

Guidance - Group financial statements

Schools and kura with controlled entities must prepare consolidated annual financial. They should use the Kiwi Park Group model financial statements.

[Kiwi Park group model financial statements](#)

An entity must be consolidated by the school in its group financial statements if it meets the test of control under the accounting standard 'PBE IPSAS 35: Consolidated Financial Statements'.

The definition of control in the accounting standard focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity.

An entity is controlled by the school board for financial reporting purposes if the school board has:

- power over the entity
- exposure, or rights, to variable benefits from its involvement with the entity
- the ability to use its power over the entity to affect the nature or amount of the benefits from its involvement.

Power can be defined as the ability for the schools and kura to control significant financial and operating decisions made by the entity.

The power might be:

- direct: for example, if certain decisions require the school or kura approval
- indirect: for example, if the school or kura is effectively able to control decisions made by the trust because the school or kura appoints the majority of the entity's governing body.

Benefits can be defined as:

- financial: for example, receipt of dividends or investment returns
- non-financial: for example, benefits the school derives, because the entity carries out activities that the school would otherwise be required to carry out, or because the entity's activities generally support the operating objectives of the school.

A school can also be deemed to control an entity if the entity has been established in such a way that, although the school does not have on-going power over the entity, the activities carried out by the entity will inevitably benefit the school.

This scenario is referred to as 'pre-determination'. The basic concept is that, although the entity is operating independently of the school, the board of the school established the entity so that:

- the services it provides or activities it engages in are ultimately intended to benefit the school
- although required to operate independently in terms of the founding documents, those appointed to govern or manage the entity are not able to change this fundamental purpose.

It is not the duty of your auditor to directly seek out and identify controlled entities, but where the auditor becomes aware of an entity, you will be asked to consider whether it meets the conditions noted above.

The auditor will then consider that assessment. If it is confirmed as being a controlled entity, your annual financial statements will need to be prepared using the Kiwi Park model financial statements.

[Kiwi Park group model financial statements](#)