

Southland Regional Heritage Committee

Annual Report
For the year ended 30 June 2016

SOUTHLAND REGIONAL HERITAGE COMMITTEE

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SOUTHLAND REGIONAL HERITAGE COMMITTEE

ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

Legal name

Southland Regional Heritage Committee

Type of entity and legal basis

The Southland Regional Heritage Committee is a Committee formed and domiciled in New Zealand

The Committee's Purpose

The Committee's principle activity is to promote and enhance the heritage of the Southland Community. The committee administers grant money to appropriate organisation within the Southland Province, who met the required criteria.

Structure of the Committee's operations

The Southland Regional Heritage Committee was formed as a joint committee of Councils on 1 May 2005 by the Invercargill City Council, the Southland District and the Gore District Council. Each Council appoints two members to the committee. The committee's equity and operational funding is contributed from the following Councils: Invercargill City Council, Southland District Council and Gore District Council.

The Reporting Entity of the Committee is for the year ended 30 June 2016.

Committee members

Invercargill City Council

Cr L Esler

Cr L Thomas

Southland District Council

Cr P Duffy (Chairman)

Cr G Macpherson

Gore District Council

Cr P Grant

Cr B Highsted

Registered office

C/- Invercargill City Council

101 Esk Street

Invercargill

Postal address

Private Bag 90-104

Invercargill

Phone (03) 2111 669

Fax (03) 2111 435

Auditor

Audit New Zealand

on behalf of the Auditor - General

Bankers

BNZ

Invercargill

Solicitors

Preston Russell Law

92 Spey Street

Invercargill

SOUTHLAND REGIONAL HERITAGE COMMITTEE

STATEMENT OF FINANCIAL PERFORMANCE FOR THEY YEAR ENDED 30 JUNE 2016

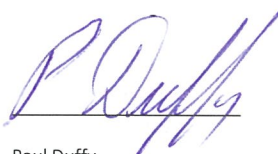
<i>Revenue</i>	<i>Note</i>	<i>2016</i> \$	<i>2015</i> \$
Council funding	1	1,366,233	1,334,517
Interest		23,676	28,534
<i>Total revenue</i>		1,389,909	1,363,051
<i>Expenses</i>			
Audit fees		5,323	5,197
Depreciation of property, plant, and equipment		65	92
Grants made	2	1,217,647	1,211,247
Other expenses		296,674	72,014
<i>Total expenses</i>		1,519,709	1,288,550
Total Surplus / (Deficit)		(129,800)	74,501

The Statement of Accounting Policies and Notes form and integral part of, and should be read in conjunction with these financial statements.

SOUTHLAND REGIONAL HERITAGE COMMITTEE

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	<i>Note</i>	2016	2015
		\$	\$
Assets			
Current assets			
Bank accounts and cash	4	961,669	846,212
Debtors and prepayments	5	2,691	11,826
Total current assets		<u>964,361</u>	<u>858,038</u>
Non-current assets			
Property, plant and Equipment	6	151	216
Total Non-current assets		<u>151</u>	<u>216</u>
Total assets		<u>964,512</u>	<u>858,254</u>
Liabilities			
Current Liabilities			
Creditors and accrued expenses	3	242,561	6,503
Total liabilities		<u>242,561</u>	<u>6,503</u>
Total assets less total liabilities		<u><u>721,951</u></u>	<u><u>851,752</u></u>
Equity			
Contributed Capital	7	137,514	137,514
Accumulated surpluses	7	584,437	714,238
Total Committee Equity		<u><u>721,951</u></u>	<u><u>851,752</u></u>



Paul Duffy
CHAIRMAN
Date: 13th September 2016



Dean Johnston
TREASURER

The Statement of Accounting Policies and Notes form and integral part of, and should be read in conjunction with these financial statements.

SOUTHLAND REGIONAL HERITAGE COMMITTEE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	<i>Note</i>	2016	2015
		\$	\$
Cash flows from operating activities			
Receipts of council funding		1,366,233	1,369,804
Interest Receipts		23,676	28,534
Payment of Grants		(1,181,659)	(1,215,898)
Payments to suppliers		(91,928)	(80,613)
GST (net)		(865)	2,561
		<hr/>	<hr/>
<i>Net cash flow from operating activities</i>		115,458	104,388
Cash flows from investing and financing activities			
Payments to acquire property, plant, and equipment		-	-
		<hr/>	<hr/>
<i>Net cash flow from investing and financing activities</i>		-	-
Net Increase/ (Decrease) in Cash for the year		115,458	104,388
Add opening bank accounts and cash		846,212	741,825
		<hr/>	<hr/>
Closing bank accounts and cash		961,668	846,212
		<hr/> <hr/>	<hr/> <hr/>

The Statement of Accounting Policies and Notes form and integral part of, and should be read in conjunction with these financial statements.

SOUTHLAND REGIONAL HERITAGE COMMITTEE

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

ACCOUNTING POLICIES APPLIED

BASIS OF PREPARATION

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Committee does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Entity will continue to operate in the foreseeable future.

The financial statements are for the individual entity. The Committee is a joint committee between Invercargill City Council, Southland District Council and Gore District Council

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.

SIGNIFICANT ACCOUNTING POLICES

CREDITORS AND ACCRUED EXPENSES

Creditors and accrued expenses are measured at the amount owed.

DEBTORS

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

BANK ACCOUNTS AND CASH

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

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 Committee and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Committee and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated based on rates recommended by the Inland Revenue Department as follows.

- Plant and Equipment	30% DV
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The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

SOUTHLAND REGIONAL HERITAGE COMMITTEE

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

Revenue

Revenue is measured at the fair value of consideration received.

Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as liability and recognised as revenue when conditions of the grant are satisfied.

Interest

Interest revenue is recorded as it is earned during the year

GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

DISCRETIONARY GRANT

Discretionary grants without conditions - recognise expense on approval and communication to recipient. Even if multi-year (unless contains a substantive termination clause). Irrespective of whether paid in advance or arrears.

Discretionary grants with conditions and paid in arrears - recognise expense (for each instalment) at earlier of payment date or when relevant conditions providing entitlement to the instalment are satisfied.

GOODS AND SERVICES TAX

The Entity is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

STATEMENT OF CASH FLOWS

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

Operating activities include cash received from all income sources of the Committee 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 Committee.

TAX

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

Changes in Accounting Policies

There have been no changes in Accounting Policies during the reporting period.

SOUTHLAND REGIONAL HERITAGE COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1 <i>Council funding</i>	2016 \$	2015 \$
Southland District Council	457,894	445,066
Invercargill City Council	719,413	705,325
Gore District Council	188,926	184,126
	<hr/>	<hr/>
<i>Total Council funding</i>	1,366,233	1,334,517
	<hr/> <hr/>	<hr/> <hr/>

The Councils listed above include a uniform charge to all ratepayers in their respective Districts and this is granted to the Regional Heritage Committee each year.

2 <i>Grants made</i>	2016 \$	2015 \$
Southland Museum & Art Gallery Trust	896,121	867,746
Gore District Council	163,282	163,282
Discretionary Grants	132,256	180,219
Future Discretionary Grants	25,988	-
	<hr/>	<hr/>
<i>Total Grants</i>	1,217,647	1,211,247
	<hr/> <hr/>	<hr/> <hr/>

The committee resolved on 6th November 2015 to transferred Southland Museum Art Gallery Receivable balance of \$10,000 (dating back to 2007) in Southland Regional Heritage Committee Accounts to an operational Grant to Southland Museum Art Gallery Trust Board.

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

Future discretionary grants are grants that have no conditions attached and are committed to be paid in the future by the committee.

3 <i>Creditors and Accrued Expenses</i>	2016 \$	2015 \$
Accrued Committed Expenses	232,238	-
Venture Southland	5,000	6,026
ICC	-	477
Audit Fees	5,323	-
	<hr/>	<hr/>
<i>Total creditors and accrued expenses</i>	242,561	6,503
	<hr/> <hr/>	<hr/> <hr/>

4 <i>Bank accounts and cash</i>	2016 \$	2015 \$
BNZ - Operating Account	961,669	846,212
	<hr/>	<hr/>
<i>Net bank accounts and cash for the purposes of the statement of cash flows</i>	961,669	846,212
	<hr/> <hr/>	<hr/> <hr/>

5 <i>Debtors and prepayments</i>	2016 \$	2015 \$
Southland Museum & Art Gallery Trust	-	10,000
GST Receivable	2,691	1,826
	<hr/>	<hr/>
<i>Total debtors and prepayments</i>	2,691	11,826
	<hr/> <hr/>	<hr/> <hr/>

SOUTHLAND REGIONAL HERITAGE COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6 <i>PROPERTY, PLANT AND EQUIPMENT</i>	Plant & Equipment	Total
	\$	\$
<i>Carrying amount at 1 July 2014</i>	308	308
Additions	-	-
Disposals (net of accumulated depreciation)	-	-
Depreciation expense	(92)	(92)
Impairment loss	-	-
	<hr/>	<hr/>
<i>Carrying amount at 30 June 2015</i>	216	216
	<hr/>	<hr/>
<i>Carrying amount at 01 July 2015</i>	216	216
Additions	-	-
Disposals (net of accumulated depreciation)	-	-
Depreciation expense	(65)	(65)
Impairment loss	-	-
	<hr/>	<hr/>
<i>Carrying amount at 30 June 2016</i>	151	151
	<hr/>	<hr/>
7 <i>Equity</i>	2016	2015
	\$	\$
Contributed Capital		
Balance at 1 July	137,514	137,514
Capital contribution	-	-
	<hr/>	<hr/>
Balance at 30 June	137,514	137,514
	<hr/>	<hr/>
Accumulated surpluses		
Balance at 1 July	714,238	639,737
	<hr/>	<hr/>
Surplus/(deficit) for the year	(129,800)	74,501
	<hr/>	<hr/>
Balance at 30 June	584,437	714,238
	<hr/>	<hr/>
<i>Total equity</i>	721,951	851,752
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SOUTHLAND REGIONAL HERITAGE COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 POST BALANCE DATE EVENTS

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

9 RELATED-PARTY TRANSACTIONS

		2016	2015
		\$	\$
The Committee paid Grants to Southland Museum & Art Gallery Trust Board (Related through joint involvement with 3 council)	Value for year	896,121	867,746
	Balance outstanding	-	-
The Committee paid Grants to Gore District Council (Related through joint involvement with 3 council)	Value for year	163,282	163,282
	Balance outstanding	-	-
The Committee has reimbursed ICC for Operational expenses incurred on behalf of the Committee (2 committee member are part of ICC)	Value for year	4,815	5,684
	Balance outstanding	-	477
The Committee received Grants from ICC (2 committee member are part of ICC)	Value for year	719,413	705,325
	Balance outstanding	-	-
The Committee received Grants from SDC (2 committee member are part of SDC)	Value for year	457,894	445,066
	Balance outstanding	-	-
The Committee received Grants from GDC (2 committee member are part of GDC)	Value for year	188,926	184,126
	Balance outstanding	-	-

Related-party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Committee would have adopted in dealing with the party at arm's length in the same circumstances.

10 CONTINGENT LIABILITIES

There are no known contingent liabilities or contingent assets at 30 June 2016 (30 June 2015: Nil).

11 COMMITMENTS

The Committee has outstanding commitments of Grants approved but not paid as at 30 June 2016 of \$201,406 (30 June 2015: \$119,202).

12 TAX

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

13 STATEMENT OF INTENT

The Committee is considered as a Joint Committee under Clause 30(1)(b) and Clause 30A of Schedule 7 of the Local Government Act 2002. Therefore there is no requirement to prepare a Statement of Intent.

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26 September 2016

Cr Paul Duffy
Chairman
Southland Regional Heritage Committee
C/- Invercargill City Council
Private Bag 90104
Invercargill 9840

Dear Paul

Letter to the Committee on the audit of Southland Regional Heritage Committee for the year ended 30 June 2016

We have completed the audit for the year ended 30 June 2016. This report sets out our findings from the audit.

1 Our audit opinion

We intend to issue an unmodified audit opinion.

1.1 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. All issues relating to misstatement and omission of disclosures were addressed during the course of the audit.

2 Business issues

2.1 Grant expenditure

Southland Regional Heritage Committee (the Committee) administers grant money to appropriate organisations to promote and enhance the heritage of the Southland community.

The Committee provides grant funding in various forms including grants paid either in arrears or in advance, and either with or without conditions attached. Under the current Public Benefit Entity accounting standard framework, how a grant is accounted for is dependent on all of these variables.

Currently the variables which determine how a grant should be accounted for are discussed at Committee meetings but are not formally documented or formally communicated to grant recipients. The Committee accounts for grants based on the intended terms of approved grants or historical practice for grants of a similar nature.

Recommendation

We recommend the Committee formally document the terms of each approved grant. This may lead to the development and use of common or standard terms for all grants.

This would allow transparency of grant terms and conditions with grant recipients and aid the determination of the appropriate accounting for each grant.

3 Areas of interest for all public sector entities

3.1 Compliance with legislative compliance

In carrying out the Auditor General's mandate, we perform a review of legislative compliance.

As we noted in the audit arrangements letter, we limit this review to obtaining assurance that the Committee has complied with significant legislative requirements that may directly affect the financial statements or general accountability. This means our review does not cover all of the Committee's legislative compliance requirements.

During our review of the Committee's Heads of Agreement, we noted that an AGM is required to be held within three months of balance date however the AGM was held on 6 November 2015 to adopt the annual report.

No other matters of legislative compliance were disclosed to us or identified during our audit testing.

Recommendation

If more than three months is required before the AGM can be arranged to adopt the annual report, we recommend the Committee pass a resolution to amend the Heads of Agreement to extend the time period in which an AGM may be held.

3.2 Related party transactions and conflicts of interest

Related parties and conflicts of interest are an area of risk from the perspective of probity. A conflict of interest that is not well managed may create legal and reputational risks.

During the final audit, we confirmed the completeness and accuracy of the related party transactions and balances disclosed in the financial statements. Similar to prior years, we are aware that Committee members may have relationships with entities that the Committee transacts with.

During the course of the audit we remained alert for potential conflicts of interest. No conflicts of interest were identified during our audit work performed or disclosed to us.

Recommendation

We recommend interest registers for all Committee members are maintained by the Committee to ensure all related party interests are disclosed and any conflicts can be managed appropriately.

3.3 Fraud risks

Discussions were held with senior management and Committee members on matters concerning fraud risk awareness, identification of susceptible areas, and mitigating controls that the Committee has in place.

No instances of fraud have been disclosed to us or identified during our audit testing to date.

We consider that there are appropriate fraud prevention and detection processes in place for the size of the entity.

4 Status of previous recommendations

In last year's report to the Trust, We raised an issue regarding an outstanding receivable from Southland Museum and Art Gallery Trust Board (SMAG) of \$10,000, which dated back to 2007. We recommended that the Board consider writing it off as a bad debt.

We note the receivable was forgiven in the current year.

5 Conclusion

Thank you

We would like to thank the Committee and management for their time and assistance throughout the audit process.

If you have any queries please do not hesitate to contact Chris Kaan on 021 244 1009, or me on 021 222 6020.



Ian Lothian
Director