

# Guidance - Annual financial reporting on key areas

How to record funding from the Ministry in your financial statements

The 'revenue types' tab of the Kiwi Park model financial statements provides a list of funding provided to schools and kura and how they should be reported in your annual financial statements.

All funding components of your quarterly operations grant, apart from any banking staffing settlement, should be coded to 'government grants'.

You can find guidance on how to record funding you have received from new Ministry initiatives or programs in our guidance for new and existing ministry funded programmes.

[Guidance - How to account for new and existing Ministry funding and programmes](#)

## School activities directly funded by the Ministry

Similar to your teachers' salaries costs and the land and buildings notional rent, the following transactions are directly funded by the Ministry but need to be included in your financial statements where relevant.

This information is provided to schools and kura each year on the closest working day to Waitangi Day (6 February).

- Te Mana Tūhono costs paid directly by the Ministry.
- The balance of any debt owed to the Ministry at 31 December.
- Ikura | Manaakitia te whare tangata paid directly by the Ministry.
- Intervention funding paid directly by the Ministry.
- Ka Ora, Ka Ako | Healthy school lunches programme paid directly by the Ministry.

## Capital works

The funds received for capital works projects through 5YA should not be recorded as revenue to your school or kura as the funds are held on behalf of the Ministry until spent. The advance of funds from the Ministry should be recorded as a liability to the Ministry in your financial statements.

Payments for capital works projects should be charged against the liability account and not expensed to your profit and loss.

For guidance on how to account for your capital works projects, refer to section 4.9.1 in the Financial Information for Schools Handbook.

[Financial Information for Schools Handbook](#)

## Cyclical maintenance provisions

To support better planning for cyclical maintenance costs, such as the internal and external painting of your school or kura, and to comply with generally accepted accounting practice, schools and kura are required to include a provision for cyclical maintenance as a liability in their balance sheets. Schools and kura should set sufficient funds aside to match that liability.

Guidance on the preparation of the cyclical maintenance provision is on our website.

### Calculating cyclical maintenance provision

You need to ensure that the information that you use to calculate your provision is reasonable. If you are basing your provision on a cyclical maintenance plan prepared as part of your 10-year property plan, you need to think about when that plan was prepared and whether at a minimum an adjustment for inflation would be required.

Your cyclical maintenance provision may also consider future inflationary cost adjustments. The included in the Kiwipark School model accounts uses the 3-yearly average consumer price index rate (using June of the reporting year as the last quarter) released by the Reserve Bank of New Zealand.

If your plan is older, a longer or shorter period may be more relevant. Historical consumer price index, year-on-year values can be obtained from the Reserve Bank of New Zealand.

### Inflation calculator - Reserve Bank of New Zealand - Te Pūtea Matua

There is also guidance on cyclical maintenance provisions in section 4.19 in the Financial Information for Schools Handbook.

### Financial Information for Schools Handbook

## Holidays Act compliance – schools' payroll

We perform payroll processing and payments on behalf of boards through the payroll service provider, Education Payroll.

We are continuing to review the schools sector payroll to ensure compliance with the Holidays Act 2003. An initial remediation payment has been made to some current school employees. There is no impact on the school or kura financial statements as a result of this payment.

We are continuing to perform detailed analysis to finalise the calculations and will assume responsibility for any more remediation payments.

Until the Holidays Act compliance work is completed, schools and kura are required to include a standard disclosure note in their financial statements. The wording of this disclosure is provided in the Kiwi Park model financial statements.

## Letter of support

As part of the audit process, your auditor will assess the appropriateness of preparing your financial statements on a going concern basis.

If your auditor has concerns about the ability of your school or kura to meet its financial obligations in the 12 months following the completion of the audit, they will request a letter of support from the Ministry.

For a letter of support, contact the school finance adviser in your region.

### School finance contacts

## Audit expectations

### Quality of the annual financial statements

The quality of your draft annual financial statements, and working papers submitted for audit, are a significant factor in the overall success of your annual audit.

High quality annual financial statements will reduce:

- the number of required audit changes
- the likelihood of the auditor incurring additional audit costs (which they may seek to recover) from reviewing multiple versions of the annual financial statements.

We encourage you to work cooperatively with your auditor to ensure the best quality of financial statements for your school or kura.

## Supporting information

Key workpapers for your financial statements and supporting documentation should be provided to your auditor by 31 March each year.

Financial statements must be received by your auditor in an 'auditable' form. This means with all the necessary supporting documents for the auditor to carry out their audit. This is the responsibility of your board, although your school may have a service provider that prepares your financial statements.

Information that your auditor requires includes:

- a copy of your draft annual financial statements approved by your board
- any supporting working papers and documents used in the preparation of the draft annual financial statements
- evidence that you have appropriate internal controls over payments and receipts throughout the year

- signed school board minutes and other sub-committee and in-committee minutes for the financial year and up to the date of sign-off of your annual report
- a copy of your approved budget, general ledger and trial balance. Auditors check that the numbers in the financial statements agree to the approved budget
- any employment settlements.

Your auditor should provide you with a list of audit requirements prior to starting the audit but please contact them if you haven't received one.

## **Statement of responsibility and letter of representation**

Your current principal and board chair are required to sign the statement of responsibility and letter of representation on behalf of your school or kura. This cannot be completed by a previous principal or presiding member.

The signed statement of responsibility and letter of representation should be returned to your auditor with your final financial statements, approved by your board. The independent auditor's report will then be issued which forms part of your annual report.