

SOUTHLAND REGIONAL HERITAGE COMMITTEE  
*Risk in History*



SOUTHLAND REGIONAL HERITAGE COMMITTEE

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

# *SOUTHLAND REGIONAL HERITAGE COMMITTEE*

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# **SOUTHLAND REGIONAL HERITAGE COMMITTEE**

## **ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2019**

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### **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 Council 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.

### **Outputs**

The main output of the committee is the payment of grants to recipients that meet the funding criteria as per Heads of Agreement.

The Reporting Period of the committee is for the year ended 30 June 2019.

### **Committee members**

Cr L Esler	Invercargill City Council
Cr R Amundsen	Invercargill City Council
Cr P Duffy (Chairman)	Southland District Council
Cr G Macpherson	Southland District Council
Cr B Reid	Gore District Council
Cr N Phillips	Gore District Council

### **Registered office**

C/- Invercargill City Council  
101 Esk Street  
Invercargill

### **Bankers**

Bank of New Zealand  
84 Esk Street, Invercargill

### **Postal address**

Private Bag 90-104  
Invercargill  
Phone (03) 2111 777  
Fax (03) 2111 692

### **Solicitors**

Preston Russell Law  
45 Yarrow Street, Invercargill

### **Auditor**

Audit New Zealand  
on behalf of the Auditor - General

## SOUTHLAND REGIONAL HERITAGE COMMITTEE

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

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	<i>Note</i>	2019 \$	2018 \$
<i>Revenue</i>			
Council funding	1	1,641,331	1,605,867
Other revenue		18,000	15,000
Interest		20,985	15,521
<b>TOTAL REVENUE</b>		<b>1,680,316</b>	<b>1,636,388</b>
<i>Expenses</i>			
Audit fees		5,661	5,572
Depreciation of property, plant, and equipment	4	15,078	32
Grants made	2	1,472,419	1,379,357
Other expenses		401,708	11,406
<b>TOTAL EXPENSES</b>		<b>1,894,866</b>	<b>1,396,367</b>
<b>TOTAL SURPLUS / (DEFICIT)</b>		<b>(214,550)</b>	<b>240,021</b>

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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 2019

	<i>Note</i>	<b>2019</b> \$	<b>2018</b> \$
<b>Assets</b>			
<i>Current assets</i>			
Bank accounts and cash		222,676	919,472
Other Financial Investments		503,195	-
GST receivable		3,885	-
<b>TOTAL CURRENT ASSETS</b>		<b>729,756</b>	<b>919,472</b>
<i>Non-current assets</i>			
Property, plant and equipment	4	27,673	74
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,673</b>	<b>74</b>
<b>TOTAL ASSETS</b>		<b>757,429</b>	<b>919,546</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Creditors and accrued expenses	3	<b>162,527</b>	100,753
GST payable		-	9,341
<b>TOTAL CURRENT LIABILITIES</b>		<b>162,527</b>	<b>110,094</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		-	-
<b>TOTAL LIABILITIES</b>		<b>162,527</b>	<b>110,094</b>
<b>TOTAL ASSETS less TOTAL LIABILITIES</b>		<b>594,902</b>	<b>809,452</b>
<b>Equity</b>			
Contributed capital	5	137,514	137,514
Accumulated surpluses	5	457,388	671,938
<b>TOTAL COMMITTEE EQUITY</b>		<b>594,902</b>	<b>809,452</b>

Paul Duffy  
CHAIRMAN

20 September 2019

Dave Foster  
TREASURER

20 September 2019

# SOUTHLAND REGIONAL HERITAGE COMMITTEE

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

	<i>Note</i>	2019 \$	2018 \$
<i>Cash flows from operating activities</i>			
Receipts of council funding		1,659,331	1,620,867
Interest receipts		20,985	15,521
Payment of grants		(1,410,576)	(1,358,520)
Payments to suppliers		(407,438)	(148,993)
GST (net)		(13,226)	11,115
<b>Net cash flow from / to operating activities</b>		<b>(150,924)</b>	<b>139,990</b>
<i>Cash Flows from investing and financing activities</i>			
Purchase of property, plant, and equipment		(42,677)	-
Term Deposit - BNZ		(503,195)	-
<b>Net cash flow from / to investing and financing activities</b>		<b>(545,872)</b>	<b>-</b>
Net increase/ (decrease) in cash		(696,796)	139,990
Opening cash balance		919,472	779,482
<b>CLOSING CASH BALANCE</b>		<b>222,676</b>	<b>919,472</b>

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 2019**

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### **ACCOUNTING POLICIES APPLIED**

#### ***BASIS OF PREPARATION***

The committee 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 Financial Statements have been authorised for issue by the committee members on 31 August 2019.

The entity's committee members 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.



## ***SOUTHLAND REGIONAL HERITAGE COMMITTEE***

### **STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019**

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#### ***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 committee is exempt from the payment of income tax. Accordingly no charge for income tax applies or has been provided for.

#### **CHANGES IN ACCOUNTING POLICES**

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

# SOUTHLAND REGIONAL HERITAGE COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<b>1 Council funding</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Southland District Council	556,603	544,980
Invercargill City Council	884,864	865,898
Gore District Council	199,864	194,989
<b>Total council funding</b>	<b>1,641,331</b>	<b>1,605,867</b>

*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.*

<b>2 Grants made</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Southland Museum & Art Gallery Trust	1,133,329	1,173,155
Gore District Council	178,170	173,825
Discretionary Grants	160,920	32,377
<b>Total grants made</b>	<b>1,472,419</b>	<b>1,379,357</b>

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

<b>3 Creditors and accrued expenses</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accrued committed expenses	156,866	95,022
Venture Southland	-	159
Audit fees	5,661	5,572
<b>Total creditors and accrued expenses</b>	<b>162,527</b>	<b>100,753</b>

# SOUTHLAND REGIONAL HERITAGE COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Property, plant & equipment

	Plant \$	Total \$
Carrying amount at 1 July 2017	106	106
Additions	-	-
Disposals (net of accumulated depreciation)	-	-
Depreciation expense	(32)	(32)
<b>Carrying amount at 30 June 2018</b>	<b>74</b>	<b>74</b>
Carrying amount at 1 July 2018	74	74
Additions	42,677	42,677
Disposals (net of accumulated depreciation)	-	-
Depreciation expense	(15,078)	(15,078)
<b>Carrying amount at 30 June 2019</b>	<b>27,673</b>	<b>27,673</b>

### 5 Equity

	2019 \$	2018 \$
<b>Contributed capital</b>		
Balance at 1 July	137,514	137,514
Capital contribution	-	-
<b>Balance at 30 June</b>	<b>137,514</b>	<b>137,514</b>
<b>Accumulated surpluses</b>		
Balance at 1 July	671,938	431,917
Surplus/(deficit) for the year	(214,550)	240,021
<b>Balance at 30 June</b>	<b>457,388</b>	<b>671,938</b>
<b>TOTAL EQUITY</b>	<b>594,902</b>	<b>809,452</b>

## SOUTHLAND REGIONAL HERITAGE COMMITTEE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6 Related Parties		2019	2018
		\$	\$
The committee paid grants to <b>Southland Musuem &amp; Art Gallery Trust Board</b> <i>(Related through joint involvement with 3 councils)</i>	Value for year Balance outstanding	1,133,329 -	1,173,155 54,100
The committee paid grants to <b>Gore District Council</b> <i>(Related through joint involvement with 3 councils)</i>	Value for year Balance outstanding	178,170 -	173,825 -
The committee has reimbursed <b>Invercargill City Council</b> for operational expenses incurred on behalf of the committee <i>(2 committee members are part of Invercargill City Council)</i>	Value for year Balance outstanding	4,282 -	5,174 -
The committee received grants from <b>Invercargill City Council</b> <i>(2 committee members are part of Invercargill City Council)</i>	Value for year Balance outstanding	884,864 -	865,898 -
The committee received grants from <b>Southland District Council</b> <i>(2 committee members are part of Southland District Council)</i>	Value for year Balance outstanding	556,603 -	544,980 -
The committee received grants from <b>Gore District Council</b> <i>(2 committee members are part of Gore District Council)</i>	Value for year Balance outstanding	199,864 -	194,989 -
The committee has reimbursed <b>Venture Southland</b> for operational expenses incurred on behalf of the committee <i>(2 committee members are part of Venture Southland)</i>	Value for year Balance outstanding	5,605 -	5,308 159
The committee has reimbursed <b>Gore District Council</b> for operational expenses incurred on behalf of the committee <i>(2 committee members are part of Gore District Council)</i>	Value for year Balance outstanding	272,928 -	- -

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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### **7 POST BALANCE DATE EVENTS**

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

### **8 CONTINGENCIES**

There are no known contingent liabilities or contingent assets at 30 June 2019 (2018: nil).

### **9 COMMITMENTS**

The Committee has outstanding commitments of grants approved but not paid as at 30 June 2019 of \$5,000 (2018: \$130,545).

The Committee has outstanding operational commitment approved but not paid as at 30 June 2019 of \$41,934 (2018 : Nil).

There is no capital commitments as at 30 June 2019 (2018 : Nil).

### **10 TAX**

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

### **11 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.

9 August 2019

Level 1, 399 Moray Place  
PO Box 232, Dunedin 9054

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

Dear Paul

## **Letter to the Committee from the audit of Southland Regional Heritage Committee for the year ended 30 June 2019**

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit.

### **1 Our audit opinion**

#### **1.1 We issued an unmodified audit opinion**

We intend to issue an unmodified audit opinion on 20 September 2019. This means that we are satisfied that the financial statements fairly reflected the Committee's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters:

#### **1.2 Uncorrected misstatements**

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

### **2 Areas of audit focus**

#### **2.1 Accounting for grant revenue and expenditure**

During our audit we confirmed that grants received had been recorded in the correct accounting period. We also ensured they had been accounted for in compliance with the Trust's accounting policies and reporting standard requirements.

As a result of this review we have no concerns to report.

## **2.2 Risk of management override of controls**

Management override is a potential audit risk because in any organisation, management is in a unique position to perpetrate fraud due to management's ability to manipulate accounting records and prepare fraudulent financial statements through override of controls that otherwise appear to be operating effectively.

To address the risk of management override, during the audit we:

- tested the appropriateness of selected journal entries;
- reviewed accounting estimates, for bias and evaluated if there was any risk of material misstatement due to fraud from bias; and
- determined whether there were any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Trust for the purpose of evaluation of the business rationale.

We found no indications of management override that would result in a material misstatement in the financial statements due to fraud.

## **3 Control environment**

We performed a high level review of the control environment. We considered the overall attitude, awareness, and actions of the Committee and management in establishing and maintaining effective management procedures and internal controls. Our assessment of these areas was based on regular discussions with key personnel and our accumulated knowledge of the Committee.

In performing this assessment we consider both the "design effectiveness" and "operational effectiveness" of internal control. The explanation of these terms is outlined below. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

Per section 3.1 below, we have one new issues to bring to your attention. Recommendations raised in previous years' were followed up and updated within section 4 of this letter.

### **3.1 Related parties and conflicts of interest**

#### **Findings**

As part of our audit we identified a number of undisclosed interests when comparing the interests register to the companies register. Committee members should ensure that all interests are disclosed to ensure any exposure to potential risk is minimised.

### **Recommendation**

Ensure that all conflicts of interest are disclosed in the interest register.

## **4 Prior year recommendations update**

### **4.1 Completeness of journals**

#### **Recommendation**

Implement procedures to ensure that all journals posted on the system have been reviewed and are completed.

#### **Outcome**

Matter resolved. All journals entries for this financial year had been reviewed by an independent person.

### **4.1 IT System access**

#### **Recommendation**

Procedures be developed to allow the Trust to assess which individuals have access to the accounting system.

#### **Outcome**

This matter is still outstanding, the Trust is unable to generate a report to assess which individuals have access to the accounting system.

## **5 Mandatory disclosures**

The mandatory disclosures in relation to this engagement are detailed in Appendix 1.

## 6 Conclusion

### Thank you

We would like to thank the Committee and management for their time and assistance during the course of our audit.

Yours sincerely



Andy Burns  
Director

## Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Committee members of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Committee.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Committee members and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council Controlled Entity in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Council Controlled Entity.</p>
Fee	<p>The audit fee for the year is \$5,661, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Southland Regional Heritage Committee that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Southland Regional Heritage Committee during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>