

# Financial Information for Schools Handbook

## FISH

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## **1.1 Introduction**

This handbook is for school boards of trustees, principals, administrators and accountants working in and with schools. The purpose is to provide information to encourage best practice in financial governance, financial management and reporting. The FISH has been separated into sections which outline the specific roles and responsibilities for the boards of trustees and the principals of schools.

Financial management is crucial to the health of a school in order to provide adequate funding for day-to-day needs and in planning for the future. Any system of school administration must keep the needs of students in mind, support the learning and teaching at the school, and enable the board to realise its strategic goals and objectives. A lapse in financial management – or deliberate fraud – diverts the attention of staff and trustees and may cause a reduction in the funds available for curriculum delivery. Problems with a school's financial governance and management almost always impact the education being provided to students.

This handbook deals with a range of financial governance, management and reporting matters that are specific to schools in New Zealand. It is not a textbook on accounting or financial matters, nor do you have to become an overnight expert in legislation. The Ministry of Education (the Ministry) has produced FISH to help you become familiar with the legal framework that impacts schools and especially their finances.

The FISH was most recently updated in February 2018.

## Chapter 1: Board of trustees and financial governance

### 2.1 Board of trustees roles and responsibilities

The Education (Update) Amendment Act 2017 has introduced changes. Under the replacement schedule 6 of the Education Act 1989 a board is the governing body of its school and responsible for the governance of the school, including setting the policies by which the school is to be controlled and managed.

National Administration Guideline 4 (NAG 4) requires a board of trustees to:

- allocate funds to reflect the school's priorities as stated in its charter
- monitor and control school expenditure
- ensure that annual accounts are prepared and audited as required by the Public Finance Act 1989 and the Education Act 1989.

Under the replacement schedule 6 of the Education Act 1989, a board may delegate any of the functions and powers of the board or the trustees, either generally or specifically, to any of the following persons:

- A trustee or trustees
- The principal or any other employee or employees, or office holder or holders of the board
- A committee consisting of two persons at least one of whom is a trustee
- Any other person or persons approved by the Minister of Education
- Any class of persons that comprises any of the persons listed above in this list

A board must not delegate the general power of delegation nor any power to borrow money that it may have under section 160 or 162 of the Crown Entities Act 2004.

Delegation must be by resolution and written notice to the delegated person or persons.

Generally, a school board of trustees will delegate its day-to-day financial management responsibilities to the principal. Refer to the 'Principals' roles and responsibilities' section for details of their roles and responsibilities. In small schools there may not be sufficient other staff to ensure segregation of duties and therefore a board member should be appointed as a further level of control involving day-to-day expenditure. An example of this could be through a board member having internet banking authority and being the second approver for any payments.

The school board of trustees retains a financial governance role that includes establishing and maintaining financial policies, setting the strategic direction for the school and allocating resources to achieve the school's goals. Every school trustee has a responsibility to establish and maintain appropriate financial policies and understand key financial information about their school.

School trustees make significant financial decisions about the school and should carefully document those decisions and their decision-making processes. Actual and potential conflicts of interests in any decisions should be declared and managed appropriately.

The Ministry of Education (Ministry) can help. The Ministry contracts with organisations to provide a range of training and support for trustees: group training opportunities are advertised in the *Education Gazette*; support for boards of schools that are at financial risk is available through local Ministry offices; [professional development](#), advice and support are available from the New Zealand School Trustees Association; and further help is available from the school's financial service provider or auditor.

The Ministry also has a team of financial advisors who are available to provide guidance, advice and support to schools.

## **2.2 Governance**

A board's primary objective in governing the school is to ensure that every student at the school is able to attain his or her highest possible standard in educational achievement. The board sets strategic goals around student achievement and sets policies by which the school is controlled and managed.

A successful school must plan what it intends to achieve and outline a strategy for achieving those goals. A combination of good planning and communication ensures that parents, teachers, administrators, principals and boards of trustees are all striving for a common goal. If schools do not identify their goals and communicate them to all their stakeholders, they run the risk that the people critical to the school's success will be 'pulling in different directions' – and the students' education will suffer.

The Education Review Office (ERO) reported in 2007 (School Governance: An Overview) that well-governed schools had these common features: governance was centred on students, with trustees committed to improving student learning and achievement; student achievement information was used to set realistic targets and underpin decision-making; strategic and annual planning was strongly focused on improving student achievement.

## **2.3 Conflicts of interest**

### **2.3.1 What is a conflict of interest?**

A conflict of interest arises where a trustee has an interest or duty that conflicts (or might conflict, or might be perceived to conflict) with the interests or duties of the board itself. That interest or duty may relate to money or any other interest that may reasonably be regarded as likely to influence a trustee in carrying out his or her duties as a trustee. The key question to ask when considering whether an interest might create a conflict is:

*"Does the interest have the potential to create an incentive for the trustee to act in a way which may not be in the best interests of the school?"*

### **2.3.2 Types of conflicts of interest**

A conflict of interest may take a number of forms. It may be financial or non-financial. It may be direct or indirect. It may be professional or family related. It may be perceived or actual.

A conflict of interest may arise from:

- family relationships
- existing professional or personal relationships
- directorships or other employment
- interests in business enterprises or professional practices
- share ownership
- beneficial interests in trusts
- professional associations or relationships with other organisations, including appointing bodies
- personal associations with other groups or organisations.

Common examples of potential conflicts of interests include the following:

- The spouse of a board of trustees member is an employee of the school.
- The spouse of a board of trustees member is contracted by the school.
- A board of trustees member owns a company that is contracted by the school.

The existence of the incentive or a perception of bias is sufficient to create a conflict. Whether or not the individual concerned would actually act on the incentive or allow it to influence their decision-making is irrelevant.

For example, a board may have a dispute with a builder about the quality of building work carried out. If that builder was the brother-in-law of one of the trustees, a member of the school community might reasonably assume that the trustee would be influenced by this relationship when the board considers legal action against the builder. Whether or not the trustee would allow that relationship to influence their decision-making is irrelevant. The only way for the trustee to ensure that no doubt is raised about the board's decision is to declare their interest and be excluded from any meeting of the board while it discusses, considers, considers any matter relating to, or decides the matter.

### 2.3.3 Why does a conflict of interest matter?

All aspects of school governance and management must be fair and ethical and must be very clearly seen to be so in the interests of transparency and good and impartial decision-making. It is inevitable that in small communities those in governance roles will have interests which could come into conflict (whether real or perceived) and create risks to the impartiality of decisions.

The State Services Commission notes that conflicts of interest should be viewed within an ethical context of "*good faith, honesty and impartiality*".

- **Good faith:** members of boards have an obligation to act at all times in good faith and in the best interests of the school.
- **Honesty:** members of boards have an obligation to act honestly at all times in relation to all matters concerning the school.
- **Impartiality:** members of boards must observe the principles of fairness and impartiality, or access to information, or anything similar.

How the situation may be perceived by an outsider is as important as the reality.

### 2.3.4 What should a trustee do if they have a conflict of interest?

The Office of the Auditor-General (OAG) publication *Reflections from our audits: Governance and Accountability* (April 2016) states that conflicts of interest are not necessarily a problem – they are a reality. It is how they are identified and managed that determines whether they are a problem.

Those in governance roles need to manage their interests in a way that is transparent and does not compromise the decision that is being made by the board. There are three steps that trustees need to take:

- Recognise that there is a conflict of interest.
- Disclose the conflict of interest.
- Manage the risks associated with the conflict of interest.



Recognising a conflict of interest – see paragraphs 2.3.1 and 2.3.2 above.

Disclosing a conflict of interest – boards should have a policy for disclosing interests as a matter of routine at the start of each meeting in relation to the agenda, and annually for ongoing issues. When disclosing it is best to err on the side of openness.

### ***Managing the conflict of interest***

If a trustee has a conflict of interest, they must declare it and remove themselves from any discussion or decision-making by the board of trustees in that matter.<sup>1</sup>

An important rule of thumb for trustees to use is ‘if in doubt, opt out!’ When there is any doubt about whether a conflict of interest exists, or whether an outside observer could reasonably perceive that such a conflict exists, it is safer for both the board and the trustee if the trustee declares the interest and is excluded while the board discusses the matter. This is particularly important when a trustee feels passionately about an issue – if he or she declares their interest and excludes themselves from the board, there can be no subsequent allegations that the board’s decision-making was tainted.

#### **2.3.5 What should a board of trustees do about a conflict of interest in contracting processes?**

The Education Act does not prohibit a board from entering contracts with trustees or people associated with trustees, provided the trustee concerned declares their interest and is excluded from meetings when the matter is being considered or decided.

However, under section 103A a trustee may be disqualified from being a board member or a member of a board committee if they have financial interests or concerns in contracts with the board that total more than \$25,000 (or an amount determined by the Secretary for Education) in any financial year unless the board obtains prior approval from the Secretary for Education.

#### **2.3.6 How can a school apply for approval where contracts may exceed \$25,000?**

If a board wants to enter into contracts totalling more than \$25,000 in any one year with a board of trustees member who has declared a conflict of interest, the board must obtain the prior approval of the Secretary for Education. The Secretary for Education must be satisfied there is no risk that the school trustee who has a concern or interest in the contract has used their position on the board to receive preferential treatment from the board.

The board must submit a written application that includes the following information:

1. Evidence that the board has taken all reasonable steps to ensure that potentially interested parties had an opportunity to tender for the contract.
2. Evidence that the board has considered and evaluated each of the tenders or quotes, and can justify the preferred choice on the basis of cost, performance or quality of service.
3. Evidence that the board has resolved to accept the contract subject to the Secretary for Education’s approval. The contract should not have been entered into prior to approval being sought, but it is permissible for the board to have conditionally entered into the contract subject to obtaining the Secretary’s approval.

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<sup>1</sup> The replacement schedule 6 (clause 40) of the Education Act 1989 states that “...a trustee who has a pecuniary interest in any matter or any interest that may reasonably be regarded as likely to influence a trustee in carrying out his or her duties and responsibilities as a trustee shall be excluded from any meeting of the board while it discusses, considers, considers anything relating to, or decides the matter.”

4. The board minutes record that the trustee who is 'concerned or interested' in the contract, declared that interest and excluded themselves from all meetings of the board when the matter was being considered.

Although the Secretary may retrospectively approve contracts that have already been entered into, the approval process is not an automatic one. Where the contract has already been entered into when a board makes its application, evidence needs to be provided that there is sufficient good reason why the board did not apply for prior approval. It is a risk not to seek permission early as the trustee may be disqualified from the board if approval is not given.

Applications for approval should be made to the Ministry of Education National Office, attention Senior Financial Advisor, Ministry of Education, PO Box 1666, Wellington.

*Note: this figure of \$25,000 is only a trigger point. Even if a contract is less than \$25,000 but still a significant sum (say \$5,000 to \$10,000), the board needs to be very certain that it has taken the same rigorous approach to ensuring that a conflict of interest is avoided.*

#### **2.3.7 What should a board of trustees do if the conflict of interest is unmanageable?**

A conflict of interest can be managed when the board member is able and willing to remove themselves from any discussion and decision-making surrounding the 'conflicting interest'.

A conflict of interest may be unmanageable when a board member is unable or unwilling to disassociate themselves from the conflicting interest. In some cases the conflict may be so pervasive or material that the trustee is unable to discharge their duties at all and therefore should resign from the board.

## **2.4 Financial decision-making**

### **2.4.1 Probity**

All money received by boards, whatever the source, automatically becomes public funds and boards are accountable for all of their expenditure. Boards of trustees are responsible for prudent financial management of the school and appropriate financial decision-making. They should not spend money on transactions or activities that are extravagant or wasteful, and only approve spending that is appropriate and necessary for the effective operation of the school.

One of the most common reasons given by schools when an inappropriate payment is made is “the payment was from locally raised funds/international student income and not from government grants”. The logic seems to be that schools have to be prudent with grant money, but can do whatever they like with funds raised locally. This argument is not consistent with National Administration Guideline (NAG) 4.

#### ***Sensitive expenditure***

School boards and management have a responsibility to ensure that all funds received by the school, no matter their origin, are safeguarded and spent in the best interests of students. Any sensitive expenditure should be carefully thought out before approving. Expenditure is deemed as sensitive when it could appear to be spent inappropriately and not in the best interest of the school. Common examples of areas of expenditure that can be highly sensitive are travel, principals' expenditure and board expenditure.

Boards should consider the following before approving proposed expenditure:

- Does the expenditure further the aims of the school?
- Could the board justify this expenditure to a taxpayer, parent or other interested party?
- Would publicity over this spending adversely affect the school?
- Would there be a perception of any personal gain to this expenditure?
- Does the expenditure represent the best value for money?
- Is it in the budget?
- Does this expenditure occur frequently?

Examples of inappropriate expenditure approved by boards of trustees which could cause risk to the school include the:

- purchase of lifetime Koru Club membership for the principal and spouse
- hiring of a corporate box to reward staff for their endeavours during the year
- school paying the related costs for a spouse or companion on an overseas trip

#### ***Overseas trips***

The board must approve any overseas trips that are planned by the school. An overseas trip can be funded through Crown funding or locally raised funds (ie through fundraising or parental contributions).

A board may use Crown funding (as opposed to locally raised funds) for overseas travel if they can demonstrate that the two main conditions have been met:

- the overseas travel supports student achievement
- they have considered the proposed spending against competing priorities

Before approving any travel, the board must complete the [\*Funding Overseas Travel Using Crown Funding Checklist\*](#). The board must keep the signed and completed checklist, along with the board minutes of each decision and make these available for audit purposes. All expenditure should be accounted for and receipts returned following the trip.

Examples of overseas travel that may further student achievement include but are not limited to: visiting the site of a significant cultural event (e.g. a battle where the school community had significant casualties), senior Māori groups visiting Pacific Islands where ancestral stories originate (e.g. Tahiti), or language students visiting a country where the language of study is primarily spoken.

### ***Gifts***

A board of trustees should be cautious when giving and receiving gifts. This is a sensitive area of expenditure where perception is important. Generosity should be tempered with probity for prudent management of school finances. Decisions should be made carefully, taking into account the purpose and value of the gift. If the board has any doubt about the appropriateness of a gift they should seek independent advice (eg from a lawyer, the New Zealand School Trustees Association or their regional financial advisor in the Ministry of Education).

Gift policies generally require that all gifts given and received by school employees and trustees are recorded. This ensures transparency in school operations and also provides protection for employees in the event of allegations being made about that employee. Gift policies also reduce a school's exposure to the risk of fraud and any obligation to the giver.

### ***Giving gifts***

Gifts given in recognition of employment or services rendered by employees (including payments made when employees retire) must receive approval from the Secretary for Education to ensure there is no conflict with the relevant collective agreement.

The board may wish to express its thanks to parents or other community members who donate services to the school by way of a small gift. It may also be appropriate for employees travelling overseas to give a small gift to their hosts.

Factors that the board may wish to consider would include the value of gifts, frequency of gifts, perception issues, personal links between staff/trustees and receivers of gifts.

### ***Receiving gifts***

#### ***Gifts to boards of trustees***

The replacement schedule 6 (clause 33) of the Education Act 1989 and section 167 of the Crown Entities Act 2004 allow a board to accept or decline any gift of money or property. Where a board accepts the gift of an item that it could not acquire on its own behalf (for example, real property or securities that are not authorised by the Education Act 1989 or by approvals given by the ministers of Education and Finance), the Education Act 1989 allows the board to continue to hold that gift for a period that is reasonable in the circumstances. In these circumstances, boards wishing to retain the gift are advised to seek approval within 12 months of receiving it. If approval is not forthcoming then the board must return the gift.

In some circumstances, a board may receive a gift or bequest where, as a condition of the gift or bequest, the board must continue to hold a security in its current form. This form of gift or bequest is common in schools where the donor or testator determines that the school should continue to hold the security and fund activities or prizes from any return on that security. In these circumstances the acceptance of a conditional gift or bequest creates a trust and section 161(2) of the Crown Entities Act exempts the board from the requirement to hold only authorised securities. The board may, therefore, continue to hold the gifted or bequeathed security in perpetuity without need to seek approval.

## ***Gifts to school employees***

The board should have a policy on gifts as part of its conflict of interest policy. School employees should consider the appropriateness of the gift offered.

It may be appropriate for a teacher to accept a small gift (eg chocolates) from the parents of a student who has shown great improvements under that teacher's guidance. The board policy should have a policy that outlines what types of gifts may be accepted by staff. The policy should clearly state what gifts are appropriate and what aren't, and the value that would be considered appropriate. A cash gift to a teacher by the parents of a student is inappropriate and could lead to a feeling of obligation to the giver, or even to allegations of bribery or graft. Cash gifts should always be declined by a teacher.

Similarly, a principal or trustee should consider if any gifts offered to them could give rise to a conflict of interest and therefore should be declined. For example, if a gift was offered from a construction firm when the school was about to tender a construction project, this would give rise to a conflict of interest and would not be appropriate to accept.

### **2.4.2 Policies and procedures**

Policies need to be set by the board as a guideline of what is expected at the school. Policies and procedures are designed to clearly outline the intentions of the school and how funds should be spent. They are intended to help decision-making by the principal and any staff who has authority to make and/or approve expenditure. The Ministry has developed a number of model financial policies as a guide for schools when developing their own policies. These can be found at **Appendix G**.

### **2.4.3 Delegations**

A delegation is a formal tool used to communicate the authority and responsibility that is being vested in an individual or group. Providing delegations to school employees is one of the key ways in which boards carry out their responsibilities for governing schools. By setting appropriate delegations, the board communicates its views about school management to staff. For example, a board may delegate to the principal authority to make all staff appointments within the existing school structure. However, the board may retain the right to approve or veto any appointments to newly established positions.

Delegations are given only by board resolution, with the nature and conditions of the delegation to be specified in writing and provided by notice to the delegated person or persons as specified in the replacement schedule 6 (clause 17) of the Education Act 1989. By formalising the delegation process (recording it in writing) the board reduces the risk of:

- overlooked tasks because 'everybody thought someone else was doing it'
- duplicated tasks because several people thought they were responsible
- conflicts between people or groups because they feel they are uncertain of who should be doing what.

A sample of a formal delegation is available in **Appendix B**.

### **2.4.4 Approval of budget**

#### **Board approval**

Budgets are to be prepared annually. It is the responsibility of the board to ensure budgets are prepared and, once finalised, the board must approve the budget for the year. The principal and the financial provider or office support staff who are involved in the day-to-day running of the school are often involved in the budgeting process with the board. The budget should align with the school's annual plan, allocating resources to identified educational priorities.

Before the budget is finalised, the full board must have an opportunity to check it. If the board has been part of the planning process there will be no surprises now – the board may refine some of the detail and then formally approve the budget. For further guidance on how to prepare a budget, refer to section 3.2.

### **When the New Year starts...**

Once the school opens for the New Year the budget should have one last check. Primarily you need to make sure that your assumptions about roll numbers have been realised. If your roll expectations differ from reality, your funding will be altered and you will need to re-examine your expenditure plans.

When the board approves the school budget it should record this decision in its minutes.

The approval of the budget by the board is the approval of the expected expenditure for the upcoming school year. It is important that the budget is monitored by the board throughout the year.

The budget that is approved by the board at the beginning of the year must be the budget reported in the year-end financial statements even if there has been any re-forecasting during the year. Any variances between actual and budgeted outcomes will be reflected in the Analysis of Variance report also included in the financial statements.

### **2.4.5 Borrowing decisions**

School boards of trustees can only borrow within the limits set by the replacement schedule 6 (clause 29) of the Education Act 1989 and the conditions specified in regulation 12 of the Crown Entities (Financial Powers) Regulations 2005. A school board of trustees can: “in any calendar year, borrow any amount it thinks fit from any source it thinks fit provided that the total annual cost to the board of trustees in repaying all outstanding borrowings (including both principal and interest repayments) is equal to or less than one-tenth of the value of the grants determined by the Minister of Education to be paid to the board for operational activities for that year”.

#### **What situations won't create a breach of the borrowing limit?**

From time to time changes in a board's circumstances may cause the board to exceed the 10% limit. For example, increases in interest rates and/or decreases in operational funding may cause the board to have borrowing in excess of the limit. If this occurs, the board is not required to seek retrospective approval for the borrowing because, at the date the borrowing was entered into, the borrowing met the restrictions. However, if changes to a school's environment have caused it to exceed the 10% limit, then any further borrowing will be in breach of the Education Act 1989.

If money has been borrowed within a board's borrowing limit and the board subsequently decides to retire the debt early (pay it off), when the repayment of the principal plus interest costs for the year exceed the school's 10% limit, the repayment of principal will not cause the school to breach regulation 12 of the Crown Entities (Financial Powers) Regulations 2005 or section 67 of the Education Act.

A long-term loan or short-term advance from the Ministry will not create a breach.

Note: advances are only approved for schools that are in severe financial difficulties and will almost certainly be accompanied by a requirement to engage expert assistance.

#### **What will create a breach of the borrowing limit?**

Any new borrowing that causes a school's total principal and interest repayments to exceed 10% of its operational funding in that year will cause a breach of the borrowing limit. The new borrowing may be a finance lease (some long-term property maintenance contracts are a form of finance lease), overdraft or other loan. If a board exceeds the limit and does not obtain prior ministerial approval then that board is deemed to be in breach of the Education Act 1989 and retrospective approval cannot be given.

## **How can a school get approval to exceed the borrowing limit?**

If a board wants to borrow and it will cause the school to exceed the 10% repayment threshold they must obtain prior joint approval from the ministers of Education and Finance.

The board must submit a written application that includes the following information:

- a. The educational benefit expected from the new borrowing, eg increased capacity or improved performance from the acquisition of physical assets.
- b. A copy of the board's minutes showing its resolution that the proposed borrowing is necessary, including how and why, to achieve the aims and objectives for its strategic direction as set out in the school charter.
- c. The value and the term of the proposed borrowing arrangement, along with any associated security, contractual restrictions, obligations or covenants.
- d. Any credit rating or other financial risk information about the proposed lender.
- e. A copy of the board's latest audited financial statements and current year-to-date financial information for the school.
- f. A copy of the board's financial plan (including a projected Statement of Cash Flow) that demonstrates the school's ability to meet its current financial obligations and the proposed borrowing arrangement.
- g. Details of any interest a board trustee may have and the extent and/or financial value of that interest.
- h. Information relating to any negative implications that may accrue to the board if the borrowing arrangement is not approved.
- i. Details of the investment proposition that the borrowing is for, including cash flow projections of the investment, eg the borrowing is for a new hostel at the school and the revenue and expenses expected to be incurred annually for the hostel.

This application should be forwarded to the Ministry of Education, National Office, attention Chief Advisor School Finance, Ministry of Education, PO Box 1666, Wellington.

The Ministry will consider the application and may request clarification or further information. If the Ministry of Education supports the application then they will forward it to Treasury officials for consideration. Joint approval by the Minister of Education and the Minister of Finance is required.

If approval is granted the following conditions will apply:

- The approval is from the date of the decision and is not retrospective.
- The approval is for the proposed borrowing arrangement only.
- The Ministry and Treasury do not guarantee any borrowing arrangements entered into by boards.

### **2.4.6 Securities**

A security is any interest or right to invest in any capital, assets, earnings, royalties or other property of any person. There are two main types of securities: debt securities and equity securities.

In general terms, a debt security is a right to be paid money that has been lent to someone else. The most common form of a debt security that most people are familiar with is a term deposit. Debt securities can also include debentures, debenture stock, bonds, notes, certificates of deposit and convertible notes.

An equity security is full or part ownership of a private or public company.

What this means is that you can own securities in a registered bank or other credit worthy institution (seek advice on credit worthiness rather than make your own decision), and you can own bonds and stock issued by public bodies, but you cannot own shares in private or public companies (meaning companies listed on a stock exchange). You definitely cannot invest overseas or in any currency other than New Zealand dollars.

Under section 161(1)(a) of the Crown Entities Act and the replacement schedule 6 (clause 28) of the Education Act boards may not acquire securities other than:

1. a debt security denominated in New Zealand dollars that:

- is issued by a registered bank, or any other entity, that satisfies a credit rating test that is specified in either regulations made under part 4 of the Crown Entities Act 2004, or a notice in the *Gazette*, published by the Minister of Finance

2. a public security (this includes any loan or credit agreement, guarantee, indemnity, bond, note, debenture, bill of exchange, Treasury bill, government stock and any other security representing part of the public debt of New Zealand)

3. a security authorised by regulations or by approval given jointly by the Minister of Education and the Minister of Finance under section 160(1)(a) or (b) of the Crown Entities Act and also in the replacement schedule 6 (clause 28) of the Education Act.

### ***Approval of securities***

Approval for securities that do not meet the tests listed above requires the joint approval of the Minister of Finance and the Minister of Education. Approval will only be given if there is no risk to Crown funds, and there is a significant level of benefit (educational or otherwise) for one or more boards or their students.

### ***How to apply for approval to acquire securities***

A written application needs to include:

- reasons for wanting to acquire these securities
- expected benefits from acquiring the security
- current financial information for the school
- the value and, where applicable, the term of the security the board wishes to acquire
- details of any interest a board trustee may have and the extent and/or financial value of that interest
- any credit rating or other financial risk information about the issuer of the security
- any security offered by the issuer
- an assessment of the potential effect on the school in event of default by the issuer
- information relating to actions taken, or proposed to be taken, by the board to minimise and/or mitigate credit risk exposure if the application is approved.

If approval is granted the following conditions will apply:

- The approval is from the date of the decision and is not retrospective.
- The approval is for this transaction only.



- The Crown does not guarantee securities acquired by school boards.

Applications should be forwarded to the Ministry of Education (attn: Chief Advisor School Finance, PO Box 1666, Wellington).

### ***What if a debt security ceases to qualify as authorised?***

Should a security cease to qualify as a security authorised by the replacement schedule 6 (clause 28) of the Education Act, as detailed above, a board has a period of grace in which it may continue to hold that security.

The period of grace ends on the earlier of:

- two months after the bank account ceases to qualify
- a date specified by the Minister of Finance and notified to the board.

From the time the board becomes aware that the security no longer satisfies the credit rating test, it must diligently monitor the credit rating of the debt security and take all prudent steps to avoid loss.

### ***What if the school is given the securities?***

The replacement schedule 6 (clause 33) in the Education Act applies to boards that receive gifts of money or property including securities. Under this provision:

- any money or property that is gifted to a school may be accepted or declined by the board
- any limitation in the Education Act or that applies under the Crown Entities Act 2004 (such as a limitation on the form in which property may be held) does not apply during a period that is 'reasonable in the circumstances (for schools this is a period of no more than 12 months)'.

This means that the school is required to divest itself of the non-approved securities or apply for approval to keep the securities within a year of receiving them. Requests for approval to retain securities will be assessed on a case-by-case basis. All of the information listed above for an application to acquire securities should be provided with the application to retain securities.

### ***What if the school is given non-approved securities as a conditional gift?***

In some circumstances a board may receive a gift or bequest with the condition that the board must continue to hold the security in its current form. This form of gift or bequest is common in schools where the donor or testator determines that the school should continue to hold the security and fund activities or prizes from any return on that security.

In these circumstances, the acceptance of a conditional gift or bequest creates a trust and the restrictions in section 160 regarding securities do not apply as stated in section 161(2) of the Crown Entities Act. The board may, therefore, continue to hold the gifted or bequeathed security in perpetuity without need to seek approval.

## **2.4.7 Loans**

In no case shall a board approve a loan to any party. This includes any staff, any trusts associated with the schools or any external parties. In terms of the Education Act a loan made by a school to a member of staff is illegal. If a school or board is approached in regards to providing an external loan, the board should immediately get in touch with the Ministry.

## **2.4.8 Large or long-term financial commitments**

A school board of trustees needs to take significant care when making decisions about large purchases or long-term financial commitments. Decisions made now may impact a school's financial situation for many years.

The table below includes some of the things that should be considered when making decisions about spending a lot of money and before signing long-term contracts.

<b>Assets</b>	<b>Consumables</b>	<b>Services</b>
<i>Examples include:</i>	<i>Examples include:</i>	<i>Examples include:</i>
<ul style="list-style-type: none"> <li>• computers</li> <li>• buildings</li> <li>• vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• stationery</li> <li>• sports equipment</li> <li>• canteen supplies</li> </ul>	<ul style="list-style-type: none"> <li>• painting and maintenance contracts</li> <li>• plumbing and electrical work</li> <li>• computer consultants</li> </ul>
<i>Possible options include:</i>	<i>Possible options include:</i>	<i>Possible options include:</i>
<ul style="list-style-type: none"> <li>• buy</li> <li>• finance lease</li> </ul>	<ul style="list-style-type: none"> <li>• preferred supplier agreement</li> <li>• bulk purchase agreements</li> <li>• case-by-case purchase</li> </ul>	<ul style="list-style-type: none"> <li>• preferred supplier agreements</li> <li>• quotes or closed tender</li> </ul>
<i>Key considerations:</i>	<i>Key considerations:</i>	<i>Key considerations:</i>
<ul style="list-style-type: none"> <li>• buy</li> <li>• cash discount</li> <li>• warranty</li> <li>• ongoing service and supplies</li> <li>• maintenance (local expertise and complexity)</li> <li>• economic life</li> <li>• obsolescence</li> </ul>	<ul style="list-style-type: none"> <li>• cost</li> <li>• availability</li> <li>• continued supply</li> <li>• delivery cost</li> <li>• environmental impact</li> <li>• loyalty discounts</li> <li>• fit for purpose</li> <li>• bulk purchase discount</li> <li>• quality</li> </ul>	<ul style="list-style-type: none"> <li>• total cost</li> <li>• quality</li> <li>• previous experience</li> <li>• reputation</li> <li>• communication</li> <li>• continuity of service</li> <li>• guarantee</li> </ul>

## 2.4.9 Treatment of board contributions

If a board is facing an overspend on a Ministry-funded capital works project, eg a five-year agreement (5YA) project, then the board should approach the Ministry on project management options before exceeding the budget. Options could include scope reduction or readjusting the school's 5YA. If the step is not followed and the budget is overspent without Ministry pre-approval, any overspend will result in the board having to recognise the overspend as a board expense (in this scenario, the board will not own an asset).

A board, subject to the Ministry's prior approval, can make a contribution to a Ministry-funded capital works project to expand or enhance on Ministry designs. For example, the board may wish to adopt a higher design specification or add a kitchen to a hall which does not qualify for Ministry funding. In this instance, the board's investment in the project associated with the extension or enhancement can be capitalised. Note, however, that if the investment creates more square metres, then this extra area will become board-owned while improvements to quality do not create an ownership interest.

## **2.5 School property management**

### **2.5.1 State schools**

Please see follow link: [State Schools Property Management](#)

Schools can have both board and Ministry owned buildings. It is the board's responsibility to manage and maintain both Ministry and board owned property. The cost of a board-funded building must be accounted for as a fixed asset in the school's Statement of Financial Position while all Ministry owned buildings should not be included in the school's accounts.

#### **Property Maintenance Grant for school maintenance work**

As a board of trustees, you use the Property Maintenance Grant (PMG) to pay for maintenance work on Ministry-owned buildings and facilities at your school. This funding does not cover capital work or operational non-property expenses.

*Please see link: [Property Maintenance Grant for School Maintenance](#)*

### **2.5.2 State integrated schools**

State integrated schools are former private schools that have become part of the state system. They receive some government funding to maintain and modernise the integrated school buildings. They differ from other state schools in that a private entity, the 'proprietor', owns the school buildings and land and is responsible for ensuring the buildings meet Ministry standards.

Please see information: [State Integrated Schools Property Management](#)

#### **Property Occupancy Document**

[Property Occupancy Document for state school property management](#)

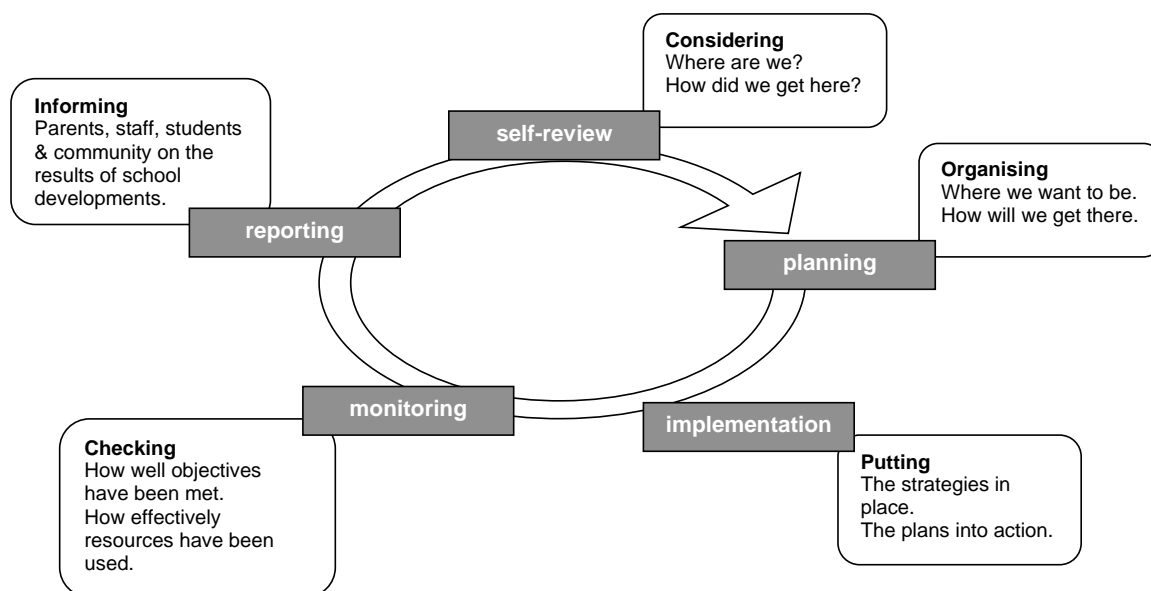
## **2.6 Strategic planning**

### **2.6.1 School charter – an integrated planning tool**

Every board is required to review its school charter every year. You should think of your charter as a chance to bring together all the elements of board planning. Based on student achievement data, you will set your educational goals and these will drive your resource allocation – from the number of teachers and support staff, through professional development, information and communications technology (ICT) planning, property plans, and budgets.

When developing your targets, you should also think through to the reporting that you will be doing against these targets in the Analysis of Variance part of the school's annual report.

For detailed information please see information [Schools' Planning and Reporting](#)



## 2.7 Monitoring

Periodically during the year, the board will want to assure themselves that the school is on track towards achieving its financial and non-financial objectives. This is usually monitored through the review of the management reports presented to the board by the principal at each board meeting. It is important that the board meet regularly throughout the year to discuss the current status of the school. This is predominantly through the review of the monthly management reports. When reviewing the management reports, the board should be looking for anything that may indicate that the school is financially at risk. The management reports should include budget versus actual for the month. If there are areas where actual is well over budget the board should be asking questions about why this has occurred. They also should be looking at roll numbers and whether the school is meeting its targets set in the school charter. Meeting minutes of all board meetings should be maintained as a record of all matters discussed and decisions made by the board.

### 2.7.1 Indicators of financial health

- Positive working capital – this shows that the board can pay its current debts – short-term assets, such as cash or assets that can be converted to cash quickly, are greater than short-term liabilities (payments that have to be made soon)
- Operating surplus – revenue is greater than expenses
- Positive equity – total assets are greater than total liabilities
- Cyclical maintenance obligations are up to date
- Steady/improving roll numbers
- Staffing usage information is on track
- Budgets are prepared annually and are being met
- An unqualified audit report
- Having a 10-year property plan in place
- Cash is set aside for any future asset replacement (ie computers) or exterior painting of the buildings (ie cyclical maintenance provision)

- The school does not have excessive borrowings

If any of the above factors are not being met by a school (ie there is an operating deficit or a declining school roll) there could be an indication that the school is financially at risk. The board needs to analyse any indicators that the school is financially at risk and assess whether there needs to be an intervention. Each of these indicators in isolation does not necessarily mean that a school is financially at risk as circumstances may vary, eg a board may have cash reserves to cover a one-off operating deficit.

If a principal or board is uncertain or believes their school is at risk, they should contact their financial service provider or local Ministry of Education financial advisor for help to assess the situation. This does not necessarily imply that more funding can be made available.

The most common reasons for a school finding itself in difficulty are:

- large property projects paid in full or part from local funds
- unsustainable levels of staffing (including teachers) paid out of operational funding and local funds
- unplanned acquisitions and large commitments to ongoing expenditure (ie long-term painting contracts, ICT leases, etc)
- school rolls falling year on year.

In most cases, these problems can be avoided if the school plans and accurately forecasts what levels of expenditure are sustainable.

## **2.7.2 Schools at financial risk, and the Ministry of Education**

The Government requires that the Ministry of Education reviews every school's audited financial statements and contacts schools where there is an element of financial risk. This does not mean that the school is necessarily at risk. A letter from the Ministry may simply ask if the board has taken steps to remedy specific matters.

It is common for boards to have already noted potential problems and have the situation under control. There is evidence that a high percentage of boards exercise robust levels of financial responsibility and effectiveness.

If the board would like some assistance, the Ministry's financial advisors are available to provide advice and support to the school.

If the financial situation of a school becomes critical, the Minister of Education can invoke the provisions of the Education Act 1989. These can range from requiring the school to supply information or use expert assistance, develop an action plan, have a specialist audit, receive a performance notice, the appointment of a limited statutory manager, or even removal of the board and replacement with a commissioner. It is better, for both the school and the Ministry, if the school's situation can be improved before this intervention is necessary. We encourage schools experiencing financial difficulty to contact their local financial advisor or other help as soon as possible.

## **2.8 Associated parties**

### **2.8.1 Parent/teacher associations**

Parent/teacher associations (PTAs) or home school associations are voluntary organisations bringing together parents, teachers and sometimes students within a particular school. Normally, their aims are to help fundraise for developing parent involvement and community at school and other activities relating to the welfare of the school.

Good communication between the board and the PTA can help the two entities work together effectively for the school and its students.

For further information on parent/teacher associations, visit the New Zealand Parent Teacher Association website.

It is likely that PTAs or similar may need to be registered under the Charities Act 2005 in order to retain their charitable (and tax-free) status. All such organisations are encouraged to check with their parent organisations – or seek advice from the Ministry's financial advisors.

Unless the PTA is a delegated committee of the board, trustees have no authority over the use of funds raised by the PTA. The PTA may, however, gift funds to the board of trustees.

### **2.8.2 Trusts**

#### ***Non-controlled trust***

An independent trust may be operated for the benefit of the school, yet be outside of the school's (board's) control. In this case, the trust is considered as a separate entity and should not be consolidated within the school's accounts.

The board cannot transfer or gift any money or assets to any trust or other organisation that it (the board) does not control. If a gift or bequest is made directly to an independent trust, then that money is controlled by the trust and is not subject to the Education Act 1989. It can, therefore, be invested however the trust wishes.

### ***Controlled trust***

School trustees can also be members of an independent trust board. However, that would make it more likely that the trust is within the school's control and that their accounts should be consolidated. The individuals would need to be very careful to distinguish in which capacity they are acting and to avoid conflicts of duty and interest. In practice, it may be very difficult for the trustees to avoid conflicts of interest.

### **2.8.3 Integrated schools**

Those who are associated with state integrated schools (as defined in section 414 of the Education Act 1989) should note that any funds raised by PTAs or similar and that are transferred at any time to the school's board of trustees automatically become Crown funds and can only be spent on board-owned assets, ie they cannot be spent on the proprietor's property.

Fundraisers for integrated schools are encouraged to ensure that funds raised in support of school property are clearly identified as being in support of the proprietor and do not come under the control of the board at any time. Note this includes board-controlled trusts.

## **Chapter 2: School Principals and Financial Management**

### **3.1 Principals' roles and responsibilities**

Principals are usually delegated authority from the board of trustees for the day-to-day financial management of the school. Under section 76 of the Education Act 1989 a school's principal is the board's chief executive in relation to the school's control and management. The principal is appointed by the board and shall comply with the board's general policy directions and has complete discretion to manage as the principal thinks fit the school's day-to-day administration.

Principals are responsible for monitoring and controlling school expenditure to make sure that money is carefully spent on the school's priorities, as planned and budgeted. Principals should report regularly to the school board of trustees on financial management, and prepare annual audited financial reports.

Principals may delegate financial management tasks to school employees such as office support staff and may also pay for external accounting services. The principal, however, retains full responsibility for the financial records and reporting.

Every principal has a responsibility to maintain sound financial systems, understand key financial information about their school and provide appropriate reporting.



## **3.2 Budgeting**

### **3.2.1 What is a budget?**

A budget is an estimate of revenue and expenditure to be incurred by the school over the financial year (January to December). A budget serves as a plan of action for achieving quantified objectives, a way of measuring performance and a device for coping with foreseeable adverse situations.

It is the responsibility of both the board and principal to ensure a budget is prepared. Often a finance committee may be set up which will include the principal and at least one board member who are tasked with preparing the budget. It is the responsibility of the board to approve the budget.

The Education Act 1989 requires that budgets are shown on the Statement of Comprehensive Revenue and Expense, and Statement of Financial Position.

### **3.2.2 Steps to budgeting**

#### **Compile the draft budget**

1. It is useful to prepare for your budgeting by:
  - a. reviewing the school charter and strategic plan to identify specific goals or activities that are required to be budgeted for
  - b. creating a budget committee – in a small school this might be one or two board members; in a larger school it might include senior managers
  - c. clarifying roles (who does what)
  - d. reviewing expenditure against the budget for the current year to see what has gone well and what needs to be addressed for the new year
  - e. identifying the information required to help make sound decisions.

This will give you a budget work plan.

2. It is important not to just use the last year's final figures and adjust for inflation etc to create your budget. Each year needs to be treated independently and a budget should be based on identified annual priorities, known figures and expected outcomes for the year ahead. For example, the school could, where appropriate, determine donation revenue based on roll numbers and the donation rate.

#### **Detailed budgeting**

3. Revenue
  - What is your operations grant entitlement next year (remember to take GST off the entitlement figure in your funding notice)?
  - What activity fees and/or donations do you expect to collect next year?
  - Are you planning an overseas student programme next year?
  - What other fundraising do you plan for next year?

*Note: it makes good financial sense to be conservative when estimating revenue, just in case things don't go quite as well as hoped.*

4. Personnel costs
  - What is your entitlement for next year for teachers and for management units?

- Do you plan to fund any teachers from operational funding or locally raised funds?
  - How will these teachers contribute to student outcomes?
  - What teacher aides are you planning to employ next year and how will they contribute to student outcomes?
  - What support staff are you planning to employ next year?
  - How will they contribute to student outcomes?
  - How do your planned support staff numbers compare to the benchmark for similar schools?
5. Department and/or classroom costs
- Based on your review of student outcomes, what department and classroom expenditure will you make next year?
6. Infrastructure costs
- Based on your review of school infrastructure, what property and ICT costs do you face next year?
7. Other costs
- What other expenditure must you make next year?
    - i. Administration costs
    - ii. Depreciation costs
8. Future costs
- Do you have costs coming up in future years that you will need to save for now? For example, will any of your support staff become entitled to long service leave, meaning that you have to fund a temporary replacement while they are on holiday?
9. Based on your review of school infrastructure, what fixed asset purchases do you need to make next year?

### **Review your draft budget**

10. Now that you have the first version of your budget, it is time to give it a reality check.
- Are your assumptions realistic? For example, if your boiler breaks down every year, have you assumed there will be no boiler maintenance expenditure next year?
  - Does the school show a surplus including depreciation?
    - If not:
      - i. What changes can you make that will either increase revenue or cut costs?
      - ii. Can you afford to run a deficit next year?
      - iii. How can you make changes in future years to ensure you make a surplus and start building up reserves?
  - Based on your experience last year and over the year to date, is your budget realistic?
  - Will you have the funds necessary to make planned fixed asset purchases?
  - Are there any areas where spending is not essential and does not directly contribute to student achievement?
11. Once you consider the budget is representative of the board's strategic plan, prepare it for review by the board.

### **Seek board approval**

12. Before the budget is finalised, the full board must have an opportunity to check it. If the board has been part of the planning process there will be no surprises now – the board may refine some of the detail and then formally approve the budget.

### **When the New Year starts...**

13. Once the school opens for the new year, the budget should have one last check. Primarily you need to make sure that your assumptions about roll numbers have been realised. If your roll expectations differ from the reality, your funding will be altered and you will need to re-examine your expenditure plans.
14. When the board approves the school budget it should record this decision in its minutes.

### **3.2.3 Reviewing the budget during the year**

No matter how careful the preparation of the budget is, it cannot account for everything that will happen in the year ahead. Budget holders should have the flexibility to reassess how they will spend their allocation as needs change. The total amounts required by budget holders may also change. A review during the year may reveal such significant changes that a new forecast may need to be developed. The process for approving these forecast changes should be documented and approved by the board.

It is recommended that boards conduct at least one formal review of their budgets during the year. This review is likely to follow the 1 July roll return.

Once the revised forecast has been approved, it will be used by the school for its own management.

*Note: the board's annual report must only show the original operating budget figures. Decisions about forecast changes during the year will provide information for the Analysis of Variance about why actual revenue or expenditure was different from the original budget.*

The cash flow budget should be reviewed quarterly and the cash flow forecast for the rest of the year updated. Boards of trustees are encouraged to maintain a rolling forecast of their year-end positions, based on the actual year to date and budget or forecast figures for the remainder of the year. This will ensure that the board knows that it has sufficient funds to the end of the year.

### **Internal controls**

Internal control refers to the set of policies, procedures and systems an organisation uses to safeguard its resources. These can range from requiring two signatures on a cheque to having a computerised purchasing and accounting system that separates the ordering, approving, receipting of and payment for purchases.

No organisation can completely guard against fraud and theft, including schools. When this occurs, it can be devastating to the board and school community and the board should be vigilant. However, a combination of internal controls will help to prevent it.

Strong internal controls within a school are vital to ensuring its financial integrity. It is the responsibility of the principal to ensure day-to-day internal controls are in place. Below is a list of key internal controls that should be implemented within all schools.

### **3.2.4 Segregation of duties**

One of the simplest and most effective forms of internal control is to ensure the segregation of any duties relating to purchasing and paying for items or handling money. This makes it harder for one person to steal or defraud the school, unless they have the help of someone else, and employees are not exposed to temptation. When considering the segregation of duties, schools should try to separate as many as possible of the following functions:

- Receipting of cash
- Banking
- Ordering of goods/services

- Authorisation of expenditure
- Cheque signing
- Accounting records
- Payroll

No one person should have control of ordering goods, approving expenditure and authorising payments (via internet banking or cheque). This would allow a dishonest person to purchase and pay for goods for their own use without the purchase ever being checked or detected by someone else. To prevent this situation, the school could require that goods are requested, and the expenditure authorised by senior staff. The order is then placed by the school's administration staff and the payment made via internet banking by two authorised signatories (often the principal and a board member).

Effective segregation of duties is much more difficult in smaller schools where there are fewer people available to carry out tasks. However, every attempt should be made to separate as many of the functions listed above as possible, if necessary by the involvement of board members with some tasks.

In addition to the segregation of tasks, another very effective internal control is requiring two signatures on cheques. Two people should also be required to authorise payments made via internet banking and for authorisation of payments within the online payroll system. This arrangement can be formalised with the bank and will help prevent fraudulent payments.

Examples of segregations of duties:

- Person who authorises an invoice does not then authorise it for payment.
- Person who banks cash should be different to the person who received it.

### **3.2.5 Authorisation of expenditure**

It is vital that all expenditure is verified, approved and authorised before it is paid. The authorisation of expenditure should be in line with the delegation policies and budget set by the board and approved by the employee in charge of the department, ie the head of department, principal, etc. All expenditure incurred by the principal should be approved by the board.

#### ***Credit cards***

If the school has any credit cards in its name there must be strict controls over the use of them. This includes giving only certain staff access to the credit cards and for receipts to be kept and authorised when expenditure occurs.

### **3.2.6 Bank accounts/bank reconciliations**

Per section 158 of the Crown Entities Act, all money received by a school must be paid, as soon as practicable after it is received, into the school's bank account. The account must comply with Crown Entities Act requirements at all times.

School boards must properly authorise the withdrawal or payment of money from their bank accounts. This means that:

1. boards may grant a power of attorney to a service provider to use the bank account but those boards will still be responsible for that account
2. no income for the school can be paid directly to a service provider trust account, proprietor's account or the account of any other third party.

### **Bank reconciliations**

Bank reconciliations should be prepared and reviewed at least monthly, and weekly for larger schools. Schools can download their bank statements from their online banking at any time. Bank reconciliations are used to compare bank balances recorded in the general ledger to those recorded in the bank account/bank statement. Any variances identified should be able to be traced to supporting documentation. Common examples of variances include cheques received and accounted for in the system/general ledger but not yet cleared through the bank.

### **Authorised bank accounts**

Your school's bank accounts must be held in registered banks or building societies that either meet the credit test specified in the Crown Entities (Financial Powers) Regulations 2005 or have been approved by the Minister of Finance.

School bank accounts must:

1. be in the name of the school only and may not include the name of a service provider, for example, 'Kiwi Park School' or 'Kiwi Park School Board of Trustees'
2. be denominated in New Zealand dollars unless the Minister of Finance allows otherwise
3. be held at one or more of the following:
  - a. a registered bank or registered building society that meets a relevant credit rating specified in the Crown Entities section 158(1)(a) and the credit-rating test set out in Regulation 7, or
  - b. a registered bank or registered building society that meets the conditions of any relevant approval given by the Minister of Finance by notice in the *Gazette*, or
  - c. a bank outside New Zealand if that meets the conditions of any relevant approval given to all schools, is authorised by the Minister of Finance or conditions related to an individual school, a group of schools or a type of bank account.

All approvals are gazetted in the *New Zealand Gazette*.

The Reserve Bank maintains, and updates from time to time, a list of registered banks and their credit ratings at: [www.rbnz.govt.nz](http://www.rbnz.govt.nz).

### **Approved banks**

Banks currently approved for use by school boards of trustees are as follows:

- ABN AMRO Bank NV
- ANZ National Bank Limited
- ASB Bank Limited
- Bank of New Zealand
- Citibank N A
- Commonwealth Bank of Australia
- Deutsche Bank A G
- Heartland Bank Limited
- Kiwibank Limited

- Rabobank Nederland
- Rabobank New Zealand Limited
- Southern Cross Building Society
- The Bank of Tokyo-Mitsubishi Limited
- The Hongkong and Shanghai Banking Corporation Limited
- TSB Bank Limited
- Westpac Banking Corporation

### ***Period of grace for bank accounts that cease to be authorised***

Should a bank account cease to qualify as an account authorised as detailed above, a board has a period of grace in which it may continue to operate that bank account. By the end of that period, it must have closed the account and transferred all the money in the account to another account that does qualify as an authorised account. This situation would arise, for example, if a registered bank no longer satisfies the credit-rating test. The period of grace ends on the earlier of:

- two months after the bank account ceases to qualify, or
- a date specified by the Minister of Finance and notified to the board.

### ***Approval of bank accounts at registered banks and building societies***

If your board wishes to operate a bank account that is not authorised under the guidelines above it can apply to the Ministry of Education, attention Senior Financial Advisor, for approval of the bank account. The application must contain the following information:

- Why the board wants or needs to bank with a bank or building society that does not meet the specified credit-rating test.
- The nature and size of the board seeking approval and the likely amounts that will be kept in the bank from time to time.
- What the bank or building society's credit rating is (if applicable), the reasons it has not been able to satisfy the specified credit-rating test and the significance of those reasons, in terms of investment risk, to the board as a banking customer.
- Whether the bank or building society is prudently managed and meets its statutory obligations.
- The ability of the bank or building society to meet the needs of the board and the relative convenience of the board using that bank or building society.
- The level of risk that the bank or building society might default on its obligations (and any attendant Crown risk).
- Whether there is any other factor that might point to it being financially irresponsible for the board to bank with the particular institution.

### ***Bank accounts at banks outside New Zealand***

School boards of trustees may not operate a bank account at a bank outside New Zealand unless they receive the prior written approval of the Minister of Finance or the prior approval of the Minister of Finance by notice in the *Gazette*.

Boards may seek the Minister of Finance's approval for the operation of a bank account outside New Zealand. For such a request to be considered, a board must forward a written application to the Ministry (attention Senior Financial Advisor, PO Box 1666, Wellington) and receive approval prior to opening the account.

### ***Bank accounts denominated in foreign currency***

The bank accounts of school boards of trustees must be denominated in New Zealand dollars unless the board obtains the prior approval of the Minister of Finance.

For such a request to be considered, a board must forward to the Ministry a written application (attention Senior Financial Advisor, PO Box 1666, Wellington) and receive approval prior to opening the account.

### ***Internet banking***

Internet banking has become significantly more common over the past 10 years. All schools should have internet banking established and be using it as the main way for paying expenditure and receiving funds. It is a simple means of payment as it can be done from anywhere at any time – as long as the authorisers have access to the internet. It is a more secure means of payment than cash and should reduce the amount of cash held by the school.

Strict controls should be implemented around internet banking. This includes the restriction around who has access to internet banking and ensuring any payments always require two approvals before they are made. Where one person can act on their own to make payments or transfers, there is a higher risk. If there is only one authoriser for internet banking it is recommended that other controls are in place to mitigate the higher risk. An example of this would be for the board to approve all payments. Those who have access to internet banking should be well thought out and approved by the board, as processing fictitious payments is one of the ways fraud could be perpetrated. Any payments should always be supported by documentation such as an invoice. It is important to ensure the invoice has been approved prior to any payments being made.

Any reimbursements to staff should be made via internet banking and again should be accompanied with a receipt that has been approved for reimbursement.

It is important when making internet banking payments that the supplier bank account details loaded into internet banking agree with those on the invoice.

### ***Petty cash***

Petty cash is used to make small purchases or reimbursements in cash for items such as stamps, office supplies, milk, etc. The board should develop a policy of how much money should be available in cash and a maximum expenditure that can be paid with petty cash – this can be included within the board's cash management policy.

The majority of expenditure should be made through internet banking and therefore only a small amount of cash should be held. It is recommended that no more than \$200 is held in cash by the school. Any cash payments received by the school should be banked as soon as practical.

The petty cash fund should be kept in a locked box or drawer. Auditors recommend that only one person, called the custodian, has access to this cash and that person be responsible for all petty cash activity. To disburse petty cash funds, the school will need to document each transaction, using receipts and petty cash vouchers and determine who in the school can approve petty cash top-up payments.

## **3.2.7 Posting/approval of journals**

Journals are a daily occurrence to record transactions. They are both manual and automatic depending on the accounting system used. Journals are recorded in the accounting system and there should be internal controls in place to ensure appropriate journals are being posted. A key internal control over journals is to have separate people prepare and post the journals and for all journals to be approved before they are posted. Supporting documentation around every manual journal should be kept. For example, if an invoice is received for stationery, the office manager should prepare the journal and attach the supporting invoice to the journal for approval by the principal. The principal should then sign the journal as approved before it is then posted to the accounting system.

### 3.2.8 Fixed asset register

A fixed asset register is a document maintained outside of the accounting system – often in excel. The register records all assets which have been purchased by the school, although the Ministry suggests that schools only record assets in their fixed asset register if they cost more than \$1,000. This is up to the board and should be stated in the policies set by the board.

The fixed asset register includes all the details of the asset purchased such as:

- purchase date
- purchase price
- estimated useful life
- residual value
- annual depreciation expense
- depreciation rate.

The register should be kept up to date and an asset stock-take should be performed at least annually. This involves sighting all assets that are included in the register to ensure they still exist and checking the quality of the asset – ie that no impairment over the asset needs to be recognised or that it should not be disposed of.

As well as recording all fixed assets in the fixed asset register, schools should maintain those assets in good working order and plan for their replacement.

Asset planning should be consistent with an asset management policy that should be set by the board – refer to **Appendix G** for an example of an asset management policy.

One suggested method for preparing an asset replacement plan is the following:

1. Ensure that the fixed asset register is up to date and accurate.
2. Identify fixed assets that you:
  - (a) don't plan to replace, eg school houses, or assets becoming obsolete with technology changes
  - (b) don't plan to replace by using board funds, eg assets bought with fundraising
  - (c) don't plan to replace by purchasing, eg computers that will be leased; make sure that all finance leases are within the school's borrowing limit.
3. Decide what new assets will be needed to achieve the school's strategic plan.  
Note: asset costs such as consumables and maintenance need to be budgeted for.
4. Determine when existing assets will be replaced.  
Note: replacement costs may be higher than original cost, and that roll projections will affect the number of assets to replace.



5. Prepare a forecast of future cash flows needed for asset replacement, including timing of purchases during a year, as teaching staff may expect assets to be available for the beginning of a new school year.

Compare the depreciation budget with the asset replacement budget. Prepare a savings plan to cover any shortfall plus new asset purchases.

Build in flexibility to the asset and savings plans if possible so that funds are available if an asset needs to be replaced unexpectedly.

It can be a challenge to stick to an asset plan, especially if there is a perceived need or community expectation to keep up with technology beyond the school's ability to pay for it, or if senior staff members are tempted by marketing and salespeople.

It may help to discuss variations to the asset replacement plan at a board of trustee meeting and/or with the school's financial service provider and to have a 'wish list' of items that could be considered for purchasing later in the year, as finances allow and there are clear links to educational outcomes.

### **3.2.9 Password controls**

It is important for each employee of the school and the board of trustees who has access to the accounting system and/or internet banking to keep a safe and secure password. Passwords should not be shared amongst staff and they should be updated regularly. This is a key internal control as knowledge of other staff members' passwords can give access to the system or internet banking to those who should not have it.

### **3.2.10 Supplier master file**

A supplier master file is maintained in the accounting system and contains details of all suppliers including their bank account details. Whenever a change is made to a supplier, eg a change in bank account details, supporting documentation should be kept. To ensure no inappropriate changes are made to supplier details, a review of the supplier master file should be done whenever a change is made. A common way for fraud to occur is through the creation of fake invoices and the payment made to the bank account of the person who is committing the fraud. Review of the supplier master file is an internal control which can prevent this from happening as any changes to supplier details are checked by a second person.

### **3.2.11 Fundraising cash**

Schools undertake a variety of fundraising activities, sometimes using associated groups to organise the activities. Careful controls on cash in and out should be agreed before the fundraising activity starts. For example, a cash 'float' may be required at the beginning of the activity to provide change for cash purchases etc. The source of those cash funds should be carefully recorded and all cash received counted by two people before banking.

One system for reducing cash handling at school fairs is to sell tickets equivalent to cash that can be 'spent' at booths and stalls around the fair. That keeps cash at the ticket booth, where there should always be two people monitoring cash in and tickets out.

Cash should not be provided to any third party who is not directly associated with the school and its board. This includes the PTA and any external persons or businesses on site. They must be responsible for obtaining their own cash.

Schools may not use excess funds to contribute towards any trips that they are fundraising for, ie they may only use funds earned through fundraising to pay for the trip.

### **3.2.12 Financial records**

Section 168 of the Crown Entities Act 2004 requires school boards of trustees to ensure that accounting records:

- correctly record and explain the transactions of the school
- will at any time enable the financial position of the school to be determined with reasonable accuracy
- will enable the trustees to make certain that the financial statements of the school comply with generally accepted accounting practice
- include any other information or explanations needed to fairly reflect the school's financial operations and financial position
- include the forecast financial statements prepared at the start of the financial year, for comparison with the actual financial statements
- will enable the financial statements of the school to be readily and properly audited.

The accounting records must be in written form or in a manner in which they are easily accessible and convertible into written form.

### **3.2.13 Fraud**

Fraud refers to an intentional act by one or more individuals among management, employees, or third parties intended to deceive others. Fraud may involve:

- manipulation, falsification or alteration of records or documents
- suppression or omission of the effects of transactions from records or documents
- recording of transactions without substance
- misapplication of accounting policies
- misrepresentations in a financial report
- misappropriation (theft) of assets.

The Ministry policy is to refer all prima facie cases of fraud to the appropriate authorities for consideration of prosecution. Schools are expected to adopt the same policy including reference to the Education Council where required.

The school board and management are responsible for the prevention and detection of fraud and error, which is done through the implementation and continued operation of adequate internal control systems. These systems reduce but do not eliminate the possibility of fraud and error.

Boards should note that it is not the responsibility of auditors to detect or prevent fraud. In the course of their work, auditors may uncover evidence of fraud and, if that is the case, they bring this evidence to the attention of the board. It remains the responsibility of the board and principal for the prevention, detection and reporting of fraud.

### ***Practical steps to protect the school***

Remember that most fraud is opportunistic. Generally, fraud is committed when an individual is presented with an opportunity to commit that fraud.

For example, when a school employee holds a school credit card and that same employee is responsible for checking, approving and paying the credit card bills, an opportunity exists for them to use the credit card for personal purchases without anyone else noticing. By ensuring that an independent person reviews all credit card purchases, the opportunity for fraud is reduced. Practical steps that staff and the board can take to protect the school are:

- remain sceptical – it is better to ask questions and follow up where necessary than to suffer loss
- educate all concerned of the risk of fraud – the more people are aware of the risk, the harder most frauds become
- revisit your financial controls whenever changes occur – you must ensure the controls in place in your school are appropriate to the systems you operate; where possible, make sure that more than one person is involved in any financial process
- seek independent assistance – a review of your systems and controls by an independent, expert third party can be highly beneficial
- if you do find fraud, take action – taking appropriate legal action against a fraudster does two things: it prevents the fraudster from taking advantage of another school and it sends a clear message to all that fraud will not be tolerated.

If you suspect fraud in your school, then immediately seek appropriate advice from an expert, such as your liability insurer, the Ministry of Education financial advisor, an auditor or forensic accountant with fraud investigation experience, or a solicitor who has taken fraud cases. This is important because, if the correct process is not followed, it is easy to destroy the chance of recovery of funds. If the person you suspect of fraud is an employee, contact your NZSTA industrial advisor, or another advisor approved by your liability insurer, for advice on how to handle the issue appropriately.

No single control will protect against fraud. Instead, a full and varied set of systems and controls provides the best chance of fraud prevention.

#### **3.2.14 Funds held for international students**

In certain circumstances, schools may look after international students' personal funds and 'drip-feed' this money to the student over the year. However, there are other options available, such as bank accounts with restrictions on access.

Whatever the legal arrangement, any school looking after funds for international students needs to regard itself as being in a fiduciary relationship with the student. Therefore, the school must behave in an exemplary manner with regard to the use of the funds.

For example, schools should deposit the private funds held on behalf of students into a bank account separate to the school's main bank account – schools are holding funds on trust and have a very high duty of care. Interest earned on the funds must be returned to the students rather than being treated as a windfall by the school. Schools should have written agreements with the students and/or their parents/guardians to outline the circumstances in which the funds can be used or accessed and by whom.

Schools should not act as financial guarantors for international students since this places school resources at risk. Moreover, while boards have very wide powers, they are only allowed to commit school funds in

pursuit of school goals as outlined in their charters and according to the National Administration Guidelines (NAGs).

### **3.2.15 Shared funds**

There are several instances when schools share resources to achieve a common purpose. Common purposes may include projects to improve teaching and learning, for teacher professional development; to improve efficiencies; or to reduce administration costs. Examples include:

- Enhanced Programme Fund (EPF)
- ICT professional development clusters (ICT PD)
- Joint Schools Initiative Funding (JSIF)
- Resource Teachers of Learning and Behaviour (RTLb)
- School transport networks (known as Direct Resourcing or DR)
- Supplementary Learning Support (SLS)
- Communities of Learning/Kāhui Ako.

Shared resources may include people, property or funds (money). This information is about how to account for shared funds.

Schools form a cluster or group (referred to as a cluster in the handbook) and share funds for a common purpose as an administrative convenience; the cluster is not a new entity but is a jointly controlled operation.

One school will be the 'lead school' (or 'host school' or 'fund-holder school' or 'initiating school') for the cluster and act as an agent for all the schools in the cluster. This school is referred to as the lead school in the handbook. The lead school may set up a separate bank account on behalf of the cluster, or account for shared funds using a separate ledger, but can only spend shared funds as agreed with the cluster.

The lead school will receive funds from the Ministry of Education or other funding sources on behalf of the cluster; they may also receive funds from member schools to be used for the cluster's common purpose.

The lead school should include GST on transactions for the cluster with their own GST returns.

The cluster should have a written agreement about what the shared funds are for, how they are to be used, which school/s own any assets bought with shared funds, and what will happen to any remaining funds and assets when the cluster stops working together.

The use of the funds is subject to the same considerations that apply to the schools that are members of the cluster, eg reporting, audit, procurement processes, investment of funds and managing any conflicts of interest.

#### *Reporting to the Ministry or other funder of the cluster*

An organisation that is funding the cluster (or the part of the Ministry of Education that is monitoring funding provided to the cluster) may have specific requirements about reporting that need to be adhered to by the cluster.

Such reporting requirements will be set out by the funder and are separate to the reporting that schools are required to include in their financial reporting.

#### *Management reporting to other members of the cluster*

The lead school should track all income and expenses for the cluster's purpose separately from their other operations so that they can provide regular, detailed management reports to the cluster and the cluster's funders.

Each school that is a member of a cluster should show the balance of funds held by the lead/host school on their behalf as an asset in their balance sheets, with reference to a note. The note should include their share of the net income (or expenses) of the cluster for the year to show how the asset balance changed during the year.

Refer to section 4.2.6 for accounting for shared funds.

### **3.2.16 Housing for staff**

Core school houses are houses that are needed to recruit and retain teachers at schools. As a board of trustees, you are responsible for managing any core houses your school has, which includes dealing with rent and tenants. The Ministry manages non-core houses through the National Housing Contractor. We no longer build or replace caretaker houses but, if your school has one, you are responsible for its management.

#### **Types of school houses**

In the past, the Ministry provided school houses to help schools to recruit teachers in areas where it was difficult to find housing. Some are still needed for this purpose, mainly in rural and isolated communities. However, as residential accommodation and transport have become more accessible, the need for such houses has decreased.

School houses are now classified as follows.

*Core houses*, which are still needed to recruit and retain teachers at a school. Since 2004, nearly all core houses have been transferred to board of trustees management. All houses built as 'principal houses' are core houses, regardless of their location.

*Non-core houses*, which are not needed to recruit and retain teachers. All non-core houses remain in Ministry management and are being progressively sold through the Crown disposal process.

Some schools also have caretaker houses. The Ministry originally provided them at schools where it was hard to get trades people or security was needed.

#### **Managing core houses**

Boards of trustees now manage nearly all core houses. If your school has a core house, you are the landlord. Your responsibilities as landlord include:

- finding tenants
- carrying out property inspections

- collecting the bond and rent
- reviewing the rent each year
- managing tenancy disputes
- paying for all operating costs, including rates and insurance.

You must also arrange and pay for maintenance work and capital upgrades to keep the house safe and healthy for tenants. These responsibilities include:

- general maintenance – all external and internal painting, interior and exterior lining and cladding, pathways
- modernisation and upgrades, like partially or fully refurbishing the bathroom and kitchen
- keeping a reserve for major upgrades and health and safety work on the house.

More information around the rights and responsibilities of landlords and tenants can be found in the Residential Tenancies Act 1986.

### **Accounting for core houses finances**

You must account for the house finances using proper accounting practices. This includes setting aside depreciation for all capital and maintenance work. Depreciation is the way that accountants measure the house losing value every year from wear and tear. We recommend you depreciate core houses up to a 50-year maximum lifetime. This means that the house should lose up to 1/50th of its value in your asset register every year. You can only depreciate buildings – there is no depreciation on the land.

In the case of GST, you:

- cannot claim GST on the expenses for the house – record house expenses as GST inclusive
- must not include GST in the rent charge for the house.

Under the Education Act 1989, boards do not have to pay tax on profit from income. This includes profit from rental income from school houses.

### **Insuring core houses**

We do not insure board-managed core houses. You must insure your core houses at replacement value using an insurance company of your choice.

If an uninsured core house is destroyed, you do not have to rebuild it and we won't replace it either.

### **Setting the rent for a core house**

You must set the rent for your core house at market value. When setting or reviewing the rent, consider:

- the condition of the house
- the location of the house

- comparable current market rents for the area
- the need to keep the rent at a fair level
- the need to cover expenses, including maintenance and rates
- advice from a valuer or real estate agent on market rents.

### **Rental discount for a teacher or principal**

A teacher or principal gets a 25% discount off the current market rent for a school house. This is known as a 'service tenancy' and is authorised under section 88A of the Education Act 1989.

The discount applies to all registered teachers and principals on the Ministry's payroll who are living in a school house (core or non-core). This includes:

- a teacher teaching at one school but living in another school's house
- teachers or principals at integrated schools living in a state school's house.

It does not apply to:

- private tenants
- non-registered teachers or tutors
- teachers at private schools.

Under a service tenancy, the house is provided to the teacher or principal as an 'incident' of their employment. This means the job comes with a house if the teacher wants it, but it is not a 'condition' of their employment. That is, you do not have to supply a house with the job.

PAYE tax exemption: Any employee receiving a benefit, such as lower rent, as an incident of their employment, would normally pay Pay As You Earn (PAYE) tax on that benefit. However, Inland Revenue provides an exemption to teachers and principals in school houses. It recognises that they often need to move to different locations, including rural areas that have little choice in residential rental properties.

You must keep rents for teachers and principals at 75% of market rent. If the rent is not adjusted to reflect increases in local market rent rates, it may become less than 75% of market rent. The tenant will then be getting a discount higher than 25% and may become liable for PAYE tax.

### **How tenants should pay their rent**

The best way for tenants to pay their rent is by automatic payment to your designated bank account. Include the payment method as a term in the tenancy agreement.

### **What to do if a tenant objects to a new rent**

A tenant might object to a new rent and ask you to reassess it. In this case:

- under the Residential Tenancies Act 1986, the tenant must give you some evidence of market rents in the area, taking into account the house's condition
- you reassess the rent and advise the tenant of your decision

- if the tenant is still not happy, they can apply to the Tenancy Tribunal for another assessment.

### **What to do if a tenant does not pay the rent**

If a tenant doesn't pay the rent and gets into arrears, write to them requesting payment.

If this is unsuccessful, ask for help from Tenancy Services at the Ministry of Business, Innovation and Employment.

### **Letting core houses as short-term holiday accommodation**

You can rent empty core houses as short-term holiday accommodation during school holidays.

Under the Residential Tenancies Act 1986, a short-term tenancy of less than 120 days is not subject to market rent or minimum notice periods. So you can maximise your rental income by renting vacant houses as short-term holiday accommodation and charging a daily or weekly rate.

Before you decide on this option:

- consider the costs for cleaning, damage to furniture, etc
- carefully research legal requirements for holiday accommodation.

### **Using the rental income for core houses**

You keep any rental income from your core house. However, you must use it:

- first, to fulfil your landlord responsibilities
- after meeting those responsibilities, for other school expenses.

The Ministry has a Cashflow Housing Model which is designed to help schools budget rental income and expenses. Enter the school's rental income and expenses into the model to automatically generate the cash flow. The model can be found at <http://www.education.govt.nz/school/property/state-schools/school-facilities/teacher-caretaker-housing/>.

Include your planned house maintenance as a board-funded item in your 10 Year Property Plan (10YPP).

### **Paying rates on core houses**

What rates you pay depends on whether the tenant of your core house is:

- a teacher or principal – in this case, you pay service rates (eg water rates) but are exempt from general council rates
- a private tenant – in this case, you must pay full rates.

Talk to your local Ministry office if you have any problems with rates charged by your council.

### **Paying for work on core school houses**

The Ministry does not fund board-managed core houses for maintenance or capital costs. If the rental income falls short, you can pay for work on the house with:



- your school's operational funding for house expenses but only if you have first met all the other operating costs for the school
- board funding, like fundraising and grants.

### **Managing non-core houses**

As a board of trustees, you have no financial or legal interest in non-core houses. Instead:

- the Ministry of Education owns all non-core houses
- Land Information New Zealand (LINZ) manages the non-core houses – it has contracted a National Housing Contractor for this task
- some core houses, including new core houses, are also managed by LINZ.

The National Housing Contractor:

- finds the tenants
- arranges all property work, including inspections, maintenance and capital upgrades
- collects the bond and rent and organises the annual rent reviews
- manages tenancy disputes
- pays all operating costs, including rates, on behalf of the Ministry
- invoices the Ministry for all costs.

### **Managing a caretaker house**

As a board of trustees, you are responsible for managing your caretaker house. This has the same responsibilities as for managing a core house.

### **Insuring a caretaker house**

You don't need to arrange or pay for insurance on a caretaker house. But we will not replace a caretaker house if it is totally destroyed. This is because provision of caretaker houses is historical and we now have no policy to provide new ones, or to replace old ones once they have passed their useful life or become uninhabitable.

However, we may, at our discretion, fix damage using Unforeseen Work funding.

### **Setting the rent for a caretaker in a caretaker house**

Historically, rents for caretaker houses have been very low. This recognises that the caretaker often has to live on site to keep the school secure. This is especially important for rural and isolated schools.

You negotiate the rent as part of the caretaker's employment contract. You may undertake the negotiations with either:

- a union representative if the caretaker is a union member and you need them to occupy the house as a condition of their employment

- the caretaker directly if they are not a union member.

Inland Revenue has ruled that low rents are an accommodation discount and part of the caretaker's salary package. This means that the caretaker must pay PAYE tax on the discount. We have an agreement with Inland Revenue on how the benefit is taxed, and process it through our payroll.

If you have any queries about caretaker rents, contact Payroll Services at the Ministry of Education national office.

### **Setting the rent for other tenants of a caretaker house**

Where the tenant of a caretaker house is someone other than the caretaker, the rent should be set as for core housing.

### **Paying rent to the National Housing Contractor**

You must pay all rent from your caretaker house to the Ministry's National Housing Contractor, who then pays it to us. Unlike a core house, you cannot keep the rent because you receive Ministry funding for its maintenance and capital upgrades.

### **Paying for work on a caretaker house**

You are responsible for maintaining your caretaker house to keep it in good condition. You must:

- pay for it from your Property Maintenance Grant (PMG), in the same way as other school property
- plan for routine maintenance on the caretaker house in your 10 Year Property Plan (10YPP).

You may find your caretaker house needs essential capital upgrades, like a new roof, to keep the tenant healthy and safe. If so, talk to your Ministry property advisor about funding. They will assess whether you have maintained the house adequately.

If routine maintenance has been neglected, and costs to bring the house to standard are too high, we will consider demolishing or disposing of the house.

If the work is practicable, your property advisor will seek Ministry funding on your behalf. If approved, the funding comes from Unforeseen Work funding.

We will not pay for non-essential capital upgrades like remodelling a kitchen. You must budget for this work using board funding, like fundraising and grants.

### **Seeking Ministry funding for a new or replacement school house**

In limited circumstances, we may give you funding to build a new house or replace an existing one. Talk to your property advisor about how to make a submission for this funding.

We will only provide funding for a new or replacement house if your school and area meet all of the following conditions:

- The school is more than 30 kilometres from a population centre (5,000+ people).
- Driving conditions to get to the school are difficult – for example, involving gravel roads or long distances.

- Rental houses available in the area are limited.
- There are more full-time equivalent (FTE) teaching positions than the number of properties available.
- The teaching positions are stable in terms of the school's long-term roll.
- If you are looking for a replacement, the existing house has come to the end of its economic life.

### **3.3 Management reports**

#### **3.4.1 Purpose of monthly financial reports**

To enable the board of trustees to carry out their financial governance responsibilities they need to receive regular (preferably monthly) updates about the school's financial performance and financial position.

The board of trustees should get assurance from the financial reports that:

- they have been advised of all key current financial issues and how those are being managed, eg if the audit management letter was received recently, what actions are planned to respond to any recommendations
- the school has positive working capital – or what is being done to improve the financial position
- revenue and expenditure is within budget for the year to date – or reasons for major variations are supplied
- forecast revenue and expenditure for the rest of the year indicate the school's finances will remain on track – or what action is being taken to mitigate identified issues and risks, eg if the roll has changed significantly, has the forecast been adjusted
- all funds held on trust are kept separate and managed appropriately
- the school has set aside enough money for long-term commitments, eg asset replacement, external painting
- the school is operating within the policies approved by the board, eg there has been no unauthorised expenditure, all spending is within delegations.

#### **3.4.2 Responsibility for preparing reports**

The responsibility for preparing monthly financial reports will vary from school to school. In general the board will delegate to the principal responsibility for the quality of the reports and for ensuring they are prepared and presented on time. The principal may in turn request the office manager or service provider to prepare the financial reports based on the information held in the accounting system. It is the principal's responsibility to completely understand what is in the financial reports as they will be the one reporting it to the board at board meetings. The principal needs to be in a position where they are able to answer any questions the board may have in regards to the school's financial status.

#### **3.4.3 The basics of good reporting**

Things to keep in mind when preparing internal reports:

- Old information is worthless information – so reports must be prepared and presented as soon as possible. For example, if it takes 15 working days for monthly financial reports to be generated by your accounting service provider, commented on by budget holders and reviewed by the principal, the board will not get their reports until near the end of the following month. If the report indicates that urgent action needs to be taken it may be too late.
- The information presented should be limited to what is useful and relevant for decision-making. Providing too much detail can cloud the issues and may confuse.
- Information should be presented according to the needs of the audience. Avoid accounting jargon, especially for a board whose members have little or no financial experience. A finance committee is likely to want more detail.

### **3.4.4 Monthly report to the board**

The monthly report to the board should include:

- Statement of Comprehensive Revenue and Expense (or a summary statement) showing revenue and expenditure against budget to date
- Statement of Financial Position (or a summary statement) including significant commitments for the next month
- Commentary/exception report – a simple written report showing:
  - any unusual or unexpected variance from what was budgeted, eg extra interest
  - any points that should be brought to the board's attention
  - any areas of risk and plans for mitigating that risk
  - plans and expectations for the coming month(s).

Payments outside the principal's delegation (eg over a certain amount or of a certain type) need to be presented to the board for approval.

### **3.4.5 Monthly report to principal and/or finance committee**

The principal, as the manager of the school's day-to-day finances, should receive more detailed monthly reports. It is important the principal is fully conversant with the financial performance of the school.

Therefore, in addition to the reports provided to the board, the principal should receive a complete Statement of Financial Performance and review a full ledger transaction report, listing all revenue received and payments made during the month.

### **3.4.6 Monthly report to budget holders**

If a senior staff member has been allocated responsibility as a budget holder then the principal is obliged to keep them fully informed. They should receive regular and up-to-date reports showing details of all transactions from accounts within their control and the balance against budget.

The budget holder should always have an accurate picture of all expenditure committed. They should also hold records of all outstanding orders.

### 3.4 Annual reports

Per section 87 of the Education Act 1989 an annual report is required to be prepared each year. Included in the annual report are the annual financial statements which must be prepared in accordance with generally accepted accounting practice and audited. It is the responsibility of the board to approve the financial statements but it is the responsibility of the principal to ensure they are presented to the board.

Every public organisation (including public companies, incorporated societies, territorial authorities, government departments and schools) is required by law to produce an annual report. This allows the organisation's owners, employees, creditors and customers to review its performance and to make informed decisions about the future.

Annual reports for schools allow teachers, parents, students and the wider school community to review a school's performance – ie progress towards targets and what resources have been used. Members of Parliament, the Minister of Education and the Ministry of Education are also interested in how well individual schools and the wider school sector have performed.

It is the responsibility of the board to ensure that audited annual financial statements are prepared for their school and presented to the Secretary for Education no later than 31 May. The responsibility of preparation of the accounts is often delegated to the principal.

#### ***Filing the school annual report***

The Education Act 1989 requires schools to meet the following deadlines each year.

**By 31 March**, the financial statements (and as far as possible the whole annual report) are due with your auditor. Auditors are required by auditing standards to review the contents of the whole annual report. The prime purpose of the requirement is to enable auditors to check consistency of information between the financial statements and the rest of the report.

If a financial service provider completes your financial statements, it is still the board's responsibility to ensure that the service provider meets this deadline.

**By 31 May**, a single PDF file of your whole annual report, including audited financial statements and required signatures (chair of board, principal, and auditor) must be submitted to the Ministry via the Ministry's School Data Portal. It is the responsibility of the board to submit the report and not that of your auditor or your financial service provider. NOTE CHANGE from previous years: schools are no longer required to email or post the annual reports to the Ministry but are required to publish the report on an internet site maintained by the board (section 87AB of the Education Act 1989).

To help ensure clarity of document content, you are asked to use original documents, rather than photocopies, to construct the PDF file. The Ministry recommends that you agree upon a timetable with your auditor to ensure that the annual report is with the Ministry by 31 May of the following financial year. This timetable should allow for sufficient time to work through any issues identified through the audit.

#### ***School Data Portal for submission of annual reports***

##### **How to send your File(s) to the Ministry of Education:**

1. Use the drop-down list(s) to select the File Type(s) you want to send e.g. .moe file.
2. Click on the Choose File buttons and find your file(s) on your computer.
3. Once you have selected the file(s) you want to send, click on the Upload file(s) button.
4. A message will show beneath the upload button confirming the upload was successful.
5. Log out of e-Admin once you successfully upload your file(s). We recommend closing your browser.

File Type	File Name		
		Browse...	Remove
Attendance Survey		Browse...	Remove
Schools Planning and Reporting		Browse...	Remove
Social Sector Trial Collection		Browse...	Remove
School Roll Returns		Browse...	Remove
RTLB Report		Browse...	Remove
Annual Report		Browse...	Remove

Please use the School Data Portal to submit your annual reports to the Ministry. Please use the portal drop-down option 'Annual Report' as shown in the picture below to ensure your annual report is submitted correctly.

## **3.5 Tax**

### **3.5.1 Income tax**

All schools are exempt from paying income tax under the Education Act (schedule 6, clause 2).

### **3.5.2 GST**

Schools must be GST registered and must complete GST returns regularly. The Ministry of Education recommends two-monthly GST returns, or monthly for large schools.

Systems need to be established to ensure GST is fully accounted for and is readily reconciled with GST returns. GST statements received from the IRD need to be checked with the return submitted and any adjustments required incorporated into the accounting system.

All Ministry grants are GST inclusive except for Furniture and Equipment Grants, Capital Contribution Grants and School Support Capital Grants.

Most expenses have GST included except for wages and salaries, interest and bank charges, and loan repayments.

Make sure that you only claim GST on expenses where the supplier has provided a correct GST invoice.

Check that all your invoices are correct GST invoices.

A common mistake that schools make is to pay invoices that are addressed to other organisations or people. For example, a school could contract a painter for the exterior repaint of school buildings. The painter then purchases paint on behalf of the school and gives the invoice from the paint company to the school for payment. If that invoice is addressed to the painter rather than the school and the school pays the invoice and subsequently tries to claim a GST credit, the school has committed an offence and could be fined. Instead, the painter should pay for the paint then include the cost of the paint on their invoice to the school or the paint company should invoice the school directly.

For further guidance around GST including how to fill in GST returns, avoiding penalties, and how and when GST is refunded refer to the GST guide IR375 (published September 2016) found on the IRD website: [GST Guide IR375](#)

### **3.5.3 Fringe Benefit Tax (FBT)**

Schools are employers and may have to pay FBT on benefits provided to employees. Schools should ensure that any benefits provided to staff do not contravene the terms of the prevailing collective agreements.

FBT may be payable on the laptops provided to teachers (and any other employees) if they have significant private use and no recovery is made for that by the school. It is recommended that schools stress to teachers that the laptops are to be used predominantly for work-related purposes.

FBT will be payable if a school vehicle is provided to a principal for their private use. Providing a vehicle for private use would also form part of the principal's remuneration and requires concurrence from the Ministry of Education. If the board allows a principal to take a school vehicle home (such as the school van), it should be clearly documented that the vehicle is not to be used for private use.

FBT will also be payable where a school has not complied with the 'service tenancy' rules for any school properties whether they are Ministry or board owned.

For further guidance around FBT and whether it is applicable to certain employee benefits refer to the FBT guide IR409 (published April 2017) found on the IRD website: [Fringe Benefit Guide \(IR409\)](#)

## **Pay-related deductions**

Education Payroll Limited (known as Novopay) manages all pay-related deductions, eg PAYE and superannuation, on behalf of education sector employees paid through that service on behalf of schools.

If a school manages the payroll for any employees then that school is responsible for all payroll taxes and deductions for those employees. Please refer to the IRD webpage on employer responsibilities, and obtain and read all relevant IRD guides: [Employer Responsibilities](#)

## **3.6 Insurance**

### **3.6.1 Risk Management Scheme**

The Risk Management Scheme offered through the Ministry of Education is a contents and liability insurance that covers most losses of property in the event of break in, vandalism or fire, as well as a range of legal liabilities.

Please refer to the MOE webpage on Risk Management Scheme: [Risk Management Scheme](#)

### **3.6.2 Workers Accident Insurance**

The Accident Compensation Corporation (ACC) is the sole provider of accident insurance for all employers. All claims for work-related injuries must be lodged with ACC.

On behalf of state and state integrated schools, the Ministry has entered into ACC's WorkPlace Cover programme. Schools are invoiced by ACC each August for their Residual Claims Levy and Workplace Cover premiums.

### **3.6.3 Contract works insurance**

Contract works insurance covers property that is in the course of construction for Ministry of Education contracts or jointly funded contracts with the board of trustees. The cover is on the basis of accidental damage, including vandalism, theft and earthquake, to the contract works. If the project is funded by the board or the community, the board can choose to use the Ministry's contract works insurance. Or the board can arrange its own insurance separately.

### **3.6.4 Other potential areas of insurance**

Schools are covered for most types of insurance. However, additional areas of insurance that should be considered are:

- overseas travel insurance – if staff travel abroad on school business
- motor vehicles – the Risk Management Scheme covers vicarious liability for motor vehicles within the public liability section, but if a school owns motor vehicles, then it should consider obtaining comprehensive insurance for these



- overseas students – overseas students should obtain their own health and travel insurance.

## Chapter 3: Financial reporting

### 4.1 Financial reporting framework

#### 4.1.1 Legal requirements

All public organisations (including schools) must produce annual financial reports. This allows the organisation's owners and stakeholders to review their performance and to take action if they consider the performance to be inadequate.

Annual reports for schools serve the same purpose. They allow teachers, parents, students, Members of Parliament and the Minister of Education to review schools' performance.

The legal requirements for schools to produce annual reports are contained in the Education Act 1989, the Crown Entities Act 2004 and the Financial Reporting Act 2013.

School boards of trustees must present audited annual financial statements for their school to the Secretary for Education by 31 May each year under section 87C of the Education Act.

The annual report and financial statements consist of the following.

#### ***Annual report***

##### **Required to be included:**

##### *KiwiSport*

KiwiSport is a Government funding initiative to support sport for school-aged children. A direct fund has been included in the Ministry of Education's Operations Grant paid quarterly to schools for 2016 and has been identified as a separate line in the entitlement notice.

Schools are required to include a short statement in their annual reports on how they have used the funding to increase student participation in organised sport – see Kiwi Park Annual Report model, 'Reports on special and contestable funding'. Use of the funding will also be monitored as part of schools' regular ERO reviews.

The KiwiSport report must not form part of the financial statements. Therefore it is not to be included as part of the notes to the financial statements but to be shown in a separate statement with the annual report.

##### *Statement of variance*

All schools are required to include an Analysis of Variance in which the board describes for the community how the school has gone about addressing the school's priorities in its Charter and shows how successful this approach has been. More information about this is available from [here](#).

##### *Other reports on special and contestable funding (may be necessary)*

During the year the school may have been the recipient of additional Government funding for specific purposes. The school may wish to report on how it has used these funds to support student development.

##### **Optional to be included:**

##### *Board chair/principal's report*

In this report, the chairperson and/or principal can inform the school's community about the achievements and successes of the academic year. It also provides an opportunity to tell staff, parents and students about the school's goals for the coming year, and the risks and opportunities that may be encountered along the way.

It also provides the principal with a chance to talk about the opportunities and challenges coming up in the year ahead. Each school works out what will be covered in the two reports (if there are two reports).

There are no samples provided of this kind of report in the Kiwi Park School model, as there are no mandatory requirements about content.

#### *Principal's report*

This report provides the principal with the opportunity to outline the highlights of the year to the school's community. As for the chairperson's report, there are no samples provided of this kind of report in the Kiwi Park School model, as there are no mandatory requirements about content.

#### *National Standards/ Ngā Whanaketanga Rumaki Māori*

Schools are no longer required to include National Standards data (NAG 2A) in this report but may wish to include it.

#### *Statement of Resources*

The Statement of Resources describes the financial and non-financial resources used by the school during the year.

### ***Financial statements***

#### **Required disclosure:**

##### *Statement of Responsibility*

This statement is signed by the principal and the chairperson of the board, and acknowledges that the board is responsible for the preparation and accuracy of the financial statements. It also states that the board has established and maintained a system of internal control to safeguard the school's assets.

##### *Statement of Comprehensive Revenue and Expense*

This financial statement summarises the revenue and expenditure of the school over the financial year and shows whether the school has managed to operate within the funding received.

##### *Statement of Changes in Net Equity/Assets*

This financial statement shows the value of the Government's 'investment' in the school (for schools, this is known as 'equity') and shows any increases or decreases in the value of that investment over the course of the financial year.

##### *Statement of Financial Position*

This financial statement shows everything the school owns (assets) and everything it owes (liabilities) at a specific date.

##### *Statement of Cash Flows*

A statement of cash flows shows all cash received and all cash paid by the school over the financial year. It is split into three categories: operating, investing and financing. This is now a compulsory statement for all schools under the new financial reporting framework. Refer to PBE IPSAS 2 for further guidance on Statement of Cash Flows.

##### *Notes to the financial statements*

The notes to the financial statements provide an extra level of detail that supplements the information shown in the financial statements. They include the statement of significant accounting policies, contingencies and commitments that were previously separate statements.

### *Auditor's report*

Auditors are appointed by the Auditor-General who then prepare their report on the school's financial statements. The auditor's report must be included in the board's annual report. It provides an opinion to the readers of the annual report about whether the financial statements comply with generally accepted accounting practice and whether they fairly represent the school's financial position, financial performance and cash flows. There are no samples provided of this kind of report in this model, as these reports will be prepared by the school's independent auditor.

**Note:** the board of trustees can delegate the responsibility for preparing the financial statements, but the school chairperson and principal must sign a Statement of Responsibility that accompanies the financial statements – section 87(4).

### **4.1.2 IPSAS PBE Tier 2 reporting framework**

In 2014 new reporting standards for Public Benefit Entities were introduced by the External Reporting Board (XRB). These were prepared by schools for the first time for the December 2015 financial year.

The financial statements for schools are required to be prepared in accordance with generally accepted accounting practice in New Zealand, applying International Public Sector Accounting Standards (IPSAS) for Public Benefit Entities (PBE) Reduced Disclosure Regime as appropriate to Public Benefit Entities that qualify for Tier 2 reporting. 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". The school qualifies for Tier 2 as the school 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.

The main change under the new accounting standards is that a Statement of Cash Flow is now compulsory for all schools to prepare.

The Ministry has created model annual reports for a simulated school called 'Kiwi Park'. These can be found: [Kiwi Park](#)

### **4.1.3 Reporting entity**

A 'reporting entity' is the organisation that is being reported upon in financial statements. Generally, the reporting entity for a school is the organisation governed by the board and the school charter. However, there may be more complex cases, eg a large school may have a trading enterprise, such as a farm.

The reporting entity must accurately describe the legal and accounting entity in the Statement of Financial Responsibility.

### **4.1.4 Consolidation [Kiwi Park Group](#)**

Where the board of trustees has the capacity to influence the activities and financial and operating policies of an entity connected with the school (eg the boarding hostel, the parents' support group, activity centre, teen parent unit or trust), then the financial reporting of the entity must be incorporated into the school's accounts.

It first needs to be determined whether the entity is an integral part of the school or a separate legal entity. Entities whose activities are an integral part of the school (such as a teen parent unit) would be accounted for as a separate activity within the school's financial statements.

Separate legal entities, which are controlled by the board, are also public entities and must prepare their own financial statements, which are subject to audit in the same way as the school's accounts. Where the separate legal entity is material to the school, the school will have to prepare consolidated accounts incorporating the transactions of the separate entity.

The capacity to influence is defined in terms of control, eg can the board control the financial and operating policies of another entity for the purpose of obtaining the benefits and/or assuming the risks normally associated with ownership.

Use these questions to determine whether the board 'controls' a unit:

- Can the board influence appointing or removing people from the decision-making body of the unit?
- Can the board influence the distribution of the unit's funds and assets?
- Can the board make decisions on behalf of the unit or veto any decisions made by the unit?
- Can the board dissolve the unit and obtain any of the unit's funds and assets?

If the answer to these questions is yes, the unit is deemed to be a subsidiary of the board and its accounts must be consolidated with the school's in the annual report.

If a board is in doubt about what comprises its reporting entity, it should obtain an opinion from its accounting service provider, auditor or a Ministry of Education financial advisor.

Consolidated financial statements are prepared by combining the financial statements of the separate entities on a line-by-line basis, ie by adding together (after adjustments for inter-entity balances and transactions) corresponding items of assets and liabilities, revenue and expenses. It is recommended that a full set of accounts be presented for each entity as well as the consolidated accounts. A number of accounting software products enable separate sets of accounts to be kept and then consolidated at year-end. A spreadsheet to help combine information kept in different systems is available in the 'Resources' chapter of this handbook.

If there is a unit associated with the school but not controlled by the board of trustees then keep that unit's funds, assets and operations separate from the school and account for it separately.

#### 4.1.5 Annual financial timetable

To help schools ensure their financial statements are prepared on time, below is a basic timeline which outlines when schools should be starting to think about certain tasks throughout the year.

Month	Task
October	Strategic planning starts. Budgeting starts. Issue reminder notices for all outstanding debts to try and collect all money owing to the school before it closes for the year.
November	Ensure your 10-year Property Plan is up to date and calculate the provision for cyclical maintenance.  Complete as much ordering of goods and services as possible, so that invoices will be received and processed before the end of the year.

December	<p><b>Present</b> the draft budget to the finance committee or board for review.</p> <p><b>Start</b> to gather information for year-end financial statements, eg inventory lists, library stock list, fixed assets register.</p> <p><b>Ensure</b> all reconciliations are up to date, including any funds held on trust, eg funds received in advance for international students match funds held in trust account.</p> <p><b>Pay</b> as many bills as possible to minimise the number and value of the 31 December payables, receivables and associated accruals.</p> <p><b>Ensure</b> there will be enough money in the bank to meet any automatic payments due over the holiday period.</p> <p><b>Review</b> term deposits, especially if any are due to mature and bearing in mind that an operational grant is received in early January.</p>
January	<p>Complete the:</p> <ul style="list-style-type: none"> <li>• fixed assets register and the fixed assets reconciliation</li> <li>• bank account reconciliations</li> <li>• payables and receivables schedules.</li> </ul> <p>If your school uses a financial service provider, ensure all financial information is sent to the provider within the provider's time frame.</p> <p>Complete the Analysis of Variance.</p> <p>Obtain the principal's and chairperson's (or combined) report(s).</p>
February	Final review of the budget and present to board for final approval.
February/March	The board approves the draft annual financial statements and sends it to your auditor.
<b>31 March</b>	Statutory deadline for draft annual financial statements to be presented to the auditor (section 87A Education Act 1989).
April/May	When the annual financial statements have been audited, the board should adopt the statements and the principal and board chairperson sign the Statement of Financial Responsibility as required by section 155 of the Crown Entities Act 2004.
<b>31 May</b>	<p>Statutory deadline for the audited financials and annual report, including the Analysis of Variance and audited financial statements, to be provided to the local office of the Ministry of Education.</p> <p>Section 87AB of the amended Education Act 1989 requires the board to ensure that its annual report is available to the public on an internet site maintained by or on behalf of the board.</p>
July	Budgeting – review current budget and update cash flow forecast.
September	Review the fixed assets register and asset plan.

### Other information that can be included in your annual financial timetable

Any of the key events or important dates during the year can be included in your annual financial timetable. For example:

- dates when budget proposals need to be submitted and to whom
- dates of the board's approval of the operating and other annual budgets

- any other key dates for the board that are finance related
- GST payments and any other payments to Inland Revenue
- deposit maturity dates
- loan repayment dates
- dates when funding payments are due from the Ministry of Education
- dates when monthly financial reports are due to the board.

## 4.2 Revenue

### 4.2.1 Revenue disclosure

Revenue should be disclosed separately from expenses – not ‘netted off’ – to help the reader of the financial statements understand what has happened at the school during the year. This includes locally raised funds, such as trading activities, hostel operations and fees from international students. The detailed breakdown of all revenue is usually provided in the notes to the financial statements rather than the Statement of Comprehensive Revenue and Expense.

Under the new accounting standards, revenue is required to be separated into exchange and non-exchange transactions.

#### *Exchange PBE IPSAS 9*

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange. Examples of exchange transactions for schools would be interest revenue and money received from overseas students that pay market rates for education.

#### *Non-Exchange PBE IPSAS 23*

Non-exchange transactions arise where an entity receives value from another entity without giving approximately equal value in exchange. The main types of transactions applicable to schools are transfers (eg grants, donations, gifts and pledges).

The majority of transactions that schools take part in are non-exchange. While we do not recommend labelling revenue as exchange and non-exchange on the face of the Statement of Comprehensive Revenue and Expenditure, it is a requirement to show the amounts receivable/payable in exchange/non-exchange transactions in the notes.

#### *Determining the difference between exchange and non-exchange transactions*

If the grantor of a grant or donation, or a person involved in any monetary exchange, has an expectation for the return of a specified service or goods then this can be deemed an exchange transaction. Alternatively, if there is no expectation that goods and/or services will result in a specific service and or goods this can be deemed a non-exchange transaction.

The Kiwi Park model financial statements clearly outline what category each revenue stream falls under.

### 4.2.2 Government grants

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

*Operational grants* are paid by the Ministry based on school roll numbers. The grant is to assist in the operations of the school and is received quarterly. 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.

#### *Example:*

Kiwi Park School receives an operational grant of \$350k for the quarter Jan – Mar from the Ministry into their school bank account.

#### Journal

Debit	Bank (asset)	\$350,000	
Credit	Operational grant (revenue)		\$350,000
Narrative :	To recognise receipt of operational grant for quarter Jan - Mar		



*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 through Novopay. A journal is processed at year end to record the amount as a revenue and expense item in the financial statements based on the Staffing Usage and Expenditure (SUE) report sent by the Ministry.

*Example:*

Kiwi Park School has teachers' salaries grant/expense for the year of \$4m per their SUE report received from the Ministry.

Journal

Debit	Employee benefits – teachers (expense)	\$4,000,000	
Credit	Teachers' salaries grant (revenue)		\$4,000,000
Narrative :	To recognise teachers' salaries grant and expense for the year per SUE report		

*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 (non-integrated schools) or proprietor (integrated schools). The grant is recognised through a journal at year end.

#### ***How is the value of the use of land and buildings calculated?***

The notional lease value is determined by the Ministry and emailed to each school by the Ministry.

*Example:*

Kiwi Park School has use of land and buildings grant/expense for the year of \$1m per their email from the Ministry.

Journal

Debit	Use of land and buildings (expense)	\$1,000,000	
Credit	Use of land and buildings grant (revenue)		\$1,000,000
Narrative :	To recognise use of land and building grant and expense for the year per email from the Ministry.		

*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 of revenue received in advance and released to revenue as the conditions are fulfilled.

### **4.2.3 Locally raised funds**

Revenue such as donations, fundraising, bequests, trading and activities are disclosed in the financial statements as locally raised funds.

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

The board may accept or decline gifts from any person. All accepted donations, bequests and gifts must be recorded as income according to clause 33 of the amended schedule 6 of the Education Act.

Any donations of goods or services should be recognised at the fair value of those goods or services.

*Example:*

If a parent donates a new computer to the school, and the current price for purchasing that computer is \$2,000, the accounting entries required are:

**Journal entry**

Debit	Computer equipment (fixed asset)	\$2,000	
Credit	Donations (revenue)		\$2,000
Narrative:	To recognise donated computer asset		

In the case of gifted services, if the value is not material then they can be disclosed by a note in the financial statements. For example, if grounds maintenance was achieved through voluntary effort it can be recorded that the work was completed with a stated number of non-waged hours.

**Restricted donations**

Schools receive donations or bequests from individuals or organisations for specific purposes. These purposes may be to create scholarships for pupils, to pay for specific building developments or for any other educational purpose in connection with the school. These gifts can only be used in accordance with the specific purpose stated.

Under clause 33(4) of the amended schedule 6 of the Education Act, the board is required to hold any bequest or gift received for a specific purpose. It cannot pass any gifts to an entity that it does not have control over. A school may pass a gift to a trust that it controls and must ensure that the trust uses the gift for that specific purpose.

Restricted income should be credited to a liability account. Once the conditions or restrictions governing the use of the donation are met, the donation should be transferred from the liability account into income. In some cases, the donor or grantor may require a financial report to assess compliance. Appropriately detailed records need to be kept.

**Journal entry**

Debit	Bank	\$1,000	
Credit	Funds held in trust (liability)		\$1,000
Narrative:	To recognise funds received to be held in trust		

**Journal entry**

Debit	Funds held in trust (liability)	\$200	
Credit	Donations received (income)		\$200
Narrative:	To recognise donation income for x purpose		

**Bequest**

A bequest is a gifting to the school from someone who has passed away. This can be in the form of cash, property, or investments. If a bequest is provided to the school and it comes with certain conditions, the bequest will be held on trust.

*Example:*

Kiwi Park School board is left a property under a will (a bequest) valued at \$500k and the testator has specified that the property is to be applied for a particular purpose. The board is therefore to hold the

property on trust and must deal with it according to the terms of the trust. The trust must at all times remain under board control.

#### Journal entry

Debit	Property held on trust	\$500,000	
Credit	Bequest (revenue)		\$500,000
Narrative:	To recognise bequest received in the form of property		

### Gifted securities and investments

Schools are limited in their ability to acquire and hold securities and investments under clause 28 of the amended schedule 6 of the Education Act. If a school is gifted securities or investments it would not have been allowed to acquire under clause 28, then clause 33 of the amended schedule 6 of the Education Act allows the school to hold those gifts for a period that is 'reasonable in the circumstances'. If a school wants to keep those assets long term then the Ministry recommends they seek approval within 12 months of receiving them.

In some circumstances a board may receive a gift or bequest where, as a condition of the gift or bequest, it must continue to hold a security in its current form, eg the donor or testator specifies that the school should continue to hold the security and fund activities or prizes from any return on that security. In these circumstances, the acceptance of a conditional gift or bequest creates a trust and section 161(2) of the Crown Entities Act states that the restrictions in section 160 regarding securities do not apply. The board may therefore continue to hold the gifted or bequeathed security in perpetuity without need to seek approval.

Activities revenue such as school trips can be made up of payments from parents' contributions and fundraising. Parents' contributions should be recognised as the expenditure is incurred and is considered an exchange transaction. However, any fundraising is classified as non-exchange. As it is unlikely that the funds can be refunded if the trip does not go ahead, it must be recognised when received.

#### 4.2.4 International students

International student fees received must only be recognised as revenue when they are earned.

*For example:*

Funds are received for an international student in December for the whole of the next school year. That money is all revenue received in advance when it is received. It must be reported as revenue in advance at 31 December. In the next year, a portion of those funds can be reclassified as revenue earned each term.

#### Journal entry for December when funds received

Debit	Bank (asset)	\$100	
Credit	Revenue received in advance (liability)		\$100
Narrative:	To recognise funds received in advance for the next financial year		

#### Journal entry for next financial year – quarterly

Debit	Revenue received in advance (liability)	\$25	
Credit	International student fees (revenue)		\$25
Narrative:	To recognise international student fee revenue for the first term of year		

#### 4.2.5 Hostels

For schools which run a hostel, hostel payments received must only be recognised as revenue when they are earned. If hostel fees are paid in advance, the same journals will be recorded as with international student fees above.

#### 4.2.6 Shared funds (received on behalf of other schools)

There are several instances when schools form a cluster or group to share funds and other resources to achieve a common purpose. The cluster is not a new entity but is a jointly controlled operation.

One school will be the 'lead school' (or 'host school' or 'fund-holder school' or 'initiating school') for the cluster and act as an agent for all the schools in the cluster. The lead school may set up a separate bank account on behalf of the cluster or account for shared funds using a separate ledger, but can only spend shared funds as agreed with the cluster.

The lead school will receive funds from the Ministry of Education or other funding sources on behalf of the cluster; they may also receive funds from member schools to be used for the cluster's common purpose.

The lead school will include GST on all cluster transactions with its own GST records and record cluster revenue and expenses net of GST.

At the end of the year, the lead school should show the balance of funds held on behalf of the cluster as a liability in its Balance Sheet, with reference to a note. The note should show how the balance of funds held will be allocated.

##### *Journal entries for cluster member schools (example)*

Debit	Kiwi Cluster (asset)	\$4,000	
Credit	Bank		\$4,000
Narrative:	Funds contributed to Kiwi Cluster (20% share)		

Debit	Kiwi Cluster (asset)	\$1,300	
Credit	Kiwi Cluster activities (revenue)		\$1,300
Narrative:	Recognise 20% share of surplus in Kiwi Cluster for the year		

Each school that is a member of a cluster should show the balance of funds held by the lead/host school on their behalf as an asset in their Balance Sheet, with reference to a note. The note should include their share of the net revenue (or expenses) of the cluster for the year to show how the asset balance changed during the year.

## 4.3 Expenses

### 4.3.1 Expenditure disclosure

Expenditure should be disclosed separately from revenue – not ‘netted off’ – to help the reader of the financial statements understand what has happened at the school during the year. This includes locally raised funds, such as trading activities, hostel operations and fees received from international students, although the detail is usually provided in the notes to the financial statements rather than the Statement of Comprehensive Revenue and Expense.

School expenditure is usually reported against a range of expenditure-type categories, eg learning resources, administration or property. This enables comparisons from year to year within the school and across the school sector. However, if a school has allocated its budget against strategic priorities within those categories, it may choose to report actual expenditure in the same way, especially within its Statement of Variance or notes to the accounts.

### 4.3.2 Depreciation

#### *What is depreciation?*

When an asset is bought, the cost is recognised in the Statement of Financial Position of the school as an asset and not expensed in the year of purchase. Instead, in each year of using the asset, part of the cost of the asset is expensed as depreciation.

#### *How is depreciation calculated?*

The most common and simplest method used to calculate depreciation is to estimate the useful life of an asset and then divide the cost of the asset equally across that life. This is known as ‘straight line’ depreciation.

#### *Example*

A computer is estimated to have a useful life of four years and at the end of that time it will have no resale value. If the computer cost \$2,000 then the depreciation cost each year will be:

$$\begin{aligned}\text{Annual depreciation expenses} &= \frac{(\text{purchase price}) \text{ less } (\text{residual or resale value})}{\text{useful life}} \\ &= \frac{(\$2,000) - (\$0)}{4} \\ &= \$500\end{aligned}$$

#### Journal entry

Debit	Depreciation	\$500	
Credit	Accumulated depreciation (ICT)		\$500
Narrative:	To recognise the depreciation expense for the year		

### 4.3.3 Use of land and buildings expense

Schools must recognise the cost of a notional lease for land and buildings provided to them by the Crown (or their proprietor) as an expense, with the same number recognised as revenue (refer to 4.2.2 for further information, including how the value is calculated).

### 4.3.4 Personnel expenses

Boards are required to show all personnel costs relating to their employees in their financial statements, even when these payments are made by the Ministry of Education on behalf of the board, eg for the school's full-time teaching equivalent (FTTE) teachers.

Salaries and wages for administration and property staff are also usually paid via the Ministry of Education payroll system but are expensed against the board's operational grant. Schools can also elect to pay teachers additional to their FTTE with operational grants or locally raised funds. Some schools elect to administer their own payroll for non-teaching staff. If these employees are on a payroll system administered by the school then their costs will be recognised as they are paid.

The costs for employees on the payroll administered by the Ministry of Education must be entered as a journal entry. Boards should enter the payroll costs from their monthly Staffing Usage and Entitlement (SUE) report as a journal entry each month rather than wait until the end of the year. This ensures meaningful reporting against budget.

To assist schools with the annual journal entry, a summarised SUE report is generated at the end of each financial year and sent to schools in mid-January.

#### *Journal entry*

Debit	Teaching salaries (expense)	xxx	
Credit	Teacher salaries grant (revenue)		xxx
Narrative	To recognise Ministry of Education teacher salary grants for the period 28 January to 27 January.		

#### **ACC premium**

The Ministry of Education pays ACC premiums on behalf of schools. As with teacher salaries, ACC premiums must be recorded by schools in their financial statements as a grant from the Ministry of Education and as a cost to the school. Although this will have no effect on a school's surplus for the year, it will reflect the actual cost of operating the school and the revenue earned.

## 4.4 Assets

### 4.4.1 Cash and cash equivalents

Cash and cash equivalents are disclosed as a current asset on the school's Statement of Financial Position.

'Cash' includes cash on hand and demand deposits. This includes:

- cash on hand
- cheque account
- call account.

'Cash equivalents' include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk and change in value. This includes money deposited with a financial institution, with a maturity of three months or less from the date of acquisition.

When money reaches 'maturity', it refers to the final date of repayment, where the interest and principal of a loan are to be paid in full.

### 4.4.2 Investments

Bank deposits with a maturity greater than three months are classified as investments.

Term deposits with time to maturity:	Type of asset
greater than three months and less than one year	Current asset
greater than one year	Non-current asset

Some schools also have approval for investments classified as available-for-sale financial assets including investments in shares. These investments are measured at fair value, or, where fair value cannot be reliably measured, at cost. Any objective evidence of impairment in the fair value or cost of investments is recognised as an expense in the Statement of Revenue and Expenses.

### 4.4.3 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.

#### Example

Property funding agreed by the Ministry of Education but not yet received.

Journal entry

Debit	Account receivable	\$87,000	
Credit	Property funding/grant revenue		\$87,000
Narrative:	To recognise property funding due from the Ministry of Education (cash not yet received)		

#### **Impairment of debtors**

If your school has applied a general provision for doubtful debts to all debtors, this must be based on objective evidence that the school will not be able to collect the amount owing.

Accounts receivable for schools are mostly current (received within 12 months) and relate to grant funding receivable from the Ministry. It is very unlikely that grant funding receivable will not be collected by the

school and an impairment loss recognised. However, your school should assess annually for any objective evidence that other receivables are impaired.

#### *Example*

Twenty-five students of Kiwi Park School went on a school trip out of town in November. The cost for each student attending the trip was \$200 to cover meals, accommodation and travel. At 31 December one family who had two students on the trip had moved to Australia and the students no longer attend the school. The family owes \$400 for the trip but the school does not yet have a contact address for the family and it is unlikely the money will be collected.

At 31 December, the present value of estimated cash flows is calculated as \$0 as the school is unlikely to recover any of the receivable outstanding. The carrying amount is \$400, which is the amount of the receivable. An impairment loss of \$400 is recognised directly against the receivable in the Revenue Statement as follows:

#### **Journal entry**

Debit	Impairment expense	\$400	
Credit	Receivables		\$400
Narrative:	To recognise unrecoverable debt		

#### **4.4.4 Donated assets**

The value of donated assets received must be recorded as an asset and revenue.

#### *Example*

If a parent donates a new computer to the school, and the current price for purchasing that computer is \$2,000, the accounting entries required are:

#### **Journal entry**

Debit	Computer equipment (fixed asset)	\$2,000	
Credit	Donations (revenue)		\$2,000
Narrative:	To recognise donated assets		

#### **4.4.5 Inventory/stock**

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.

#### *Example*

Kiwi Park School sells school uniform jerseys. As at 31 December, the school holds 200 jerseys at the total cost of \$10,000 (\$50 per jersey). During that year, the school changed the school uniform and the jerseys are now only optional for the senior students at the school. The school has reduced the price at which they sell the jerseys to \$25 per jersey and expects to be able to sell all 200 at this price. The jerseys' net realisable value is now \$5,000 (\$25 per jersey).

A write down of \$25 per jersey is required because the net realisable value for each jersey (\$25) is less than the cost (\$50).

#### **Journal entry**

Debit	Impairment expense	\$5,000	
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Credit	Inventory		\$5,000
Narrative:	To recognise a loss from the reduction in value of school jerseys held in stock		

#### **4.4.6 Property, plant and equipment**

Property, plant and equipment are tangible items that:

- a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- b) are expected to be used during more than one reporting period.

For a school these can include the following:

- Board owned buildings
- School housing
- Furniture and equipment
- Library and teaching resources
- Information and communication assets (ie computers)

#### ***Buildings – state schools***

Any buildings erected on Crown land become part of that land. Legal ownership of educational Crown land and the buildings on it that are used by schools is vested in the Ministry of Education. It is for these reasons that before any school buildings are erected on school land, Ministry of Education approval must be obtained. This will avoid any later disputes as to the ownership, use and disposal of such buildings. The cost of a board-funded building must be accounted for as a fixed asset in the school's Balance Sheet. All buildings on the school's Balance Sheet are the responsibility of the board of trustees to manage and maintain.

#### ***Furniture and equipment***

Funding for furniture and equipment in state schools is provided as a capital contribution. There is no GST included and it is not income for the school. On receipt, the money should be credited to the school's equity account in the Balance Sheet and not recorded as revenue in the Income Statement.

Funding for furniture and equipment in state integrated schools is provided as part of their grant income and does include GST. Funding is on the basis of new square metres based on an approved maximum roll increase, at the same rate as state schools. As with state schools, repair and replacement of furniture and equipment is the responsibility of the school to pay for from their operations grants.

Furniture and equipment is the property of schools rather than the Ministry of Education and, therefore, schools are responsible for its repair and replacement. Grants received from the Ministry of Education provide for this repair and replacement, but if the school's furniture and equipment needs are met the money can be used for other purposes.

#### ***Library and teaching resources***

A school's library resources (including classroom libraries), teaching and curriculum resources are valuable assets that support teachers and enhance students' learning opportunities. Schools are required to account for these resources as fixed assets if they cost more than their asset capitalisation limit.

This is consistent with generally accepted accounting practice.

#### **Accounting for library resources**

Changes in the quantity and value of library resources should be reconciled once a term with the school's accounting records. This includes resources in all formats, eg books, periodicals, kits, maps and posters, videos or CD-ROMs. It excludes library consumables, software and online subscriptions. This ensures that the figures are accurate and also provides more readily reconcilable figures for verification at the end of the financial year.

Multi-volume resources, such as encyclopaedias, change in value in the same way as single-volume items and should be included in the general book value calculation.

Rare items, which may have a unique value, should be excluded.

A record should be kept of all library resources donated and those purchased in sales. Many automated library systems provide for this information, together with a field for recording the value of such items. For those on manual systems, procedures will be necessary to value donated or sale-price purchases of library resources, so that appropriate journal entries can be made in the accounting system. Appropriate valuation procedures should be specified and agreed with the school's auditors. Any alternative method of accounting must conform to PBE IPSAS 17.

### Financial year-end procedures

At year end it is recommended that schools:

- ensure that the beginning of year values and quantities are the same as those for the end of the previous financial year
- add this year's purchases and donations to the gross value of books
- carry out a stock-take to establish the value and number of books on hand and those lost or damaged, which must be written off
- calculate average resource values and calculate the cost of and depreciation on books written off
- calculate the depreciation for the current year on those books on hand at the end of the year.

### Example

The following Library Resources Reconciliation Statement provides a summary of the items needed to ensure all library-related transactions are properly recorded in the accounting system. Below the statement are the steps required to complete the Library Resources Reconciliation Statement.

	Gross value	Accumulated depreciation	Net value	Book numbers	Note
	\$	\$	\$		
Balance at 1 January	45,000	17,800	27,200	5,000	1
Purchases for year	8,000		8,000	533	2
	53,000	17,800	35,200	5,533	3
Write off	(2,000)	(790)	(1,210)	(222)	4, 5, 6
Adjusted book value	51,000	17,010	33,990	5,311	
Depreciation expense		6,375	(6,375)		7
<b>Balance at 31 December</b>	<b>51,000</b>	<b>23,385</b>	<b>27,615</b>	<b>5,311</b>	<b>8</b>

		Cost	Number	Average cost
Note 1				
Balance at beginning of year	Gross value	\$45,000	5,000	<u>45,000</u>
	Depreciation	<u>17,800</u>		5,000
Establish the opening balances for the financial year. These balances are the same as the closing balances at the end of the previous financial year.	Net book value	27,200		= \$9/book

		Cost	Number	Average cost
Note 2				
Purchases during the year	Books purchased	8,000	533	<u>8,000</u>
Establish the number and cost of books purchased during the year. The information is obtained from the general ledger, invoices and the accession register.				533
				=
				\$15/book

		Cost	Number	Average cost
Note 3				
Calculate total number and value of books	Opening	45,000	5,000	\$9
	+ Purchases	<u>8,000</u>	<u>533</u>	\$15
Based on the opening number of books and purchases during the year, how many books should be held by the library?	= Closing (expected book numbers)	53,000	5,533	

		Number
Note 4		
Carry out stock-take	Books on hand	4,080
	+ Books on issue	<u>1,231</u>
Count the number of books on hand (including books currently on issue).	= Actual books	5,311
	Expected	5,533
	- Actual	- 5,311
	= Lost or damaged	= 222

Note 5		Average cost	Number	Write off
Calculate value of books lost	Lost or damaged	\$9	222	\$9 x 222 = \$1,998
Calculate the value of books lost or damaged based on the average cost of books at the beginning of the year. This is the amount that must be written off.				

Note 6		Opening Acc Depn	Number	
Calculate depreciation on the lost books	As at 1 January	17,800	5,000	<u>17,800</u> 5,000 =
As part of the write off of the books that have been lost or damaged, the depreciation relating to those books must also be written off.				
	Depreciation on lost books		222	222 x \$3.56 = \$790

Note 7		Opening	Number	Depn
Calculate depreciation for the current year	+ Purchases		45,000	
	- Lost		8,000	
Calculate the depreciation expense for the current year.	= Total		<u>(2,000)</u> 51,000	@12.5% (8 year life) = \$6,375

Note 8		Accumulated Depreciation
Calculate accumulated depreciation	Opening balance	17,800
	- Books lost (Note 6)	(790)
Based on the workings above, calculate the total depreciation on the school's library resources.	+ Current year (Note 7)	<u>6,375</u>
	Total	23,385

Assets should be reported at their fair value. If the value of an asset has reduced then that asset has been impaired and its lower value should be reported. The reduction in value is an impairment expense.

### ***Impairment of property, plant and equipment***

Property, plant and equipment may reduce in value for a variety of reasons, including:

- physical damage or the asset wearing out earlier than expected – eg assets damaged in a flood
- changes in technology that makes an asset obsolete – eg computer software no longer of any use
- changes in the school curriculum – eg obsolete text books.

Each year your school must consider:

- whether there are any indications that asset values have been impaired for each class of property, plant and equipment and intangible assets
- where indications of impairment exist then calculate the assets' recoverable amount (ie depreciated replacement cost – an estimate of the current replacement cost less allowances for physical deterioration and optimisation for obsolescence and surplus capacity)
- if the carrying amount/book value of the assets is higher than the depreciated replacement cost then recognise an impairment loss as an expense in the Revenue Statement.

#### *Example*

Kiwi Park School purchased a collection of 100 maths text books for its middle school two years ago. The collection has a gross book value of \$10,000 (each book cost \$100) and the depreciation rate is straight line over five years or 20%. This year the school changed its maths curriculum and the content of the text books is no longer applicable for teaching.

The change in school curriculum has reduced the value of the maths text books to zero because they are now obsolete.

The carrying value of the collection of maths text books in the school's financial statements as at 31 December is \$6,000 (two years' depreciation is \$6,000, 20% a year of \$10,000). An impairment loss of \$6,000 is recognised as an expense for the year as the carrying value (\$6,000) is greater than the fair value of the text books (\$0).

#### **Journal entry**

Debit	Impairment expense	\$6,000	
Credit	Text books		\$6,000
Narrative:	To recognise a loss on obsolete text books		

#### **4.4.7 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Schools may have intangible assets, such as websites or software for student management or financial management.

##### **Software**

No intangible asset is recognised where a school pays an annual rental or licence fee rather than purchasing a software program (or where the software had only a minimal purchase price with a substantial annual licence fee).

When a school purchases a computer, this will often include suite or day-to-day software. Schools are not required to separately identify software acquired when hardware is purchased (for example, Microsoft Office/Vista) unless the software is determined to be greater than the school's threshold for capitalisation of an asset (the Ministry recommends \$1,000 threshold). The operating system of a computer is not required to be identified as this is considered part of the hardware.

The Ministry recommends:

- software purchased is recognised as an expense in the Statement of Comprehensive Revenue and Expense when it is less than the school's threshold for capitalisation of an asset
- software purchased is recognised as an intangible asset when it is greater than the school's threshold for capitalisation of an asset

- if the total gross book value of all software recognised as intangible assets is greater than 5% of the total gross book value of the school's property, plant and equipment, the Ministry believes it would be material enough to recognise in a separate intangible asset class. If it is less than 5%, the Ministry believes it is immaterial enough to be recognised within the information and communication technology asset class.

If your school is considering capitalising a software program that was developed internally, you should consult your financial service provider or auditor. PBE IPSAS 31 provides certain circumstances where costs can be capitalised.

#### *Examples*

- a) Kiwi Park School purchased a laptop computer for \$1,999 for use in its junior classroom. The laptop has a basic Microsoft Office package installed that cost \$150. This was included in the purchase price of \$1,999. Kiwi Park School has adopted a \$1,000 threshold for capitalisation of an asset.

The software portion is below the capitalisation threshold and, therefore, it is not required to be separately identified as an intangible asset. The laptop computer is capitalised at the cost of \$1,999 and recorded in the information and communication technology asset class.

- b) Kiwi Park School has purchased a school management system with a gross book value of \$15,000. No other intangible assets have been recognised by the school and at year-end the total gross book value of all property, plant and equipment of the school is \$758,000.

The software is an intangible asset. As the gross book value of all intangible assets is only 2% of the total gross book value of property, plant and equipment, no separate intangible asset class is required.

#### **Website costs**

Schools can recognise their website as an intangible asset if they can demonstrate how the website will generate probable future economic benefits. A school website that promotes and advertises the school does not generate probable future economic benefits unless it is capable of generating revenues, including direct revenues from enabling orders to be placed. For example, international student fees can be paid via the school's website.

Schools should consult their financial service provider or auditor before any website costs are capitalised in accordance with PBE IPSAS 31.

Costs associated with developing and maintaining your school's website that do not generate probable future economic benefits are to be expensed in the Statement of Revenue and Expenses when incurred.

#### **4.4.8 School Network Upgrade Programme (SNUP)**

For cabling installed as part of the joint Ministry/schools SNUP project, boards should recognise the board contribution as a fixed asset. This advice constitutes "explicit agreement with the Ministry". The school may contribute from its 5YA funds instead of making a direct contribution. This should not be capitalised in the school's financial statements, as this is Ministry capital funding and it will recognise the asset on its balance sheet.

For equipment such as switches and servers installed as part of the SNUP project, schools should (for 2016 and future years):

- record the Ministry of Education portion as an equity contribution
- record the assets initially at 100% of their value, and
- subsequently depreciate the asset accordingly.

If, in previous years, schools accounted for the cabling, switches, and servers differently from what is outlined above, no adjustments are required to previous financial statements because of the decreasing materiality of previous years' figures.

Please note that 5YA funds cannot be applied to switches and servers that are part of the joint Ministry/schools SNUP project.

Further information on contribution arrangements is available from each school's SNUP memorandum of understanding.

### ***School Network Upgrade Project (SNUP) – state integrated schools***

For state integrated schools the Ministry pays 68% of the costs of the project, and bills the rest to the proprietor. The proprietor cannot pass on any of the costs of the cabling to the school board, but can ask for a contribution to the cost of the servers and switches.

As the servers and switches are equipment, the school should recognise these on the school's balance sheet as equipment. The school should recognise 100% of the cost of the equipment as an asset. Any contributions made by the Ministry or the proprietor should be shown as income (in the same way as the integrated school recognises the furniture and equipment grant).

## 4.5 Liabilities

### 4.5.1 Accounts payable

Accounts payable is made up of the following.

**Operating creditors:** This is the amount of any invoices that have been received by the school for expenditure incurred that have not yet been paid for. It is required that the school recognises both the expense and the operating creditor (liability) through a journal entry.

Example:

Kiwi Park School orders and receives stationery totalling \$115 in December. They will not pay for the stationery until January of the following year and therefore is required to recognise the stationery expense and the accounts payable in December.

*Journal entry*

Debit	Stationery (expense)	100	
Debit	GST (expense)	15	
Credit	Operating creditors (liability)		115
Narrative: Journal to record stationery expense and operating creditor as no payment has been made			

Once the invoice is paid in January the journal is reversed so that there is no longer an operating creditor.

*Journal entry*

Debit	Operating creditors (liability)	115	
Credit	Bank (asset)		115
Narrative: Journal to record payment of stationery and reversal of operating creditor			

**Accruals:** An accrual is similar to an operating creditor but an invoice has not yet been received. It is therefore a best estimate of the expected cost of expenditure incurred. A common example is the audit fee which is generally not invoiced until after the end of the audit. The best estimate for this is based on the engagement letter received by the school during the year. The journals are the same as above but the liability account is accruals rather than operating creditors.

**Banking staffing overuse:** Banking staffing is the tool schools use to manage their annual staffing entitlement. A school's banking staffing balance is shown on the fortnightly Novopay banking staffing report. Any over-usage must be recorded as a liability and will be recovered from the operations grant payment made by the Ministry.

For further guidance on banking staffing refer: [Banking Staffing](#)

Example:

Kiwi Park School receives a banking staffing report for PP22 showing overuse at a value of -6.52 FTTE or \$13,792.31. No underuse is expected to 31 March.

*Journal entry*

Debit	Teaching salaries expense	13,792.31	
Credit	Banking staffing liability		13,792.31
Narrative: To recognise the banking staffing liability relating to the year ended 31 December			



**Employee entitlements – salaries:** Schools are required to report a liability in dollar terms for annual leave and long-service leave for their non-teaching staff. A leave liability report will be available through the Novopay system in February 2017.

Schools should be actively managing outstanding leave balances where the balance is high. This will assist in reducing the leave liability for which your school is required to account.

No provision is required to be recognised for sick leave for any teachers, irrespective of whether a school is above its teaching entitlement as in practice most teacher sick leave is grant funded by the Ministry.

To calculate the accrual, refer to the summary SUE report provided to the school in mid-January.

*Journal entry*

Debit	Ground staff wages	100	
Debit	Administration staff salaries	100	
Credit	Salary accrual (liability)		200
Narrative: To accrue non-teacher salary and wage costs for the period xx December to 31 December			

**Employee entitlements – leave accrual:** Any holiday pay due but not paid will need to be accrued for at the end of the year. If a school has non-teaching staff who have been employed with the school for some time, they may be entitled to long service or retirement leave. It is important to check their personnel records, calculate any liability that exists, set funds aside and record the liability in the school's Balance Sheet. It can be difficult for a school to find unexpected, significant amounts to pay exiting staff.

*Journal entry*

Debit	Ground staff wages	50	
Debit	Administration staff salaries	50	
Credit	Staff payables (liability)		100
Narrative: To accrue holiday pay due at 31 December.			

#### 4.5.2 Borrowings

Some schools have received loans from the Ministry or borrowed funds from third parties with nil or below market interest rates.

These are disclosed as a liability in the financial statements under borrowings. They can be either current or non-current liabilities depending on when the loan is due for repayment.

If the loan is interest free or interest is being paid at a rate below commercial interest rates, a calculation will need to be performed to discount the loan amount to its fair value at balance date.

Please contact your financial service provider or financial advisor for advice.

#### 4.5.3 Revenue received in advance

Any money that has been received but is not able to be recognised as revenue yet should be recognised as revenue received in advance liability. An example of this is the receipt of international student fees in December for the following school year. Refer to section 4.2.4 for journals.

#### 4.5.4 Provision for cyclical maintenance

School operation grant funding includes a component for maintenance of school property. Although schools are not required to report directly how they have spent that money, they are required to keep their property well maintained, as part of their Property Occupancy Document

One of the most significant maintenance costs for schools is painting, especially external painting. External painting is usually done on a cyclical basis, say every seven years. If a school does not set aside money each year from its operations grant then it can be a struggle to pay for the cost of external painting.

To support better planning for cyclical maintenance costs, like external painting, and to comply with generally accepted accounting practice (GAAP), schools are required to have a provision for cyclical maintenance as a liability in their balance sheets. Schools should set aside sufficient funds to match that liability.

### ***How is the cyclical maintenance provision calculated?***

Use your school's 10-Year Property Plan to determine each major item of cyclical maintenance that should be provided for. The most common items are internal and external painting of the school, but may include other items like resurfacing sports areas, painting the swimming pool, replacement of curtains and resealing car parks.

The amount of the provision is split between current (to be carried out in the following year) and non-current (to be carried out in future years) annually.

You can use the cyclical maintenance calculation spreadsheet in the 10YPP template to help you calculate how much funding to set aside each year for each cyclical maintenance project. The spreadsheet can be edited to include all of the major maintenance projects to be carried out in future years, the year each task is expected to be done and the estimated cost.

The assumptions used in the spreadsheet will need to be verified every five years by reference to the professionally reviewed 10-Year Property Plan (10YPP), a long-term painting contract or other reliable sources of evidence.

These assumptions will need to be reviewed more frequently if:

- a 5-Year Plan (5YP) has been agreed in a current year and some of the maintenance requirements are taken care of as part of the 5YP programme
- if the expenditure in the current year is not in accordance with the current provision in the previous year
- if there are any grounds to doubt the reasonableness of the provision.

It is important that the provision is correct and not influenced by any funding flows.

Please note the 10YPP will still include a maintenance component and needs to be professionally reviewed every three years. This spreadsheet simply calculates the provision for cyclical maintenance for inclusion in a school's annual accounts.

### ***Accounting for cyclical maintenance expenditure***

When cyclical maintenance work is carried out, the cost of that work will be charged against the provision for cyclical maintenance in the Statement of Financial Position.

It is possible that the maintenance cost incurred will not equal the provision for cyclical maintenance. This could be the result of:

- 2) changes in the nature of the school's property – for example:
  - a) completion of 5YP capital projects
  - b) major roll change, resulting in the arrival or departure of re-locatable classrooms
- 3) changes in estimates – for example:

- a) signing of a 5YP with the Ministry, resulting in changes to the school's 10YPP
- b) amendments to the nature and timing of maintenance tasks in the 10YPP

4) Differences between estimated cost and actual costs.

*Example – actual cost equal to provision*

Kiwi Park School has one classroom block that last had an exterior paint eight years ago. The school anticipates that it needs repainting every 10 years and the 10YPP shows a repaint due next year that is expected to cost \$50,000. At 31 December year end, the school had a provision for cyclical maintenance liability of \$40,000 ( $\$50,000/10 \times 8$  years). The provision was increased each year by \$5,000 ( $\$50,000/10$  years).

*Journal entry*

Debit	Cyclical maintenance (property expense)	5,000	
Credit	Provision for cyclical maintenance (liability)		5,000
Narrative: To recognise the annual charge for cyclical maintenance and increase the provision			

Two years later the repaint was done at the forecast cost of \$50,000.

*Journal entry*

Debit	Provision for cyclical maintenance (liability)	50,000	
Credit	Bank (asset)		50,000
Narrative: To record the exterior repaint of a classroom block			

*Example – actual cost is more than provision*

Kiwi Park School has a classroom block that last had an exterior paint eight years ago. The school anticipates that it needs repainting every 10 years and the 10YPP shows a repaint due next year that is expected to cost \$50,000. At 31 December year end the school had a provision for cyclical maintenance liability of \$40,000 ( $\$50,000/10 \times 8$  years).

The following year the school noticed a rapid deterioration in exterior paint on their classroom block. Although the repaint was not due for another two years, the board decided to have the block painted that year.

The repaint was completed for a cost of \$50,000. The school must now record the cost of the exterior repaint. With the balance of the provision for cyclical maintenance standing at \$40,000, the cost of the repaint exceeds the amount provided. The additional cost must therefore be recorded as an expense.

*Journal entry*

Debit	Cyclical maintenance (property expense)	10,000	
Credit	Provision for cyclical maintenance (liability)	40,000	
Credit	Bank		50,000
Narrative: To record the exterior repaint of the classroom block			

At the end of that year, the school updates its 10YPP and recalculates its provision for cyclical maintenance. The only item of cyclical maintenance was the repaint of the classroom block, and since this has only just been completed, the school is in a 'good order of repair' and the next repaint is not due for another 10 years. Therefore, the current value of the school's obligation to maintain Crown property is zero and no provision is required at year end.

*Example – actual cost is less than provision*

Kiwi Park School has a classroom block that last had an exterior paint nine years ago. The school anticipates it needs repainting every 10 years and the 10YPP shows a repaint due next year that is expected to cost \$50,000. At 31 December year end, the school had a provision for cyclical maintenance liability of \$45,000 ( $\$50,000/10 \times 9$  years).

During the year, Kiwi Park School signed up to a new 5YA with the Ministry. As part of this agreement the sash windows in the classroom block were replaced with aluminium windows and the areas around the windows were painted once the job was completed.

The following year the school carries out the exterior repaint of the classroom block in accordance with the 10YPP. Because of the window painting work completed the previous year, the actual cost of the repaint was \$40,000, \$10,000 less than the amount estimated.

*Journal entry*

Debit	Provision for cyclical maintenance (liability)	45,000	
Credit	Bank (asset)		40,000
Credit	Other revenue		5,000
Narrative: To record the exterior repaint of the classroom block and charge the cost against the provision for cyclical maintenance. On completion of the exterior repaint, the value of the school's obligation to maintain school property is zero and the balance of the provision is therefore transferred to revenue.			

At year end the school updates its 10YPP and recalculates its provision for cyclical maintenance. The only item of cyclical maintenance was the repaint of the classroom block and since this has only just been completed, the school is in a 'good order of repair' and the next repaint is not due for another 10 years. Therefore, the current value of the school's obligation to maintain Crown property is zero and no provision is required at year end. This means the balance of the provision at 31 December must be transferred to revenue.

#### **4.5.5 Finance leases**

A finance lease is a lease that transfers substantially all the risks and rewards of owning an asset to the lessee (the person leasing the asset). The substance of the lease documentation (what it means) is looked at rather than the contractual form (the words used). Each lease should be considered on a case-by-case basis to decide whether it is a finance lease or an operating lease.

Factors that indicate a lease is a finance lease (as per paragraphs 15 and 16 of PBE IPSAS 13) include:

- ownership of the leased asset is transferred to the lessee by the end of the lease term
- the lessee can buy the asset at no or low cost at the end of the lease
- the lease is for the major part of the economic life of the asset
- at the beginning of the lease, the present value of the total minimum lease payments is at least substantially all of the fair value of the asset
- the asset is of a specialised nature so that only the lessee can use it without major modifications
- there are penalties for cancelling the lease

- the lessee gets any gains or losses in the value of the asset
- the lease can be extended when it finishes, at a lower than market rate.

In most cases, the Ministry believes that it should be possible for the school and financial service provider to make the decision about whether the lease is a finance or operating lease, without consultation with their auditor. However, the Ministry accepts that it can be difficult to make a decision on some leases and, therefore, where there is doubt, and the issue is material to the financial statements, the Ministry recommends that the school consults its auditor for advice.

### **Accounting for finance leases**

According to PBE IPSAS 13 'Leases':

*"At the commencement of the lease term, lessees shall recognise assets acquired under finance leases as assets, and the associated lease obligations as liabilities in their statements of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.*

*"The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used."*

Fair values can usually be estimated based on the cost of buying the asset. The present value of the minimum lease payments is usually around fair value.

The depreciation policy for leased assets should be consistent with that for depreciable assets, which are owned, except where there is no reasonable certainty that the board will obtain ownership of the asset by the end of the lease term, in which case depreciation should be over the lease term (refer to paragraph 36 of PBE IPSAS 13). For example, if computer equipment is normally depreciated over five years, computer equipment obtained under a 4-year finance lease should be depreciated over four years rather than five years.

The finance charge is the total of the lease payments less the initial value of the capitalised asset. This charge should be allocated as an expense to the financial periods of the lease term to give a constant periodic rate of interest on the remaining balance of the liability (as per paragraph 36 PBE IPSAS 13) or a reasonable approximation.

### **Treatment of TELA leases**

Due to the change in accounting standards, TELA leases are now classified as finance leases (as with any photocopier leases). Refer to **Appendix A** for further guidance released in 2016 on the treatment of TELA leases.

## **4.5.6 Funds held on trust**

### **Funds donated for specified purposes**

From time to time schools receive special donations, bequests and other sums of money. Where the donor states that the interest on the money is to be used for a specified purpose then the money received, or capital sum, must be held separately – 'in trust'. (See also 'Donations, bequests and gifts').

The purpose of these donations or bequests may be:

- an annual prize
- a scholarship
- equipment purchase
- any other purpose specified.

Depending on the terms or conditions attached to the donation or bequest, the school may be required to:

- hold the capital sum intact as a cash deposit or investment
- only distribute interest earned on deposits.

If the conditions attached to the donation are complex, a written opinion should be obtained from a lawyer or chartered accountant. These opinions should set out precise details as to how the fund is to be administered and accounted for. These opinions must be made available to the school's auditor.

When a donation, bequest or gift is to be held in trust, it is regarded as a liability until the conditions attached to the donation are met. At that time, the donation is transferred from a liability and recognised as revenue.

If the donation is to be held for a long time before it is paid out, or if the conditions require that only interest is paid, schools should consider setting up a separate bank account.

### *Example*

Kiwi Park School receives \$10,000 from the estate of M. Cooper, a former student. The bequest states that half of the interest earned each year is to be given as an award to the student who has made the most outstanding contribution to the school. In the first year \$700 is earned in interest so that \$350 can be paid as an award.

### *Journal entries*

Debit	Deposit trust account	10,000	
Credit	M. Cooper Trust		10,000
Narrative: A bequest from M. Cooper is to be held in trust and a portion of the interest earned each year is to be given as an award to the student who has made the most outstanding contribution to the school			
Debit	Deposit trust account	700	
Credit	M. Cooper Trust		700
Narrative: Interest earned by the M. Cooper Trust			
Debit	M. Cooper Trust	350	
Credit	Donations		350
Debit	Prize giving	350	
Credit	Deposit trust account		350
Narrative: Payment of a \$350 award from the M. Cooper Trust and recognition of that amount as a donation to the school (as the conditions of the trust have been met)			

### ***International students – personal funds held on behalf of students***

In certain circumstances, schools may look after international students' personal funds, perhaps to 'drip-feed' this money to the student over the year. However, there are other options available, such as bank accounts with restrictions on access. Whatever the legal arrangement, any school looking after funds for international students needs to regard itself as being in a fiduciary relationship with the student. Therefore the school must behave in an exemplary manner regarding the use of the funds.

Schools should deposit the private funds held on behalf of students into a bank account separate to the school's main bank account – schools are holding funds on trust and have a very high duty of care. Interest earned on the funds must be returned to the students rather than being treated as a windfall by the school. Schools should have written agreements with the students and/or their parents/guardians to outline the circumstances in which the funds can be used or accessed and by whom.

### ***Funds held for capital works projects***

Schools may receive funding advances from the Ministry for capital works projects, from their 5YA funding or other capital programme funding sources. The advances are not revenue, but funds held on behalf of the Ministry. The school should credit the funds to a liability account (funds held for capital works projects) when they are received. When the funds are spent, the liability account should be debited.

#### ***Example***

Kiwi Park School received \$50,000 from the Ministry for a gym upgrade. At balance date the school had not yet spent any of these funds received.

#### ***Journal entries***

Debit	Bank (asset)	50,000	
Credit	Funds held for capital works projects (liability)		50,000
Narrative: Journal to recognise receipt of money for capital works project on the gym			

### ***Funds held on behalf of a cluster***

Schools that are members of clusters, which share resources and funding to achieve a common purpose, are required to account for any balance of these funds at each year end. The lead school will account for any balance unspent and should identify each cluster member school's share. The member schools should show their share of the balance as a current asset.

Refer to the Kiwi Park School model financial statements of how the note should look for funds for RTLB services and funds held on behalf of a cluster.

## 4.6 Notes to the financial statements

Notes are an integral part of a school's financial statements, as they provide explanatory information and greater level of detail. Some note disclosure is compulsory, in accordance with PBE IPSAS, but schools may choose to include notes that will add value or understanding to the reader.

Kiwi Park School model financial statements include suggested wording for compulsory disclosure notes, most of which are self-explanatory, therefore additional information is provided below for only a few areas.

### 4.6.1 Related parties

#### ***Who is a related party?***

An entity or person is considered a related party to a school if they can control or exert significant influence over the decisions made by the board of trustees, ie key management personnel at the school, close family of a board of trustees.

#### *1) Key management personnel*

Key management personnel are those persons either directly or indirectly having authority and responsibility for planning, directing and controlling the activities of the school. Key management personnel include:

- trustees of the board
- committee members
- the principal.

Key management personnel may also include the:

- associate principal
- deputy principal
- assistant principal
- executive officer/business manager
- heads of departments and any senior staff with employing or contracting responsibilities.

In general, key management personnel will include the board plus all those employees who form part of the school's 'senior management team' (or whatever name the group is called).

#### *2) Close family members*

Close family members include those family members who may be expected to influence, or be influenced by, that individual in their dealings with the school.

This includes:

- the individual's domestic partner and children
- children of the individual's domestic partner
- dependants of the individual or individual's partner.

It may also include other family members.

#### ***What is a related party transaction?***

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

#### ***What should be disclosed in the related parties note?***



All related party transaction that have occurred that are non-arm's length and not at market terms are required to be disclosed. Any transactions that have occurred with related parties within a normal supplier relationship on normal terms are not required to be disclosed.

It is not necessary to report related party transactions between entities that form part of the New Zealand public sector, despite the fact that they are subject to common control or significant influence by the Crown (if the transactions are carried out at arm's length). For example, schools and New Zealand Post are entities within the Crown reporting entity. However, disclosure of information by a school about purchasing stamps from New Zealand Post does not provide users with useful information.

*Example of a non-arm's length transaction*

Nicholas Reid is a trustee of the board of Kiwi Park School. Nicholas is also the general manager of Computer City Ltd that has been used to maintain and service the school's computer hardware and software. The total value of transactions for the year is \$10,000 and Computer City Ltd provided the services at a rate lower than market value.

This is a non-arm's length related party transaction and therefore the board needs to disclose the payment of \$10,000 with Computer City Ltd as a note in the financial statements.

*Example of an arm's length transaction*

Angela Ashby is the principal of Kiwi Park School. In November the board purchased \$24,000 of playground equipment from Big Fun Ltd. Angela's husband, Tom, is the managing director of Big Fun Ltd. At 31 December \$10,000 remained outstanding to Big Fun Ltd. All transactions have been on normal trading terms and will result in a fair market sales price.

This is an arm's length related party transaction as the playground was purchased at a market value price and therefore no disclosure is required in the related party note.

**Key management personnel compensation**

All schools are required to disclose key management personnel compensation. All of the shown remuneration classifications should be disclosed even if the payment is nil.

Remuneration should include all pay and benefits, such as cars, insurance payments, subsidised housing, bonuses, etc. Most key management personnel will be teachers so will be unlikely to have benefits unless concurrence has been given. However, if a school has a business manager, they may be key management personnel and not be restricted by the collectives. If the cost of a benefit is not determinable, an estimate should be made. In most cases, if benefits are payable, the school should be paying FBT on these which will provide a reasonable estimate of the benefit received.

Schools are required to disclose the aggregate remuneration of key management personnel (which includes members of the board and committee) and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within each category, eg the full-time equivalent for board and committee members has been determined based on the frequency and length of board and committee meetings and the estimated time for board members to prepare for meetings.

Refer to the Kiwi Park School model for how to calculate key management personnel compensation.

**4.6.2 Commitments**

Schools are required to include a note on commitments, disclosing their capital and operating commitments for up to five years in the future.

**4.6.3 Contingencies**

If the board is aware of any matters at 31 December that are unresolved and which may result in expenditure by the board but which is not otherwise allowed for in the accounts (such as a redundancy or severance payment), such potential for additional expense should be included as a note under contingencies.

## **Appendix A: Treatment of TELA leases**

### **Treatment of TELA leases**

The following information is provided to assist you when reviewing your TELA lease arrangements for your school for future years.

The TELA lease agreements have been assessed against current accounting standards and we have concluded that they are finance leases, not operating leases. In prior years, as required by Ministry guidance, these have been treated by all schools as operating leases. A change in accounting standards and a renewed focus on leasing arrangements has prompted this re-assessment.

The accounting standard requires that at the commencement of the lease term, a lessee recognise assets acquired under finance leases as assets, and the associated lease obligations as liabilities in its Statement of Financial Position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Please note that finance leases are classified as borrowing. Boards will be aware that clause 12 of the Crown Entities (Financial Powers) Regulations 2005 limits the annual debt servicing of a board's borrowing to no more than 10% of the operations grants the school receives from the Ministry. If a school has breached its borrowing limit because of the reclassification of these leases, this must be disclosed in the school's financial statements.

### **Treatment 2016**

All TELA lease agreements entered into by schools in 2016 are to be treated as finance leases. The total amount of the lease needs to be recorded in the financial statements, as the school is the lessee. The Ministry portion of the lease payments is recognised as a 'notional' revenue and expense when paid.

### **Leases in place prior to 2016**

Leases may continue to be treated as operating leases unless the outstanding asset and liability at 31 December 2016 (or 31 December 2015) would be material to the financial statements. While individual leases may not be material, you need to consider whether all leases taken together (including non-TELA leases that are finance leases) would be material.

**2013** – All TELA leases that started in 2013 will be ending in the 2016 year, so no asset or liability will remain at 31 December 2016. However, you still need to consider the comparative figures but it is likely the remaining asset and liability, as at 31 December 2015 relating to these leases, will not be material for your school. Unless the lease payments are particularly large, you can continue to treat these leases as operating leases.

**2014** – All TELA leases that started in 2014 will be two-thirds into the lease agreement and ending in the 2017 year. Again, the remaining asset and liability may not be material for your school at either the 2016 or 2015 year end. This will depend on when in 2014 the lease started and the size of the lease payments. If a significant lease, you should assess whether the remaining asset and liability could be material to the financial statements.

**2015** – All TELA leases that started in 2015 will be one-third into the lease agreement and finishing in the 2018 year. The balances for these leases may be material for your school and should be assessed for materiality.

We have provided a TELA worksheet to help you determine whether the asset and liability for each of your TELA leases as at 31 December 2016 or 31 December 2015 would be material. It is likely that individual leases will not be material, so you must consider the total asset and liability from all lease agreements at each year end when making this assessment. If you determine that the asset and liability for all TELA leases as at 31 December 2015 would be material, you will need to record this as a prior period adjustment in your 2016 financial statements.

## **Journals**

We have set out the journals required to account for the TELA lease agreements below. As noted above, the total asset and liability under the lease agreement should be recognised and the Ministry portion of the lease payment is accounted for as 'notional' revenue and expense.

### **1. To recognise asset and lease liability**

DR – PPE Leased Assets – Full Value of Asset

CR – Finance Lease Liability

### **2. Annual cost of lease – school portion**

DR – Interest Expense

DR – Finance Lease Liability

CR – Cash

### **3. Annual cost of lease – Ministry portion**

DR – Interest Expense

DR – Finance Lease Liability

CR – Subsidy Income – Other Ministry Grants

### **4. Depreciation**

DR – Depreciation Expense

CR PPE – Accumulated Depreciation

**TELA worksheet:** [TELA Lease Worksheet](#)

The worksheet will help you calculate the asset value (the present value of minimum lease payments) and to split the quarterly payments between the principal (finance lease liability) and the interest expense. You will find the worksheet on the Ministry website under this guidance document.

You should create a copy of the TELA worksheet for each lease agreement. You need to enter the school and Ministry payments from your lease agreement into the yellow shaded boxes. As all the lease agreements have the same interest rate and term, the worksheet will calculate the value of the initial asset and liability and the split of the quarterly payments. The journals you will need to post to your financial statements are shaded blue.

If you enter the payment dates in column B, the balances in column I and J will show you the value of the asset and liability at 31 December in each year. You can see this in examples one and two. As noted above, you can use this worksheet to determine whether assets and liabilities for agreements entered into in prior years would be material to the financial statements for either the 2015 or 2016 years. If material, they would need to be recognised in the financial statements.

## **Appendix B: Model financial policies**

### ***Asset management policy***

#### **Kiwi Park School Asset Management Policy**

***Adopted by the Board of Trustees on 31 October 20XX***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

### **Introduction**

1. The Board accepts that it has a responsibility to protect the assets of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal.
2. In the formulation and approval of this Policy, the Board has had due regard to the accepted standards of sound asset management and applied these to the School. The Board wishes to record that it sought the advice of a chartered accountant and consulted with the School's auditor in their role as agent of the controller and Auditor-General before approving this Policy.
3. The Board requires the principal, as the chief executive and the Board's most senior employee, to implement and manage this Policy. The principal may, from time to time, further delegate some of their responsibilities, and all such delegations must be attached as appendices to this Policy.
4. This Policy must be read in conjunction with other Board policies, and the exercising of all authority and responsibilities conferred under this Policy must be in accordance with the Schedule of Delegations and may not exceed an individual's established level of delegated authority.

### **Acquisition of assets**

5. The Board agrees to review the asset management plan annually and agree a budget for annual asset acquisitions.
6. The principal shall have delegated authority to purchase assets within the annual asset acquisition budget, following good procurement processes, provided that the value of any individual asset is no more than \$10,000.
7. The decision to purchase any asset with a cost of over \$10,000 must be made by the Board, not the principal alone.
8. The Board shall consider the most cost-efficient acquisition method for each new asset acquisition decision, ie whether to buy or lease, and whether to acquire by operating or finance lease.
9. The Board shall follow good procurement processes for the acquisition of assets over \$10,000. This may include placing a notice on the Government Electronic Tendering System (GETS) for acquiring assets with a combined value over \$100,000; obtaining several quotes to compare value for money; and managing any potential conflicts of interest appropriately.

### **Information technology assets**

10. All information technology assets, such as computers and laptops and associated software, must be compatible with the standard operating platform used within the school.
11. The Board aims to provide and maintain a suite of IT assets that provides the best possible learning tools for students, within budget constraints, including a replacement programme that matches the expected useful life of each asset.

## **Expected useful lives**

12. The Board agrees on the expected useful lives of the following types of assets:

Buildings – School	18–40 years
Building improvements – Crown	10–20 years
Furniture and equipment	10–15 years
Information and communication technology	4 years
Motor vehicles	5 years
Textbooks	3 years
Leased assets	4 years
Library resources	8 years

## **Maintenance of assets**

13. The principal shall have delegated authority to maintain the school's assets in good working order, within the approved budget.

## **Asset records**

14. A fixed asset register for all assets with a cost of \$1,000 or more shall be recorded in the fixed asset register.
15. Assets that cost less than \$1,000 shall be recorded in a register of valuable assets.
16. A review of assets against the fixed asset and valuable asset registers shall be undertaken at least once a year.

## **Disposal of assets**

17. The principal shall have delegated authority to dispose of any asset that has reached the end of its useful life (as recorded in the fixed asset or valuable asset registers), provided the original cost of that asset was less than \$10,000. The principal shall report to the Board about reasons for disposal, disposal process and any net disposal proceeds.
18. The Board shall approve the disposal of any asset that had an original cost of over \$10,000, including the reasons for disposal, disposal process and use of any disposal proceeds.

## Approval

19. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.
20. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

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Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

## ***Cash management policy***

### **Kiwi Park School Cash Management Policy**

***Adopted by the Board of Trustees on 31 October 20XX***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

#### **Introduction**

1. The Board accepts that it has a responsibility to protect the cash resources of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal.
2. In the formulation and approval of this Policy, the Board has had due regard to the accepted standards of sound financial management and applied these to the School. The Board wishes to record that it sought the advice of a chartered accountant and consulted with the School's auditor in their role as agent of the controller and Auditor-General before approving this Policy.
3. The Board requires the principal, as the chief executive and the Board's most senior employee, to implement and manage this Policy. The principal may, from time to time, further delegate some of their responsibilities, and all such delegations must be attached as appendices to this Policy.
4. This Policy must be read in conjunction with other Board policies, and the exercising of all authority and responsibilities conferred under this Policy must be in accordance with the Schedule of Delegations and may not exceed an individual's established level of delegated authority.

#### **Cheque and call deposit accounts**

5. The Board agrees that one cheque account shall be operated for Board general receipts and payments. The only other cheque account permitted shall be for the school's trust funds account.
6. The signatories to this cheque account shall be:
  - the Board chairperson
  - the finance committee chair
  - the principal
  - the executive officer and
  - one other parent representative Board member.
7. All cheques for operating expenses shall be signed by at least one Board member and either the principal or the executive officer. All cheques for fixed assets and long-term investments are to be signed by the Board chairperson and the principal.
8. Under no circumstances is a cheque signatory to sign a blank cheque.
9. All cheques, except those for petty cash reimbursement, must be issued as 'Not Transferable – Account Payee Only'.
10. At no time shall the cheque account be operated in overdraft without permission from the bank and the Ministry if the overdraft exceeds the borrowing limits.
11. One at-call interest bearing deposit account shall be operated to hold cash resources not currently required for operating purposes. This account is only to be operated by the principal or executive officer, with any transactions reported by the principal at the next Board meeting.
12. Separate at-call deposit accounts shall also be operated for fixed asset replacement and cyclical maintenance reserves as specified in the Board's policies for these matters.

## **Trust fund account**

13. A separate bank account and call deposit account shall be used for the trusts funds held by the Board in trust for donor-specified purposes. The terms and conditions for the operation of these accounts shall be the same as for the general operating account referred to above.

## **Investments**

14. Investments of School funds may only be made in accordance with the terms of clause 28 of the amended schedule 6 of the Education Act 1989.
15. Notwithstanding the requirements of clause 28, no investments may be made in equity stocks or in synthetic money market products (eg forward rate agreements and interest rate swaps).
16. Investments may only be made with the written authorisation of the principal and the Board chairperson.

## **Fundraising**

17. The Board acknowledges that under clause 28 of the amended schedule 6 of the Education Act 1989 some professional fundraising contracts constitute an illegal fundraising contract. No such fundraising contract will be entered into by the School. If doubt exists about the legality of a proposed fundraising contract, the principal will contact the regional financial advisor of the Ministry of Education for advice.

## **Cash receipts**

18. All cash and cheques received must be paid into the school office and properly receipted. This includes trading income, other local funds receipts and reimbursements for learning materials.
19. No cash received can be used to pay accounts in cash.
20. Only delegated staff may handle cash.
21. All receipts must be banked as soon as possible and preferably within one working day of receipt.
22. All cash and cheques kept on the premises must be kept secure and under the control of a delegated person.

## **Accounts for payment**

23. All accounts for payment, other than expense reimbursements and attendance fees, must be supported by a copy of the:
  - official school order form
  - the invoice, with certification by the orderer that each item has been received, prices and quantities are correct, and the payee details are correct
  - the correctly completed cheque ready to be signed.
24. No person can sign off two of the documents that comprise the voucher except the order and the invoice. The invoice must be certified by the person who authorises the expenditure.
25. Expense reimbursements must be certified by the manager of the individual being reimbursed, provided the certifier has delegated authority to sign. An expense claim should be supported by GST receipts or invoices. Claims for the use of private motor vehicle usage must be certified by the principal or delegate to indicate that approval was given. Scale rates as per the award will be on the basis of reimbursement per kilometre.



## **Petty cash**

26. A petty cash fund of no more than \$200 shall be held.
27. Reimbursement claims from the petty cash fund shall not exceed \$20 and must be accompanied by a receipt and approved petty cash voucher.
28. Petty cash advances will only be made for amounts up to \$20. They must have an approved petty cash voucher. A receipt for the actual expense with any unspent cash must be provided within two working days of the advance.

## **Accounting records**

29. The principal shall arrange for proper accounting records to be maintained. The records must satisfy all requirements specified in acts of Parliament, financial reporting standards and other applicable standards.
30. The financial system must be so organised by the principal that the principal and chairperson can sign without hesitation the annual Statement of Financial Responsibility as required by section 155 of the Crown Entities Act 2004.

## **Periodic and annual financial statements**

31. For each calendar month the principal shall prepare financial reports showing:
  - a Statement of Financial Performance, including comparison to budget
  - a summary Statement of Cashflow, and
  - a summary Statement of Financial Position.
32. For each month the principal shall present a written summary report that describes:
  - key (financial) achievements from the previous month
  - expectations for the month ahead and
  - significant matters and/or risks that must be addressed by the School.
33. This report shall be presented to the finance committee by the seventh working day following the end of the month, and/or tabled at the next meeting of the Board.
34. Any recommendations made to the Board for the purchase of fixed assets, investments and other use of cash resources must refer to the impact on the School's present cash resources and projected cashflows for the next 12 months.

## Approval

35. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.
36. As part of its approval, the Board requires the principal to circulate this policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

\_\_\_\_\_

Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

## ***Credit card management policy***

### **Kiwi Park School Credit Card Policy**

***Adopted by the Board of Trustees on 31 October 20XX***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

#### **Introduction**

1. The Board agrees that it has a responsibility to ensure that credit card expenditure incurred by the School must clearly be linked to the business of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal.
2. The Board requires the principal, as the chief executive and the Board's most senior employee, to implement and manage this Policy. The principal may, from time to time, further delegate some of their responsibilities, and all such delegations must be attached as appendices to this policy.
3. This Policy must be read in conjunction with other Board policies, and the exercising of all authority and responsibilities conferred under this Policy must be in accordance with the Schedule of Delegations and may not exceed an individual's established level of delegated authority.

#### **Process for issue of credit cards**

4. Credit cards should only be issued to staff members after being authorised by the Board.
5. A register of cardholders should be maintained.
6. The limits set for credit card use should not exceed the overall financial delegation of the cardholder, as set out in the Schedule of Delegations. Any variations require Board approval.
7. Prior to the card being issued, the recipient must be given a copy of this Policy and be required to sign it off to signify that they have read and understood it.

#### **Procedures to be followed when using the card**

8. The credit card is not to be used for any personal expenditure.
9. The credit card will only be used for:
  - payment of actual and reasonable travel, accommodation and meal expenses incurred on School business, or
  - purchase of goods where prior authorisation from the Board is given.
10. All expenditure charged to the credit card should be supported by:
  - a credit card slip
  - a detailed invoice or receipt to confirm that the expenses are properly incurred on School business
  - for expenditure incurred in New Zealand of value greater than \$50 (including GST), there should also be a GST invoice to support the GST input credit.
11. The credit card statement should be certified by the cardholder as evidence of the validity of expenditure.
12. Authorisation for the expenditure should be obtained on a one-up basis (for example the principal should authorise any travel by the deputy principal and the Board should authorise any travel by the principal). Cardholders are not allowed to approve their own expenditure.
13. All purchases should be accounted for within five working days of receiving a credit card statement.

### **Cash advances**

14. Cash advances are not permitted except in an emergency.
15. Where cash advances are taken, the cardholder must provide a full reconciliation, with receipts wherever possible, of how the cash was used. Any unspent monies must be returned to the School.

### **Discretionary benefits**

16. Any benefits of the credit card, such as a membership awards programme are only to be used for the benefit of the School. They should not be redeemed for personal use.

### **Cardholder responsibilities**

17. The cardholder should never allow another person to use the card.
18. The cardholder must protect the PIN of the card.
19. The cardholder must only purchase within the credit limit applicable to the card.
20. The cardholder must notify the credit card company and the school immediately if the card is lost or stolen.
21. The credit card should not be used on the internet without prior Board approval.
22. The cardholder must return the credit card to the School upon ceasing employment there or at any time upon request by the Board.

### **Approval**

23. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.
24. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

\_\_\_\_\_  
Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

### **Signature section for prospective cardholders**

I have read and understood this policy and agree to abide by it.

---

Signed

---

Date

## ***Entertainment policy***

### **Kiwi Park School Entertainment Policy**

***Adopted by the Board of Trustees on 31 October 20XX***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

#### **Introduction**

1. The Board agrees that it has a responsibility to ensure that expenditure on entertainment incurred by the School must clearly be linked to the business of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal.
2. The Board requires the principal, as the chief executive and the Board's most senior employee, to implement and manage this Policy. The principal may, from time to time, further delegate some of their responsibilities, and all such delegations must be attached as appendices to this policy.
3. This Policy must be read in conjunction with other Board policies, and the exercising of all authority and responsibilities conferred under this Policy must be in accordance with the Schedule of Delegations and may not exceed an individual's established level of delegated authority.

#### **Purposes of entertainment**

4. Entertainment expenditure in general will be for the following purposes:
  - Building relationships and goodwill
  - Representation of the school in a social situation
  - Hospitality provided in the course of school business to external parties
  - Internal social functions
5. The purpose of all purchases should be transparent and the amount expended able to be demonstrated as reasonable and appropriate.

#### **School events and staff meetings**

6. This includes conferences, seminars, workshops, training courses and meetings.
7. When deciding upon a venue, teachers should take into account location, accommodation standard and tariff rates. They should give due consideration to the nature of the event, total cost, expectations of participants and their home location.
8. When deciding upon catering, teachers should take into account the nature of the event and the quality of food required. Lunch should only be provided for staff meetings where it is not possible to arrange the meeting for a period which avoids the lunch break.

#### **Alcohol purchases**

9. The school should only purchase alcohol for entertainment purposes.

10. Purchases are usually for the consumption by staff and guests at school hosted events. The amount expended needs to be demonstrably reasonable and appropriate for the event and should be sufficient for moderate consumption only.

### **Approval**

11. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.
12. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

\_\_\_\_\_

Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

## ***Protected disclosures policy***

### **Kiwi Park School Protected Disclosures Policy**

***Adopted by the Board of Trustees on 31 October 20XX***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

#### **Introduction**

1. The Board accepts that it has a responsibility to have in operation internal procedures for receiving and dealing with information about serious wrongdoing in or by the School. The Board also accepts that it must regularly educate and train its employees on the internal disclosure system.
2. The Board agrees that this Policy must be published widely in the School, will be provided to all new employees and will be republished at regular intervals (at least annually).
3. The purpose of this Policy is to provide information and guidance to employees of the School who wish to report serious wrongdoing within the school. The policy is issued in compliance with the Protected Disclosures Act 2000 and the Education Act 1989.

#### **What is a protected disclosure?**

4. A protected disclosure is a declaration made by an employee where they believe serious wrongdoing has occurred. Employees making disclosures will be protected against retaliatory or disciplinary action and will not be liable for civil or criminal proceedings related to the disclosure.

#### **Definition of serious wrongdoing**

5. Serious wrongdoing includes any serious wrongdoing of any of the following type:
  - an unlawful, corrupt, or irregular use of funds or resources, or
  - an act, omission or course of conduct that constitutes a serious risk to public health or public safety or the environment, or
  - an act, omission or course of conduct that constitutes a serious risk to the maintenance of law, including the prevention, investigation, and detection of offences and the right to fair trial, or
  - an act, omission or course of conduct that constitutes an offence, or
  - an act, omission or course of conduct by a public official that is oppressive, improperly discriminatory, or grossly negligent, or that constitutes gross mismanagement.



## **Conditions for disclosure**

6. Before making a disclosure the employee should be sure all of the following conditions are met:
- The information is about serious wrongdoing in or by the School.
  - The employee believes on reasonable grounds the information to be true or likely to be true.
  - The employee wishes the wrongdoing to be investigated.
  - The employee wishes the disclosure to be protected.

## **Who can make a disclosure?**

7. Any employee of the school can make a disclosure. For the purposes of this policy an employee includes:
- current employees and principal
  - former employees and principals, and
  - contractors supplying services to the school.

## **Protection of employees making disclosures**

8. An employee who makes a disclosure and who has acted in accordance with the procedure outlined in this policy:
- may bring a personal grievance in respect of retaliatory action from their employers
  - may access the anti-discrimination provisions of the Human Rights Act in respect of retaliatory action from their employers
  - are not liable for any civil or criminal proceedings, or to a disciplinary hearing by reason of having made or referred to a disclosure, and
  - will, subject to paragraph 15 in the procedure, have their disclosure treated with the utmost confidentiality.
9. The protections provided in this section will not be available to employees making allegations they know to be false or where they have acted in bad faith.

## **Procedure**

10. Any employee of the School who wishes to make a protected disclosure should do so using the following procedure.
11. How to submit a disclosure  
The employee should submit the disclosure in writing.
12. Information to be contained  
The disclosure should contain detailed information including:
- the nature of the serious wrongdoing
  - the name or names of the people involved, and
  - surrounding facts including details relating to the time and/or place of the wrongdoing if known or relevant.
13. Where to send disclosures  
A disclosure must be sent in writing to the principal who has been nominated by the Board under the provision of section 11 of the Protected Disclosures Act 2000 for this purpose.  
OR

If you believe that the principal is involved in the wrongdoing or has an association with the person committing the wrongdoing that would make it inappropriate to disclose to them, then you can make the disclosure to the Board chairperson.

14. Decision to investigate

On receipt of a disclosure, the principal or Board chairperson must within 20 working days examine seriously the allegations of wrongdoing made and decide whether a full investigation is warranted. If warranted, a full investigation will be undertaken by the principal or Board chairperson or arranged by him/her as quickly as practically possible, through an appropriate authority.

15. Protection of disclosing employee's name

All disclosures will be treated with the utmost confidence. When undertaking an investigation, and when writing the report, the principal or Board chairperson will make every endeavour possible not to reveal information that can identify the disclosing person, unless the person consents in writing or if the person receiving the protected disclosure reasonably believes that disclosure of identifying information is essential:

- to ensure an effective investigation, or
- to prevent serious risk to public health or public safety or the environment.

16. Report of investigation

At the conclusion of the investigation, the principal will prepare a report of the investigation with recommendations for action if appropriate, which will be sent to the Board chairperson.

17. Disclosure to an appropriate authority in certain circumstances

A disclosure may be made to an appropriate authority (including those listed below) if the employee making the disclosure has reasonable grounds to believe:

- the Board chairperson is or may be involved in the wrongdoing
- immediate reference to another authority is justified by urgency or exceptional circumstances, or
- there has been no action or recommended action within 20 working days of the date of the disclosure.

Appropriate authorities include (but are not limited to):

- commissioner of Police
- controller and Auditor-General
- director of the Serious Fraud Office
- Inspector General of Intelligence and Security
- ombudsman
- Parliamentary Commissioner for the Environment
- Police Complaints Authority
- Solicitor General
- State Service Commissioner
- the head of any public sector organisation.

18. Disclosure to ministers and ombudsman

A disclosure may be made to a minister or an ombudsman if the employee making the disclosure has made the same disclosure according to the internal procedures and clauses of this Policy and reasonably believes that the person or authority to whom the disclosure was made:

- has decided not to investigate, or
- has decided to investigate but not made progress with the investigation within reasonable time, or
- has investigated but has not taken or recommended any action, and
- the employee continues to believe on reasonable grounds that the information disclosed is true or is likely to be true.

## Approval

19. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.

20. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

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Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

## **Schedule of Delegations**

### **Kiwi Park School Schedule of Delegations**

***Adopted by the Board of Trustees on 31 October 20XX***

#### **Introduction**

1. This Schedule of Delegations (the Schedule) was approved by the board of trustees (the Board) of Kiwi Park School (the School) at its meeting on 31 October 20XX and became effective at this date. The Schedule sets out those responsibilities that can only be exercised by the Board, the responsibilities delegated to the chief executive (the principal), and those responsibilities that the principal can delegate to specified staff positions.
2. The purpose of the Schedule is to ensure that the effectiveness of the governance and management of the School is maintained, to provide an agreed basis by which the School's executive management can exercise its responsibilities, and to enable the responsibilities delegated to be monitored. It is the Board's expectation that delegations made will be properly exercised and the persons who hold such delegations will be held accountable. If these principles are observed then the Board can be certain its responsibilities in terms of the Education Act 1989, the Crown Entities Act 2004 and the Financial Reporting Act 1993 will have been properly fulfilled.
3. If persons who exercise responsibilities on behalf of the Board have any doubts or concerns in the execution of a specific action, the expectation is that they will check with the person or group who made the delegation in the first place. The intention of this expectation is that, should doubt arise in the exercise of a delegated responsibility, it is preferable to verify the bona fides of the intended action rather than make an error of judgement and be held accountable for this.
4. This Schedule does not in itself provide the right to executive management and staff to exercise the responsibilities delegated. The right to exercise these responsibilities must be set out in a memorandum of delegations which sets out the delegations and is signed by the parties involved. An outline example is set out at the end of this Schedule.
5. The principal shall ensure that a copy of each memorandum is safely retained and shall be made available to the Board, the school's auditors and officers of any Court hearing a case related to the School's finances.

#### **Approval**

1. This Schedule was unanimously agreed by the Board and approved as a policy document at its meeting held on 31 October 20XX
2. When the Board approved this Schedule, it agreed that no variations of this Schedule or amendments to it can be made except by the majority approval of those trustees present at the Board meeting.
3. As part of its approval, the Board requires the principal to circulate this Schedule to all staff and for a copy to be included in the School policy manual (copies of which shall be available to all staff). The Board requests that the principal arrange for all new staff to be made familiar with this policy and other policies approved by the Board.

Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

### **Delegations retained by the Board**

1. The Board retains for itself and does not delegate to any executive management or staff position the following responsibilities:
  - a. Approval of all operating, capital, cashflow and property maintenance budgets, and amendments to these budgets.
  - b. Commitment of operating expenditure for any invoice in excess of \$2,500.
  - c. The commitment or purchase of capital expenditure.
  - d. The disposal of fixed assets with a cost price in excess of \$1,000.
  - e. The transfer of money between any Board cheque and term deposit account in excess of \$5,000 and for a period longer than 12 months.
  - f. The appointment of any permanent staff and the salary and terms of conditions on which they are employed which are in excess of positions funded by Ministry of Education salaries grants.
  - g. Leave on full pay granted to non-teaching staff to attend training sessions or courses outside the school for a period greater than x half-days.
  - h. The termination of employment of any paid employee.
  - i. Signing applications for special grants for additional buildings, and agreements to build via the Ministry of Education's local office.
  - j. Formal communication and agreements with the Minister of Education and any other Minister of the Crown or Member of Parliament.
  - k. Responses to the Secretary for Education or any other permanent head of a Government department which was initiated by a report, written communication, request for information or required declaration received from such persons and addressed to the Board or Board chairperson.
  - l. Interviews with the media and the distribution of media releases on any matter which involves the School.
  - m. The initiation of any legal actions and any communications in relation to these actions.
  - n. Signature of any formal or legal agreement which is in the name of the School and must involve the Board.

*Note: These responsibilities are in addition to those specified in Acts and regulations by which the Board is bound.*

### **Board delegations to the principal**

2. The Board delegates to the principal the responsibilities listed below:
  - a. The day-to-day curriculum and resource management of the school and the achievement of the Government's key achievement areas and requirements as specified in official educational policy documents.
  - b. The implementation of any other requirements specified by Act of Parliament, the Secretary for Education, any other permanent head of a Government department and for individual and collective employment contracts.

- c. Approval of any orders for goods and services up to the value of \$2,500 and provided such an order will not exceed the Board approved budget allocation for the expenditure item involved.
- d. Transfers to at-call deposits of amounts less than \$5,000 and for periods less than 12 months.
- e. Ordering fixed assets for which the capital expenditure has the prior approval of the Board.
- f. The appointment of relieving and casual staff provided such appointment is within the budget allocation for this particular person and provided this delegation is not given to any other staff member.
- g. Communication with parents, officials, representatives of educational organisations and other firms and organisations with whom the principal deals as part of their curriculum and resource management responsibilities.
- h. Delegation in writing to specified staff positions of responsibilities according to the format set out below.

### *Notes*

These responsibilities complement those responsibilities and achievements specified in the principal's annual performance agreement with the Board.

During any absence of the principal from the School for more than five days, these delegations shall be exercised by the acting principal with the separate and prior approval of the Board chairperson. In such an absence, the acting principal shall sign a copy of this Schedule.

I have read and understood this Schedule of Delegations. I accept responsibility for the proper execution of the delegations assigned to me as principal and I will exercise these in terms of the requirements set out in the Board's Schedule of Delegations.

Signed by

\_\_\_\_\_ (full name)

Principal

Dated.....day of.....20XX

### Principal's delegations to specified positions

With the Board's delegation to me as principal and with the Board's approval for me to delegate to a specified staff position, I delegate to the position of [name of position] the following responsibilities:

1. Approval of any orders for goods and services up to the value of \$500 and provided such an order will not exceed the Board approved budget allocation for [name of budget item or sub-budget item].
2. [List here any other responsibility within the principal's delegation.]

These delegations are to be exercised in terms of page X of the Board's Schedule of Delegations.

Signed by the principal

\_\_\_\_\_ (full name)

on the .....day of.....20XX

I accept responsibility for the proper execution of the delegations assigned to me as [name of position] and I will exercise these in terms of the requirements set out in the Board's Schedule of Delegations. I acknowledge that I cannot further delegate those powers delegated to me by the principal.

Signed by

\_\_\_\_\_ (full name)

\_\_\_\_\_ (name of position)

Dated.....day of.....20XX

## Finance policy

### Kiwi Park School Finance Policy Supplementary Schedule of Responsibilities

Adopted by the Board of Trustees on 31 October 20XX

The list below shows financial tasks alongside the person responsible for carrying out each task. This Schedule is supplementary to the School's Schedule of Delegations, and when carrying out these tasks trustees, staff, contractors and volunteers must not exceed the authority delegated to them via their memorandum of delegation.

#### Banking and cash handling

##### What

Opening mail and receipting the cash and cheques received  
Receipting of all student cash received  
Verification of canteen daily takings with till tapes  
Preparation of banking  
Signature of bank deposit  
Deposit of banking  
Reconciliation of daily receipts with banking  
Periodic bank reconciliation  
Certification of bank reconciliation  
Custody of cash and cheques

##### Who

Office assistant  
Office assistant  
Office supervisor  
Office assistant  
Office supervisor  
Office supervisor  
Executive officer  
Executive officer  
Accounting service provider  
Executive officer

#### Petty cash

##### What

Authorising reimbursement of petty cash claims/vouchers  
Reconciling petty cash balance  
Signing petty cash top-up cheque

##### Who

Office supervisor  
Executive officer  
Principal and a Board member

#### Purchases and payments

##### What

Raising purchase orders – paper, phone or internet  
Verifying receipt of goods or services  
Approval of invoices for payment  
Signing cheques/approving bank payment

##### Who

Budget holders  
Budget holders  
Executive officer  
Principal and a Board member

#### Investments

##### What

Transfer to and from general, at-call and term deposit accounts  
Reconciliation of transfers

##### Who

Executive officer  
Accounting service provider

#### Accounting system

##### What

Accounting systems daily back-up  
Weekly off-site back-up storage  
Monthly history file back-up  
Annual archive back-up safe deposit

##### Who

Executive officer  
Executive officer  
Accounting service provider  
Principal

#### Payroll



**What**

Check of fortnightly SUE report  
 Reconciliation with bank debit with errors followed up  
 Verification of SUE reconciliation report and bank debit  
 Attendance fee voucher certification  
 Staff expense claim – voucher approval

**Who**

Executive officer/principal  
 Executive officer  
 Principal  
 Executive officer  
 Executive officer/principal

**Income****What**

Preparation of receivables invoices  
 Certification of invoices  
 Reconciliation of receivables ledger  
 Verification of reconciliations  
 Debt write-off approvals

**Who**

Office assistant  
 Office supervisor  
 Executive officer  
 Accounting service provider  
 Principal

**Fixed assets****What**

Fixed asset purchase approval  
 Fixed asset purchase order approval  
 Fixed asset delivery acceptance check  
 Fixed asset invoice certification  
 Fixed asset voucher certification  
 Fixed asset register update

**Who**

Board  
 Principal  
 Curriculum leader  
 Executive officer  
 Principal  
 Executive officer

Signed by the principal

\_\_\_\_\_ (full name)

on the.....day of.....20XX

## ***Theft and fraud prevention policy***

### **Kiwi Park School Theft and Fraud Prevention Policy**

***Adopted by the Board of Trustees on 31 October 20xx***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 2006 and became effective from that date.

#### **Introduction**

1. The Board accepts that it has a responsibility to protect the physical and financial resources of the School. The Board has agreed that through its chief executive, the principal, the School has a responsibility to prevent and detect theft and fraudulent actions by persons who are employed or contracted by the School or who are service recipients of the School. The Board accepts that any investigation into any theft or fraudulent actions will be conducted in a manner that conforms to the principles of natural justice and is procedurally just and fair.
2. The Board, therefore, requires the principal to establish systems and procedures to guard against the actions of theft and fraud. The principal is to report such actions to the Board chairperson as prescribed in the procedures set out below.

#### **General**

3. As preventative measures against theft and fraud the Board requires the principal to ensure the following:
  - a. The School's physical resources are kept secure and accounted for.
  - b. The School's financial systems are designed to prevent and detect the occurrence of fraud. All such systems must meet the requirements and standards as set out in the Crown Entities Act 2004 and of generally accepted accounting practice promulgated and supported by the Institute of Chartered Accountants of New Zealand.
  - c. Staff members who are formally delegated responsibility for the custody of physical and financial resources by the principal are proven competent to carry out such responsibilities and that such persons are held accountable for the proper execution of their responsibilities.
  - d. All staff members are aware of their responsibility to immediately inform the principal should they suspect or become aware of any improper or fraudulent actions by staff, suppliers, contractors, students or other persons associated with the School.
4. In the event of an allegation of theft or fraud, the principal shall act in accordance with the following procedures:
  - a. Decide to either immediately report the matter to the New Zealand Police or proceed as outlined in this paragraph.
  - b. So far as it is possible and within 24 hours:
    - i record the details of the allegation, the person or persons allegedly involved, and the quantity and/or value of the theft or fraud
    - ii request a *written statement* from the person who has informed the principal, with details as to the nature of the theft or fraud, the time and circumstances in which this occurred, and the quantity and/or value of the theft
    - iii decide on the initial actions to be taken, including consulting with the person who provided the information and, if appropriate, confidentially consulting with other senior members of staff about the person who is the subject of the allegation

- iv inform the Board chairperson of the information received and consult with them as appropriate.
- c. On the basis of advice received and after consultation with the Board chairperson, the principal shall decide whether or not a prima facie case of theft or fraud exists and, if not, to document this decision and record that no further action is to be taken.
- d. The principal shall then carry out the following procedures:
  - i Investigate the matter further.
  - ii If a prima facie case is thought to exist, continue with their investigation.
  - iii Invoke any disciplinary procedures contained in the contract of employment should the person be a staff member.
  - iv Lay a complaint with the New Zealand Police.
  - v If necessary, commission an independent expert investigation.
  - vi In the case of fraud, require a search for written evidence of the possible fraudulent action to determine the likelihood or not of such evidence.
  - vii Seek legal advice.
  - viii Inform the Manager, National Operations, Ministry of Education local office and/or the School's auditors.
- e. Once all available evidence is obtained, the principal shall consult the Board chairperson. The Board chairperson may, if they consider it necessary, seek legal or other advice as to what further action should be taken.
- f. If a case is considered to exist, the principal or a person designated by them shall, unless another course of action is more appropriate:
  - i inform the person allegedly involved in writing of the allegation that has been received and request a meeting with them at which their representative or representatives are invited to be present
  - ii meet with the person who is the subject of the allegation of theft or fraud and their representatives to explain the complaint against them
  - iii obtain a verbal or preferably a written response (all verbal responses must be recorded as minutes of that meeting, and the accuracy of those minutes should be attested by all persons present)
  - iv advise the person in writing of the processes to be involved from this point on.
- 5. The Board recognises that supposed or actual instances of theft or fraud can affect the rights and reputation of the person or persons implicated. All matters related to the case shall remain strictly confidential with all written information kept secure. Should any delegated staff member or any other staff member improperly disclose information, the principal shall consider if that person or persons are in breach of confidence and if further action is required. Any action the principal considers must be in terms of the applicable conditions contained in their contract of employment and any code of ethics or code of responsibility by which the staff member is bound.
- 6. The Board affirms that any allegation of theft or fraud must be subject to due process, equity and fairness. Should a case be deemed to be answerable then the due process of the law shall apply to the person or persons implicated.
- 7. Any intimation or written statement made on behalf of the School and related to any instance of supposed or actual theft or fraud shall be made by the Board chairperson who shall do so after consultation with the principal and, if considered appropriate, after taking expert advice.

#### **Allegations concerning the principal or a trustee**

- 8. Any allegation concerning the principal should be made to the Board chairperson. The chairperson will then investigate in accordance with the requirements of paragraph 4 of this Policy.

9. Any allegation concerning a member of the Board should be made to the principal. The principal will then advise the manager of the local office of the Ministry of Education and commence an investigation in accordance with the requirements of paragraph 4 of this Policy.

### **Approval**

10. When the Board approved the Policy, it was agreed that no variations of this Policy or amendments to it can be made except by the unanimous approval of the Board.
11. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the Kiwi Park School Policy Manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

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Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

## **Travel policy**

### **Kiwi Park School Travel Policy**

***Adopted by the Board of Trustees on 31 October 20xx***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on 31 October 20XX and became effective from that date.

#### **Introduction**

1. The Board agrees that it has a responsibility to ensure that travel expenditure incurred by the School must clearly be linked to the business of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal.
2. The Board requires the principal, as the chief executive and the Board's most senior employee, to implement and manage this Policy. The principal may, from time to time, further delegate some of their responsibilities, and all such delegations must be attached as appendices to this Policy.
3. This Policy must be read in conjunction with other Board policies, and the exercising of all authority and responsibilities conferred under this Policy must be in accordance with the Schedule of Delegations and may not exceed an individual's established level of delegated authority.

#### **Principles**

4. The Board agrees to ensure that:
  - the travel expenditure is on the Board's business, and the School obtains an acceptable benefit from the travel when considered against the cost
  - expenses are reimbursed on an actual and reasonable basis, and
  - staff that are required to travel on business do not suffer any negative financial effect.

#### **Process for making travel arrangements**

5. Under no circumstances may any staff member approve their own travel.
6. All bookings for international and domestic travel are to be conducted through the School's normal purchase procedures. This includes the booking of accommodation, flights and rental cars.
7. Travel bookings are not to be made using manual cheques or credit cards.

#### ***Travel within New Zealand***

8. The justification for travel within New Zealand must be documented. It is to be transparent and must relate to a school need. Travel within New Zealand is to be authorised on a one-up basis (for example, the principal should authorise any travel by the deputy principal, and the Board should authorise any travel by the principal).
9. All domestic air travel is to be economy class.

#### ***International travel***

10. Prior to international travel being undertaken, the traveller must be given a copy of this Policy and be required to sign it off to signify that they have read and understood it.
11. All international travel should be authorised by the Board before it is commenced. A proposal must be put to the Board detailing the purpose of the trip, the expected benefit to the School, which will

arise from the trip and an estimate of the costs of the trip. The Board will approve the travel in writing.

12. At the end of the trip overseas, the traveller must prepare a trip report, which details the costs incurred during the trip, activities which took place during the trip and the benefits to the Board and the School of the trip.
13. Except where the flight time exceeds 10 hours, all international air travel is to be economy class.
14. Business class travel may be approved, where the Board considers it appropriate, for travel more than 10 continuous hours in duration.
15. If a staff member has a travel time without a stopover in excess of 20 hours, a rest period of 24 hours before commencing work is permitted.

### **Accommodation**

16. Staff should opt for good but not superior accommodation, for example Qualmark 2-star accommodation, and must be prepared to justify exceptions to this rule to the Board.
17. Staff who stay privately will be reimbursed on production of receipts, for koha or for the cost of a gift given to the people they have stayed with. Prior to travel the staff member should receive authorisation for the value of the intended koha/gift. (Refer to gift policy.)

### **Vehicles**

18. When using rental cars, staff should opt for good but not superior model vehicles and should be prepared to justify any exceptions to this rule to the Board.
19. Use of private vehicles is to be approved on a one-up basis and reimbursement will be at the rate specified by the Inland Revenue Department.
20. If taxis are used, then staff should pay for the taxis out of their own pocket, obtain a receipt and seek reimbursement through petty cash or as part of an expense claim.

### **Reimbursement of expenses**

21. The reimbursement for business related travel expenses is on the basis of actual and reasonable costs. Actual and reasonable expenditure is defined as "the actual cost incurred in the particular circumstance, provided that it is a reasonable minimum charge".
22. For travel within New Zealand, actual and reasonable expenses are those incurred above the normal day-to-day costs. For example, a staff member would normally incur personal expenditure for lunch on a daily basis and the cost of lunch when travelling should not be reimbursed unless the costs are greater than that normally incurred.
23. All personal expenditure is to be met by the staff member. Examples of this are mini bar purchases, in-house movies, laundry and private phone call charges. These are to be paid separately by the travelling staff member.
24. All receipts must be retained and attached to the travel claim. The claim is to be authorised on a one-up basis.
25. For expenditure incurred in New Zealand of value greater than \$50 (including GST) there should also be a GST invoice to ensure that GST can be reclaimed by the School.
26. Authorisation can still be given for expenditure less than \$50 where there is no receipt, for example if it is not practical to obtain a receipt or if the receipt is lost. The expenditure can be reimbursed provided there is no doubt about its nature or the reasons for it.

### **Discretionary travel benefits**

- 27. Travel benefits, including Airpoints and loyalty scheme rewards/points (Fly Buys, Global, etc), accrued from official travel are only to be used for subsequent travel on behalf of the School. They should not be redeemed for personal use.
- 28. Staff must travel by the most direct route unless scheduling dictates otherwise.
- 29. The School will not meet expenses incurred on behalf of a spouse or travelling companion. In the event of a person travelling with an employee, a reconciliation of expenses should clearly demonstrate that the School did in no way incur additional expenditure.

### **Approval**

- 30. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the Board.
- 31. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

\_\_\_\_\_

Signed

Board chairperson

On behalf of, and with the authority of, the Board on \_\_\_\_\_

### **Signature section for international travellers**

I have read and understood this policy and agree to abide by it.

\_\_\_\_\_

Signed

## **Sensitive expenditure policy**

### **Kiwi Park School Sensitive Expenditure Policy**

***Adopted by the Board of Trustees on 31 October 20xx***

The board of trustees (the Board) of Kiwi Park School (the School) has consulted with staff and parents in the formulation of this policy (the Policy). The Policy was approved and adopted by the Board at its meeting held on the above date and became effective from that date.

#### **Introduction**

1. The Board agrees that it has a responsibility to ensure that all expenditure of Board funds is clearly linked to the business of the School and does not at any time provide unreasonable and personal benefit from those funds to any individual or group of individuals (staff or students).
2. The Board acknowledges that at times there are expenses which may be considered to be beneficial only to individuals or small groups of individuals. These may include expenses in relation to travel (especially international travel), or to koha, gifts and other payments to individuals.
3. The Board has determined that any expenditure which may be considered to be beneficial to individuals or groups of individuals will be carefully scrutinised before approval and will be supported by appropriate fundraising specific to that expenditure.
4. Particular reference should also be made to the Board's travel policy in considering expenditure which may benefit individuals or groups of individuals.
5. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the principal (as the chief executive and the Board's most senior employee).

#### **Principles**

6. The Board requires the principal, where expenditure may be beneficial to an individual or group of individuals, to take account of the following prior to authorising this expenditure:
  - i) Does the expenditure benefit student outcomes?
  - ii) Does the expenditure represent the best value for money?
  - iii) Is it in the budget?
  - iv) Could the board justify this expenditure to a taxpayer, parent or other interested party?
  - v) How would the public react if this expenditure was reported by the media?
  - vi) Would there be, or be perceived to be, any personal gain from this expenditure?
  - vii) Does this expenditure occur frequently?
7. Any proposed expenditure which may benefit individuals or groups of individuals will be backed by funds which have been raised for the purpose. The funds will be raised with a full understanding of their purpose known to those contributing the funds – such as parents or other funding sources (eg charities). The funds raised will cover all costs (including travel and accommodation costs for teachers who may be involved).

#### **Accounting for expenditure**

8. All expenditure which is incurred on behalf of individuals or groups of individuals will be fully accounted for and a separate income statement for management reporting purposes showing all funds raised and expenditure incurred will be provided to the Board.



## Approval

9. When the Board approved this Policy, it agreed that no variations of this Policy or amendments to it can be made except with the unanimous approval of the board.
10. As part of its approval, the Board requires the principal to circulate this Policy to all staff, and for a copy to be included in the School policy manual, copies of which shall be available to all staff. The School policy manual shall also be made available to students and parents at their request. The Board requires that the principal arrange for all new staff to be made familiar with this Policy and other policies approved by the Board.

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Signed

Board chairperson

with the authority of the board on \_\_\_\_\_

## Signature section for fundraising

I have read and understood this Policy and agree to abide by it.

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Signed



## Appendix C: Funding Overseas Travel Using Crown Funding Checklist

After reviewing the Office of the Auditor General's 2016 Audit of Schools, we've updated our guidance on funding overseas travel.

This checklist is to be completed by boards when considering whether to approve expenditure on overseas travel for students and staff using Crown funding. A completed and signed checklist for each proposed trip must be kept for audit purposes, as well as a copy of the board minutes of each decision.

While a board has discretion to make decisions on the expenditure of Crown funding there must be reasonable justification for how the proposed expenditure supports the board's primary objective – achievement of all students at the school/kura. All boards must act in a way that is financially responsible. The two main questions a board must ask when considering whether an overseas trip is appropriate are therefore:

1. How would the proposed trip support the curriculum?
2. How would the trip be paid for?

The checklist below provides boards with a framework to guide boards thinking. Considering the following questions will help to demonstrate reasonable justification for approving expenditure on overseas travel.

Information about the proposed trip	
<ul style="list-style-type: none"> <li>Purpose?</li> <li>Where to and for how long?</li> <li>Who is attending?</li> </ul> <p>There should be no personal gain or perception of personal gain for individuals on the trip (e.g. the school funding private travel by an individual on the trip of other family members).</p> <ul style="list-style-type: none"> <li>What is the budget?</li> </ul> <p>Make sure the budget includes all associated costs, including any staffing implications (e.g. reliever costs), and how the trip might affect the school's overall financial position.</p>	

### Question one: How will the proposed trip support the curriculum?

#### **Guiding Questions**

How does the overseas travel for students and staff support the board's primary objective – student achievement?

- how does the overseas travel for students and staff link to learning outcomes?
- what curriculum outcomes is the experience likely to help students achieve?
- how might the learning of this trip be shared with other students, staff, and community members?
- how does the expenditure further the aims of the school as set out in its charter?

### Question two: How will the proposed trip be paid for?

#### **Guiding Questions**

Has the overseas travel for students and staff been considered alongside other competing priorities for the use of limited financial resources?

- why is this experience likely to be more effective than a local or virtual alternative?
- how have you evaluated that the expenditure represents the best value for money?
- why is this spending justified for a select number of students (where applicable)?

Other competing priorities should include but are not limited to:

- curriculum expenses
- asset replacement/maintenance
- lease commitments
- cyclical maintenance
- staff development
- having sufficient working capital/available cash.

*Accounting for expenditure*

Overseas travel for students and staff using crown funding must be reported in the notes section of their annual audited accounts.

The trip for \_\_\_\_\_ to travel to \_\_\_\_\_ is

APPROVED/DECLINED

Signed:

Board Chairperson

with the authority of the board on (date) \_\_\_\_\_

We **shape** an **education** system that delivers  
**equitable** and **excellent outcomes**