middle School West Auckland (Combined Board).

The two state schools were previously operating as partnership schools governed by the board of Villa Education Trust. These partnership schools were formally terminated on 7 December 2018 under the terms of a termination agreement with the Minister.

The initial EBOT comprises the trustees of the Villa Education Trust, with the addition of the two Principals, and hence there is a related party relationship between these two entities.

Combined Board of South Auckland Middle School and Middle School West Auckland (hereafter described as "Combined Board", albeit this term covers both state schools) 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. The School is not fully operational until 2019 and was in the establishment phase in 2018.

#### b) Basis of Preparation

##### *Reporting Period*

The financial reports have been prepared for the period 29 August to 31 December 2018 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 Combined Board, 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 Reduced Disclosure Regime as appropriate to public benefit entities that qualify for Tier 2 reporting. Combined Board 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".

##### *PBE Accounting Standards Reduced Disclosure Regime*

The Combined Board qualifies for Tier 2 as the Combined Board is not publicly accountable and is not considered large as it falls below the expenditure threshold of \$30 million per year. All relevant reduced disclosure concessions have been taken.

##### *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.

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

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

### **c) Revenue Recognition**

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

The Combined Board receives funding from the Ministry of Education. The following are the main types of funding that the Combined Board receives;

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

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

Other grants are recorded as revenue when the Combined Board 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.

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

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

### **d) 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.

### **e) Accounts Receivable**

Accounts Receivable represents items that the Combined Board 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 Combined Board realistically expects to receive. A receivable is considered uncollectable where there is objective evidence the Combined Board 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.

**f) Investments**

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

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 Combined Board at fair value plus transaction costs. At balance date the Combined Board 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 bank term deposits are measured at amortised cost using the effective interest method less impairment.

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

The Combined Board has met the requirements under section 73 of the Education Act 1989 in relation to the acquisition of securities.

**g) 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 on the two school sites that are subject to lease 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.

**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:

Building improvements	10–75 years
Furniture and equipment	2–15 years
Information and communication technology	1–5 years
Motor vehicles	5 years



#### **h) Impairment of property, plant, and equipment and intangible assets**

The Combined Board 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.

#### **i) Accounts Payable**

Accounts Payable represents liabilities for goods and services provided to the Combined Board 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.

#### **j) Employee 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.

#### **k) Financial Assets and Liabilities**

The Combined Board's financial assets comprise cash and cash equivalents. All of these financial assets are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

The Combined Board's financial liabilities comprise accounts payable. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

#### **l) 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.

#### **m) Budget Figures**

There are no budget figures as the Combined Board is not operational until 2019.

#### **n) Services received in-kind**

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

**2. Government Grants**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Establishment MOE Grants	1,738,569	-	-
Other government grants	298,452	-	-
	<u>2,037,021</u>	<u>-</u>	<u>-</u>

**3. Learning Resources**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Information and communication technology	7,494	-	-
Employee benefits - salaries	298,452	-	-
	<u>305,946</u>	<u>-</u>	<u>-</u>

**4. Administration**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Audit Fee	11,600	-	-
Legal Fees	61	-	-
Management fees and Other	468,520	-	-
Service Providers, Contractors and Consultancy	4,030	-	-
	<u>484,211</u>	<u>-</u>	<u>-</u>

**5. Property**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Repairs and Maintenance	2,140	-	-
	<u>2,140</u>	<u>-</u>	<u>-</u>

**6. Depreciation of Property, Plant and Equipment**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Buildings - School	20,207	-	-
Furniture and Equipment	4,695	-	-
Information and Communication Technology	22,247	-	-
Motor Vehicles	4,826	-	-
	<u>51,975</u>	<u>-</u>	<u>-</u>

**7. Cash and Cash Equivalents**

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
	\$	\$	\$
Bank Current Account	237,644	-	-
Net cash and cash equivalents and bank overdraft for Cash Flow Statement	<u>237,644</u>	<u>-</u>	<u>-</u>

## 8. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2018	\$	\$	\$	\$	\$	\$
Buildings	-	708,537	-	-	(20,207)	688,330
Furniture and Equipment	-	100,400	-	-	(4,695)	95,705
Information and Communication Technology	-	188,342	-	-	(22,247)	166,095
Motor Vehicles	-	64,348	-	-	(4,826)	59,522
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>1,061,627</b>	<b>-</b>	<b>-</b>	<b>(51,975)</b>	<b>1,009,652</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2018	\$	\$	\$
Buildings	708,537	(20,207)	688,330
Furniture and Equipment	100,400	(4,695)	95,705
Information and Communication Technology	188,342	(22,247)	166,095
Motor Vehicles	64,348	(4,826)	59,522
<b>Balance at 31 December 2018</b>	<b>1,061,627</b>	<b>(51,975)</b>	<b>1,009,652</b>

Note: Additions include the purchase of assets from Villa Education Trust of the former partnership schools to a value of \$950,988.

## 9. Accounts Payable

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Operating creditors	55,855	-	-
Accruals	15,600	-	-
	<b>71,455</b>	<b>-</b>	<b>-</b>
Payables for Exchange Transactions	71,455	-	-
Payables for Non-exchange Transactions - Taxes Payable (PAYE and Rates)	-	-	-
Payables for Non-exchange Transactions - Other	-	-	-
	<b>71,455</b>	<b>-</b>	<b>-</b>

The carrying value of payables approximates their fair value.

## 10. Related Party Transactions

The Combined Board is a controlled entity of the Crown, and the Crown provides the major source of revenue to the Combined Board. The Combined Board 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 Combined Board 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 Combined Board 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.

The establishment board of trustees (EBOT) of the Combined Board comprises the same members as the board of trustees of Villa Education Trust (Trust) with the addition of the Principal of each of the two schools.

As part of the transition in 2018 the Trust undertook the termination procedures to transfer these two schools' operations as partnership schools, and establish these as state designated character schools. The Combined Board paid management fees related to this transfer to a total of \$467,391 to the Trust. This is recorded within Administration costs in Note 4. The Trust has continued to provide the governance, financial and administrative functions necessary to operate the Combined Board since balance date under a management fee arrangement with the Combined Board.

Under the terms of the termination agreement, all of the assets relating to South Auckland Middle School and Middle School West Auckland as at 30 September 2018 were sold to the Combined Board at book values, as recorded at 1 January 2018.

## 11. Remuneration

Villa Education Trust continued to pay remuneration for the staff and management of the South Auckland Middle School and Middle School West Auckland until the partnership schools termination date of 7 December 2020. An amount of \$298,452 was agreed by the Ministry to be reimbursed to Villa Education Trust for salaries paid on behalf of the Combined Board, as recorded in other government grants.

Given the short time of operations before balance date, the remuneration to Principals and the establishment board of trustees is not material or meaningful to disclose.

This disclosure will be applicable for the 2019 when the new state schools are operational for the full year under the Combined Board.

## 12. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2018 (Contingent liabilities and assets at 31 December 2017: nil).

## 13. Commitments

### (a) Capital Commitments

As at 31 December 2018 the Combined Board has not entered into contract agreements for capital works.

### (b) Operating Commitments

As at 31 December 2018 the Combined Board has entered into the following contracts:

	2018 Actual \$
No later than One Year	-
Later than One Year and No Later than Five Years	-
Later than Five Years	-
	<hr/> <hr/>

## 14. Managing Capital

The Combined Board'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 Combined Board 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.

## 15. Financial Instruments

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

### Loans and receivables

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Cash and Cash Equivalents	237,644	-	-
Total Cash and Receivables	<hr/> <hr/> 237,644	-	-

### Financial liabilities measured at amortised cost

Payables	71,455	-	-
Total Financial Liabilities Measured at Amortised Cost	<hr/> <hr/> 71,455	-	-

## 16. Events After Balance Date

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown all schools were closed. Subsequently all schools and kura reopened on the 18th of May 2020.

At the date of issuing the financial statements, the Combined Board has been able to absorb the majority of the impact from the nationwide lockdown as it was decided to start the annual Easter School holidays early. In the periods the Combined Board is open for tuition, the school has switched to alternative methods of delivering the curriculum, so students can learn remotely.

At this time the full financial impact of the COVID-19 pandemic is not able to be determined, but it is not expected to be significant to the Combined Board. The school will continue to receive funding from the Ministry of Education, even while closed.

There were no other significant events after balance date that impact these financial statements.

## 17. Failure to comply with section 87 of the Education Act 1989

The Board of Trustees has failed to comply with Section 87 of the Education Act 1989, as the Board were unable to provide their audited financial statements to the Ministry of Education by 31 May 2019, or the extended deadline of 30 September 2019.

## Independent Auditor's Report

### To the readers of Combined Board of South Auckland Middle School and Middle School West Auckland Financial statements For the period ended 31 December 2018

The Auditor-General is the auditor of the Combined Board of South Auckland Middle School and Middle School West Auckland (the Combined Board). The Auditor-General has appointed me, Wayne Tukiri using the staff and resources of RSM Hayes Audit, to carry out the audit of the financial statements of the Combined Board on his behalf.

We have audited the financial statements of the Combined Board on pages 2 to 13, that comprise the statement of financial position as at 31 December 2018, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the period ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

#### Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Combined Board:

- present fairly, in all material respects:
  - its financial position as at 31 December 2018; and
  - its financial performance and cash flows for the period then ended, and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Public Benefit Entity (PBE) Standards Reduced Disclosure Regime.

Our audit was completed on 27 August 2020. This is the date at which our opinion is expressed.

The basis for our qualified 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.

#### Basis for our qualified opinion

As disclosed in note 10 on page 12 of the financial statements, the Combined Board paid management fees of \$467,391 to Villa Education Trust during 2018, for services relating to the transition of South Auckland Middle School and Middle School West Auckland from being partnership schools sponsored by Villa Education Trust, to state designated character schools. At the time the payment was made, the Combined Board had the same members as the board of trustees of the Villa Education Trust, with the addition of the Principals of both schools.

We were unable to obtain sufficient, appropriate audit evidence in respect of this expenditure due to a lack of supporting information about the nature and quantum of services that had been provided to the schools. Hence, we are unable to determine how much of the \$467,391 is valid expenditure of the Combined Board and whether any adjustment to the financial statements is necessary.



There are no practical audit procedures to determine the effect of this absence of evidence.

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 qualified opinion.

### **Emphasis of matters**

Without modifying our opinion, we draw attention to the following disclosures:

#### **COVID-19**

Note 16 on page 13 which outlines the possible effects of the Alert Level 4 lockdown as a result of the COVID-19 pandemic.

#### **Failure to meet statutory reporting deadline**

Note 17 on page 13 which describes 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 2019.

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

The Board of Trustees is responsible on behalf of the Combined Board 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 Combined Board for assessing the Combined Board'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 Combined Board, 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 Combined Board'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 Combined Board'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 Combined Board'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 Combined Board 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 includes the statement of responsibility and board member list, 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 Combined Board 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 Combined Board.



**Wayne Tukiri**  
RSM Hayes Audit  
On behalf of the Auditor-General  
Auckland, New Zealand