

Southland Museum & Art Gallery Trust Board Inc

Annual Report  
For the year ended 30 June 2014

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# *Southland Museum & Art Gallery Trust Board Inc*

## *Trust Directory*

### **Trustees**

*Invercargill City Council*  
Cr Ludlow (Chairperson)  
Cr Esler  
Cr Sycamore

### *Southland District Council*

Cr Macpherson  
Cr Patterson

G Neave (NZOM)  
Jane Davis (Community Representative)  
Wallace Jack (Community Representative)

### **Registered office**

108 Gala Street  
P O Box 1012  
Invercargill

### **Postal address**

P O Box 1012  
Invercargill  
Phone (03) 219 9069  
Fax (03) 218 3872

### **Auditor**

Audit New Zealand  
on behalf of the Auditor - General

### **Bankers**

Westpac  
Invercargill

### **Solicitors**

Preston Russell Law  
92 Spey Street  
Invercargill

## *Southland Museum & Art Gallery Trust Board Inc*

### *Statement of Comprehensive Income For the Year Ended 30 June 2014*

<i>Income</i>	<i>Note</i>	<i>2014</i>	<i>2013</i>
		\$	\$
Grants and Bequests	1	1,332,733	1,254,605
Finance Income		1,101	1,388
Other Income	2	18,103	20,251
		<hr/>	<hr/>
<b>Total operating revenue</b>		1,351,937	1,276,243
		<hr/>	<hr/>
<b>Expenditure</b>			
Cost of Services	3	1,766,079	1,263,321
Depreciation	5	87,419	68,438
		<hr/>	<hr/>
<b>Total operating expense</b>		1,853,498	1,331,759
		<hr/>	<hr/>
<b>Total Comprehensive Income / (deficit)</b>		(501,561)	(55,514)
		<hr/>	<hr/>

### *Statement of Changes in Equity For the Year Ended 30 June 2014*

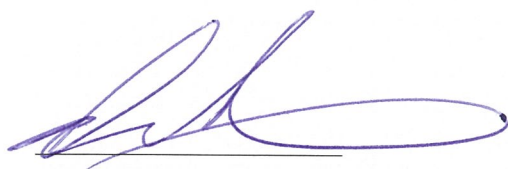
	<i>Note</i>	<i>2014</i>	<i>2013</i>
		\$	\$
<i>Southland Museum and Art Gallery</i>			
Balance at 1 July		3,390,114	3,445,628
Total recognised Comprehensive Income		(501,561)	(55,514)
		<hr/>	<hr/>
Balance at 30th June		2,888,553	3,390,114
		<hr/>	<hr/>
<i>Education Service</i>			
Balance at 1 July	4	11,269	11,269
		<hr/>	<hr/>
Balance at 30th June		11,269	11,269
		<hr/>	<hr/>
<b>Total Equity</b>		2,899,822	3,401,383
		<hr/> <hr/>	<hr/> <hr/>

The Statement of Accounting Policies and Notes on pages 6 to 13 are an integral part of, and should be read in conjunction with, these financial statements.

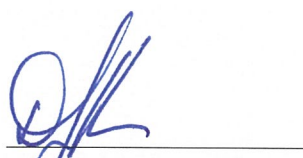
**Southland Museum & Art Gallery Trust Board Inc**

*Statement of Financial Position  
as at 30 June 2014*

	<i>Note</i>	<i>2014</i> \$	<i>2013</i> \$
<b>Assets</b>			
Property, Plant and Equipment	5	2,693,589	2,672,654
Redevelopment Capital Work in Progress		92,088	611,080
<b>Total Non- current assets</b>		<b>2,785,677</b>	<b>3,283,734</b>
Cash and cash equivalents	6	138,929	118,445
Trade and other receivables	7	32,188	35,981
<b>Total current assets</b>		<b>171,117</b>	<b>154,426</b>
<b>TOTAL ASSETS</b>		<b>2,956,794</b>	<b>3,438,160</b>
<b>Equity</b>			
Retained Earnings		2,899,822	3,401,383
<b>TOTAL EQUITY</b>		<b>2,899,822</b>	<b>3,401,383</b>
<b>Liabilities</b>			
Trade and other payables	8	56,972	36,778
<b>TOTAL LIABILITIES</b>		<b>56,972</b>	<b>36,778</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,956,794</b>	<b>3,438,160</b>



Darren Ludlow  
CHAIRMAN

  
Dean Johnston  
TREASURER

Date: 25 September 2014

## *Southland Museum & Art Gallery Trust Board Inc*

### *Statement of Cash Flows For the Year Ended 30 June 2014*

	<i>Note</i>	<i>2014</i> \$	<i>2013</i> \$
<i>Cash Flows from Operating Activities</i>			
Receipts from trading/grants		1,354,352	1,276,350
Interest received		1,101	1,388
Payments to suppliers		(1,291,245)	(1,264,022)
GST Paid		277	1,032
		64,484	14,748
<b>Net Cash inflow (outflow) from Operating Activities</b>	9	64,484	14,748
 <i>Cash Flows from Investing Activities</i>			
Purchase of property, plant and equipment		0	(22,435)
Investment in Redevelopment Capital Work in Progress		(44,001)	(48,087)
Net transfers to/from investment accounts		-	-
		(44,001)	(70,522)
<b>Net cash inflow (outflow) from Investing Activities</b>		(44,001)	(70,522)
 <b>Net Increase/ (Decrease) in Cash and Cash equivalents</b>		 20,483	 (55,774)
Cash and Cash equivalents at the beginning of the year		118,445	174,219
		138,928	118,445
<b>Cash and Cash equivalents at the end of the year</b>	6	<b>138,928</b>	<b>118,445</b>

The Statement of Accounting Policies and Notes on pages 6 to 13 are an integral part of, and should be read in conjunction with, these financial statements.

# ***Southland Museum & Art Gallery Trust Board Inc***

## *Notes to the Financial Statements For the Year Ended 30 June 2014*

### ***SIGNIFICANT ACCOUNTING POLICIES***

#### ***REPORTING ENTITY***

The Southland Museum & Art Gallery Trust Board Inc is a Trust incorporated and domiciled in New Zealand.

The purpose of the Trust is to ensure prudent administration of the Museum facilities and collections within that facility and to monitor the management contract, which is currently with the Invercargill City Council.

The financial statements of the Trust are for the year ended 30 June 2014. The financial statements were authorised for issue by the Trust on 25 September 2014.

#### ***STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION***

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) with the exception of the Exhibits and Collections. The Trust has applied the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to public benefit entities that qualify for and apply differential reporting concessions. The Trust is a reporting entity for the purposes of the Charitable Trusts Act 1957 and its financial statements comply with that Act.

The Trusts financial Statement are for the individual entity. The Trust is a partly controlled subsidiary of the Invercargill City Council.

The Trust qualifies for Differential Reporting exemptions as it has no public accountability and it is not large as defined in the Framework for Differential Reporting. All available reporting exemptions allowed under the Framework for Differential Reporting for Entities Applying New Zealand Equivalents to IFRS Reporting Regime have been adopted except NZ IAS 7, Cash Flow Statements.

The financial statements are presented in New Zealand Dollars (NZD). The financial statements are prepared on the historical cost basis with the exception of certain items for which specific accounting policies are identified.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The entities Trustees do not have the power to amend the financial statements after issue.

#### ***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### ***TRADE AND OTHER PAYABLES***

Trade and other payables are stated at cost.

#### ***TRADE AND OTHER RECEIVABLES***

Trade and other receivables are stated at their cost less impairment losses.

#### ***REVENUE***

Revenue is measured at the fair value of consideration received.

The Trust receives government grants from the Invercargill City Council and grants from other local organisations. These grants are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Interest income is recognised using the effective interest method.

#### ***EXPENDITURE***

All expenditure is recognised in the Statement of Comprehensive Income in the period in which it is incurred.

#### ***GOODS AND SERVICES TAX***

The Financial Statements have been prepared exclusive of Goods and Services Tax (GST). Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

#### ***DONATED SERVICES***

The work of the museum is dependent on the voluntary service of many individuals and organisations. Since these services are not normally purchased by the museum and because of the difficulty of determining their value with reliability, donated services are not recognised in these financial statements.

# ***Southland Museum & Art Gallery Trust Board Inc***

*Notes to the Financial Statements  
For the Year Ended 30 June 2014*

## ***SIGNIFICANT ACCOUNTING POLICIES***

### ***STATEMENT OF CASH FLOWS***

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Trust invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Trust and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Trust.

### ***PROPERTY, PLANT AND EQUIPMENT***

#### **Additions**

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

#### **Valuation of Fixed Assets - Fit out**

Under previous GAAP the Museum established a deemed cost for the Museum building and fit out at an amount that was not materially different to its fair value on initial recognition. The Museum has elected to use that fair value measurement as deemed cost for NZ IFRS.

Purchases of fixed assets have been recorded at cost less accumulated depreciation.

#### **Exhibits and Collections**

The value of exhibits is not reflected in these Financial Statements. However the direct purchase costs of exhibits and collections acquired during the year have been capitalised.

The Trust does not recognise contributions of works of art, historical treasures and similar assets if the donated items are added to collections that meet all the following conditions:

- Are held for public exhibition, education, or research in the furtherance of public service rather than financial gain.
- Are protected, kept unencumbered, cared for and preserved.
- Are subject to an organisational policy that requires the proceeds from sales of the collections items to be used to acquire other items for the collections.

This policy is in accordance with a USA Financial Accounting Standards Board Standard - Statement of Financial Accounting Standard No 116. The policy does not comply with New Zealand Generally Accepted Accounting Practice.

The Southland Museum and Art Gallery Trust Board Inc has decided to continue its policy of not attributing a monetary value to items gifted to the collection. This treatment is contrary to NZ IAS 16 Property, Plant and Equipment, which requires that if an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition. The fair value of the asset received must be recognised in the Statement of Financial Position. NZ IAS 16 has not been followed because the Board considers that the collection does not have the characteristics of property, plant or equipment.

Collection items have substantial intangible characteristics in that they are unique with iconic status or are historic and irreplaceable or sacred to particular communities. Without an active market no financial value can or should be ascribed. Scientific collections have great research importance but little market value. With good conservation the life of an object or specimen is indefinite. Age usually increases the significance of an object rather than depreciating it. The collection is not like manufacturing plant that is heavily used, wears out and is then replaced.

A number of leading museums in New Zealand and museums in the United Kingdom, United States of America and Canada do not capitalise their collections.

The collection is valued at \$10,000,000 for insurance purposes.



## ***Southland Museum & Art Gallery Trust Board Inc***

### *Statement of Accounting Policies For the Year Ended 30 June 2014*

#### ***SIGNIFICANT ACCOUNTING POLICIES***

##### ***DEPRECIATION***

Depreciation has been charged in the Financial Statements on the basis of the economic life rates recommended by the Inland Revenue Department as follows:

Buildings	2% SL
Fit-out	9 - 40% DV

##### ***FINANCIAL INSTRUMENTS***

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income.

##### ***CHANGES IN ACCOUNTING POLICIES***

There are no changes in accounting policy during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

##### ***NEW STANDARDS ISSUED BUT YET EFFECTIVE***

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this accounting Standards Framework, the Committee will be eligible to apply the reduced disclosure regime (tier 3 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the Committee will transition to the new standards in preparing its 30 June 2015 Financial statements.

The implications of the new Accounting Standards Framework on the Committee are not considered significant.

##### ***TAX***

The Trust is exempt from the payment of income tax. Accordingly no charge for income tax applies or has been provided for.

## *Southland Museum & Art Gallery Trust Board Inc*

### *Notes to the Financial Statements For the Year Ended 30 June 2014*

<b>1 GRANTS AND BEQUESTS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Invercargill City Council	438,150	438,150
Southland Regional Heritage Committee	841,083	812,955
Redevelopment Grants	50,000	-
Other Income	-	-
Bequests	3,500	3,500
	<hr/>	<hr/>
<i>Total Grants and Bequests</i>	1,332,733	1,254,605
	<hr/> <hr/>	<hr/> <hr/>
<b>2 OTHER INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Donations	2,103	4,251
Rental Income	16,000	16,000
	<hr/>	<hr/>
<i>Total Other income</i>	18,103	20,251
	<hr/> <hr/>	<hr/> <hr/>
<b>3 COST OF SERVICES</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Operating costs	478,509	4,982
Audit fees	7,346	6,720
Management Fee - Invercargill City Council	1,280,223	1,251,618
	<hr/>	<hr/>
<i>Total cost of services</i>	1,766,079	1,263,321
	<hr/> <hr/>	<hr/> <hr/>

#### **4 EQUITY**

##### *Education Service Reserve*

The Education Service reserve comprises the remains of a grant from the Ministry of Education for the delivery of Curriculum Support Programmes. This grant is for the Learning Experiences Outside The Classroom (LEOTC) program.

## Southland Museum & Art Gallery Trust Board Inc

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 5 PROPERTY, PLANT AND EQUIPMENT

	Buildings \$	Art Works \$	Total \$
<i>Cost</i>			
Balance at 1st July 2013	3,632,221	785,222	4,417,439
Additions	108,354		108,354
Disposals	-	-	-
Balance at 30th June 2014	<u>3,740,575</u>	<u>785,222</u>	<u>4,525,793</u>
Balance at 1st July 2012	3,632,217	762,788	4,395,005
Additions	-	22,434	22,434
Disposals	-	-	-
Balance at 30th June 2013	<u>3,632,217</u>	<u>785,222</u>	<u>4,417,439</u>
<i>Accumulated Depreciation and impairment losses</i>			
Balance at 1st July 2013	1,744,785	-	1,744,785
Depreciation expense	87,419	-	87,419
Impairment Loss	-	-	-
Balance at 30th June 2014	<u>1,832,204</u>	<u>-</u>	<u>1,832,204</u>
Balance at 1st July 2012	1,676,347	-	1,676,347
Depreciation expense	68,438	-	68,438
Impairment Loss	-	-	-
Balance at 30th June 2013	<u>1,744,785</u>	<u>-</u>	<u>1,744,785</u>
<i>Carrying amounts</i>			
At 1st July 2012	<u>1,955,870</u>	<u>762,788</u>	<u>2,718,658</u>
At 30th June 2013 and 1st July 2013	<u>1,887,432</u>	<u>785,222</u>	<u>2,672,654</u>
At 30 June 2014	<u>1,908,371</u>	<u>785,222</u>	<u>2,693,589</u>

#### 6 CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
Westpac Cheque account	85,808	71,270
Westpac Redevelopment Account	9,211	9,169
Bank accounts		
- Bequest	41,523	37,264
- Baird Library	757	742
- Capital acquisition	1,630	-
<i>Total cash and cash equivalents</i>	<u>138,929</u>	<u>118,445</u>

Some restrictions exist on the cash reserve funds which are set aside for special purposes at the discretion of the Trustees.

#### 7 TRADE AND OTHER RECEIVABLES

	2014 \$	2013 \$
Donations - Invercargill City Council	1,388	903
GST	30,801	31,078
Venture Southland - Rental 1 site	-	4,000
<i>Total Trade and Other Receivables</i>	<u>32,188</u>	<u>35,981</u>

## **Southland Museum & Art Gallery Trust Board Inc**

### *Notes to the Financial Statements For the Year Ended 30 June 2014*

<b>8 TRADE AND OTHER PAYABLES</b>	<b>2014</b> \$	<b>2013</b> \$
Audit fee	6,884	6,720
Regional Heritage Committee Payable	10,000	10,000
Invercargill City Council - Redevelopment Capital Work in Progress	-	20,058
Signal Management Group	40,088	-
	56,972	36,778
<i>Total trade and other payables</i>	56,972	36,778
<b>9 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH REPORTED OPERATING SURPLUS</b>	<b>2014</b> \$	<b>2013</b> \$
Total Comprehensive Income (deficit)	(501,560)	(55,514)
	(501,560)	(55,514)
Add/(less) Non cash items		
Depreciation	87,419	68,438
Impairment of Redevelopment Work in Progress	474,673	
<b>Add/(Subtract) Movement in Other Working Capital Items:</b>		
Increase/(Decrease) in Accrued Revenue	164	1,494
(Increase)/Decrease in GST	275	1,032
(Increase)/Decrease in Accrued Expenditure	3,514	(702)
	3,953	1,824
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>64,484</b>	<b>14,748</b>

#### **10 FINANCIAL INSTRUMENTS**

##### **Credit Risk**

Financial instruments which potentially subject the Trust to a credit risk consist principally of bank deposits and receivables. Bank deposits are placed with high credit quality financial institutions.

Security is not required for the provision of goods and services but regular monitoring of balances outstanding is undertaken.

##### **Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Trust's income or the value of its holdings of financial instruments.

##### **Foreign Exchange and Currency Risk**

The Trust is not exposed to foreign exchange or currency risk.

# ***Southland Museum & Art Gallery Trust Board Inc***

## *Notes to the Financial Statements For the Year Ended 30 June 2014*

### ***Interest Rate Risk***

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Some of the cash and cash equivalents are short term deposits taken at fixed interest rates which expose the Trust to fair value interest rate risk, which is not significant as the fixed interest period is in the short term (less than 3 months). The financial assets and liabilities are exposed to interest rate risk as follows:

#### Financial Assets

Cash and cash equivalents	Variable and fixed interest rates
Trade and other receivables	Non interest bearing

#### Financial Liabilities

Trade and other payables	Non interest bearing
--------------------------	----------------------

### *- Sensitivity analysis on Financial Instruments*

Cash and cash deposits: If interest rates on deposits for the year at 30 June 2014 had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease the surplus by \$512.04 (2013: \$849.67).

### ***Liquidity Risk***

Liquidity Risk represents the Trust's ability to meet its contractual obligations.

The Trust evaluates its liquidity requirements on an ongoing basis. In general the Trust generates sufficient cash from its operating activities to meet its contractual obligations arising from financial liabilities.

All of the trusts financial assets and liabilities (cash and equivalents, trade receivables and trade payables) all have maturity dates within one year.

### ***Fair Values***

The representatives consider the fair value of each class of financial instrument is the same as the carrying value in the Statement of

### ***Off Balance sheet Financial Instruments***

The Trust does not have any off-balance sheet financial instruments.

## **11 POST BALANCE DATE EVENTS**

There have been no significant events between year end and the signing of the Financial Statements.

## **12 RELATED PARTIES**

The Southland Museum & Art Gallery is an entity dependent on local authority funding for ongoing operations. The Trust Board leases the land for the museum site from the Invercargill City Council for one hundred and seventy two dollars per annum. This is less than normal business rates.

### ***2014***

There have been other transactions with the Invercargill City Council being the management fee for the year of \$1,280,223 with nil balance owing at 30 June 2014 as disclosed in Note 3. The Trust also has an amount receivable from the Invercargill City Council of \$1,388 as per Note 7.

Southland Museum & Art Gallery received Grants from Southland Regional Heritage Committee of \$841,083, \$10,000 owing at 30 June 2014. The Trust received Grants from Invercargill City Council of \$438,150.

### ***2013***

There have been other transactions with the Invercargill City Council being the management fee for the year of \$1,251,618 with nil balance owing at 30 June 2013 as disclosed in Note 3. The Trust also has an amount owing to the Invercargill City Council of \$20,058 as per Note 8. Southland Museum & Art Gallery received Grants from Southland Regional Heritage Committee of \$812,955, \$10,000 owing at 30 June 2013. The Trust received Grants from Invercargill City Council of \$438,150.

## *Southland Museum & Art Gallery Trust Board Inc*

### *Notes to the Financial Statements For the Year Ended 30 June 2014*

#### 13 CONTINGENCIES

There are no known contingent liabilities or contingent assets at 30 June 2014 (30 June 2013: nil).

#### 14 COMMITMENTS

The Trust Board has signed a management contract with the Invercargill City Council for the operation of the Museum for a total of \$1,334,133 (2013: \$1,264,223). The contract can be terminated on 6 months written notice and is negotiated each year.

#### STATEMENT OF INTENT

Below is the comparison of the organisation's actual performance with the planned performance as contained in its statement of intent for the 2013/14 financial year

Objective	Performance Indicators	2013/2014 Result
Caring for collections. Collections are managed and preserved in accordance with established standards and cultural requirements.	<i>Collections are maintained in optimal conditions for their long term preservation</i> Undertake building refurbishment and extensions to enable internal environmental conditions to meet national/international guidelines	No irreparable loss or damage is caused to collections or objects on loan. Building Refurbishment & extension under review
Developing Collections. The Collections are developed to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage.	Collection is developed in accordance with reviewed policies - Collection and Management Policies and Acquisitions Strategy	Collection and management policies acquisition strategy commenced.
To provide an inspiring, informed and rich programme of exhibitions, events and learning opportunities.	<i>Development and implementation of an annual visitor experience programme</i> A minimum of 15 Short-term exhibitions, including 4 in the community access gallery, are presented annually	9 short term exhibitions were produced including 10 in the community access gallery.
To recognise the Museum and Art Gallery as a place where our heritage is valued and promoted.	<i>Develop and deliver inspiring education programmes for school audiences.</i> Over 20 education programmes delivered to school audiences, including curriculum-linked and exhibition-related programmes.	62 programmes including curriculum linked and exhibition related were delivered to 4355 children.
	<i>Maintain strong relationships with iwi/Maori over issues relating to the collections, exhibitions and tuatara management.</i> iwi Liaison Komiti (representing the four Southland runanga) meet nine times/year.	4 meetings with iwi/Maori re collections, exhibitions and tuatara management were held plus 3 Iwi Liaison Komiti meetings.
	<i>Promotion of the Southland Museum and Art gallery as a quality venue to visit for residents and visitors.</i> Annual visitor numbers exceed 220,000	Achieved. There were 230,646 visitors to the Southland Museum and Art Gallery during 201/14

## Independent Auditor's Report

### To the readers of Southland Museum and Art Gallery Trust Board Inc's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of Southland Museum and Art Gallery Trust Board Inc (the Trust Board). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Trust Board on her behalf.

We have audited:

- the financial statements of the Trust Board on pages 3 to 13, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Trust Board on page 13.

#### **Adverse opinion – Non recognition of museum and art collection assets**

##### **Reason for our adverse opinion**

The Trust Board has not recognised the museum and art collection assets owned by the Trust Board in the statement of financial position, nor the associated depreciation expense in the income statement. This is a departure from New Zealand Equivalent to International Accounting Standard 16 (NZ IAS 16): Property, Plant and Equipment, which generally requires assets to be recognised and depreciated during their useful lives in the financial statements. There are no practical audit procedures that we have been able to apply to quantify the effect of this departure from NZ IAS 16.

##### **Adverse opinion on the statement of financial position and the income statement**

In our opinion, because of the significance of the matter described in the "Reason for our adverse opinion" paragraph above, the financial statements of the Trust Board on pages 4 to 14:

- do not comply with generally accepted accounting practice in New Zealand; and
- do not fairly reflect the Trust Board's:
  - financial position as at 30 June 2014; and
  - financial performance for the year ended on that date.

## **Opinion on the statement of cash flows**

In our opinion, the financial statements of the Trust Board on pages 3 to 13 fairly reflect the cash flows for the year ended 30 June 2014.

## **Opinion on the statement of service performance**

In our opinion, the statement of service performance of the Trust Board on page 13:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Trust Board's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Our audit was completed on 25 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

## **Basis of opinions**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. We found a material misstatement because the Trust Board did not prepare a statement of service performance, as we referred to in our opinions.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the preparation of the Trust Board's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust Board's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements and statement of service performance; and



- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our unmodified opinion on the financial statements and our adverse opinion on the statement of service performance.

### **Responsibilities of the Trustees**

The Trustees are responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Trust Board's financial position, financial performance and cash flows; and
- fairly reflect its service performance achievements.

The Trust Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Trust Board's responsibilities arise from the Local Government Act 2002.

### **Responsibilities of the Auditor**

We are responsible for expressing independent opinions on the financial statements and statement of service performance and reporting those opinions to you based on our audit. Our responsibility arises from section 14 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand