



MINISTRY OF EDUCATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



MINISTRY OF EDUCATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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MINISTRY OF EDUCATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORY

Minister

Honourable Henry Puna
Minister for Education

Head of Ministry / Title

Gail H Townsend
Secretary of Education

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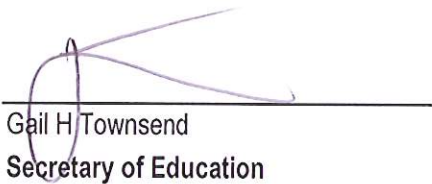
MINISTRY OF EDUCATION

STATEMENT OF RESPONSIBILITY

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995-96, I am responsible for the preparation of the Ministry of Education's financial statements and the judgements made in the process of producing those statements.


I have the responsibility of establishing and maintaining internal controls. I have established and maintained a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry of Education for the year ended 30 June 2016.



Gail H Townsend
Secretary of Education

7 December 2016
Date



Honourable Henry Puna
Minister for Education

7 December 2016
Date



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF THE MINISTRY OF EDUCATION

Report on the Financial Statements

We have audited the accompanying financial statements of the Ministry of Education on pages 7 to 27. The financial statements comprise of the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expenses, the statement of changes in equity, the statement of appropriations and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

The Cook Islands Audit Office is the appointed auditor of the Ministry of Education under Section 71(1) of the Cook Islands Constitution

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Other than in our capacity as auditor, we have no relationship with or interests in the Ministry of Education.

Opinion

In our opinion the financial statements of the Ministry of Education on pages 7 to 27 for the year ended 30 June 2016 comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Act 1995-96 and present fairly, in all material respects, the financial position of the Ministry of Education as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Our audit was completed on 07 December 2016 and our opinion is expressed as at that date.



Allen Parker
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands



MINISTRY OF EDUCATION

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2016

In New Zealand Dollars	Notes	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Revenue				
Funding from the Crown		14,720,355	14,720,355	11,098,255
Net Gain on Disposal of Property, Plant & Equipment		-	-	1,881
Other Revenue	2	42,489	-	35,209
Aid Revenue	10	194,178	-	3,379,080
Total Revenue		14,957,022	14,720,355	14,514,426
Expenditure				
Personnel expenses	3	10,750,309	10,952,290	9,715,608
Depreciation and Amortisation	11,12	416,487	362,364	441,872
Other Expenses	4	2,946,758	3,405,701	1,123,224
Aid Expenses	10	194,178	-	3,063,936
Total Expenditure		14,307,732	14,720,355	14,344,640
Total comprehensive revenue and expense		649,291	-	169,785

Explanations of major variances against the budget are provided in Note 18.

The accompanying notes should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

in New Zealand Dollars	Notes	Actual 2016 \$	Actual 2015 \$
Assets			
Current Assets			
Cash and Equivalents	5	(9,560)	(1,508)
Trust Accounts		619,141	619,936
Prepayments		115,481	6,270
Inventory	6	69,524	87,304
Debtors and Other Receivables	7	3,829,267	3,143,365
Aid Receivables		15,754	12,719
Total Current Assets		4,639,607	3,868,086
Non-Current Assets			
Property, Plant, and Equipment	11	1,267,096	1,179,424
Intangible Assets	12	-	174
Total Non-Current Assets		1,267,096	1,179,598
Total Assets		5,906,703	5,047,684
Liabilities			
Current Liabilities			
Creditors and Other Payables	8	3,673,377	2,873,877
Aid Liabilities		625,883	621,848
Employee Entitlements	9	270,824	617,924
Total Current Liabilities		4,570,083	4,113,649
Total Liabilities		4,570,083	4,113,649
Net Assets		1,336,620	934,035
Equity			
Contributed Capital		1,703,377	1,199,306
Accumulated Surplus / (Deficit)		(366,757)	(265,271)
Total Equity	13	1,336,620	934,035

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 \$	Actual 2015 \$
in New Zealand Dollars			
Balance at 1 July		934,035	1,053,841
Total Comprehensive Revenue and Expense for the year		649,291	169,785
Capital funding from the Crown		504,070	157,081
Gain on sale repayable to the Crown		(5,100)	(4,800)
Return of surplus to the Crown		(329,191)	-
Depreciation payable to the Crown		(416,487)	(441,872)
Balance at 30 June	13	1,336,620	934,035

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

In New Zealand Dollars	Actual 2016 \$	Actual 2015 \$
Cash Flows From Operating Activities		
Receipts from the Crown	14,333,253	10,742,010
Receipt from Clients	53,529	15,939
Receipt of Aid Revenue	198,212	3,089,130
Payments to Employees	(11,097,408)	(9,602,246)
Payments of Aid Expenses	(194,178)	(3,063,936)
Payments to Suppliers	(2,980,088)	(1,107,256)
Net Cash Flows from / (used in) Operating Activities	313,321	73,641
Cash Flows from Investing Activities		
Sale of Property, Plant and Equipment	-	3,257
Purchase of Property, Plant and Equipment	(503,985)	(504,844)
Net Cash Flows from / (used in) Investing Activities	(503,985)	(501,587)
Cash Flows From Financing Activities		
Capital funding from Crown	504,070	157,081
Cash Recalled by the Crown	(317,153)	768
Repayment to the Crown - Gain on Sale	(5,100)	(4,800)
Net Cash Flows from / (used in) Financing Activities	181,818	153,050
Net Increase / (Decrease) in Cash and Cash Equivalents	(8,847)	(274,896)
Cash and Cash Equivalents at the beginning of the year	618,429	893,325
Cash and Cash Equivalents at the end of the year	609,582	618,429
Reconciliation of Cash and Cash Equivalents at the end of the year		
Cash at Bank (Bank of South Pacific)	(9,560)	(1,508)
Aid Trust Account	619,141	619,936
	609,582	618,429

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

In New Zealand Dollars	Actual 2016 \$	Actual 2015 \$
Reconciliation of Net Surplus / (Deficit) to Net cash flows from Operating Activities		
Reported Surplus	649,291	169,785
Add / (less) Non-cash items		
Depreciation and Amortisation Expense	416,487	441,872
Change in Annual Leave	(6,904)	22,613
Cash Recall	317,153	(768)
(Gain) / Loss on Sale of Property, Plant and Equipment	-	(1,881)
Total Non Cash Items	1,376,026	631,620
Add / (less) movements in statement of financial position items		
(Increase) / decrease in Accounts Receivable	(734)	(11,350)
(Increase) / decrease in Crown Receivables	(387,102)	(356,245)
(Increase) / decrease in Sundry Debtors	14,809	4,800
(Increase) / decrease in Prepayments	(109,211)	5,711
(Increase) / decrease in Cash Recall	(317,153)	768
(Increase) / decrease in Inventory	17,780	492
(Increase) / decrease in Aid Receivable	(3,034)	(12,719)
Increase / (decrease) in Accounts Payable	-	(24,458)
Increase / (decrease) in Aid Liabilities	4,034	(289,951)
Increase / (decrease) in Payroll Accruals	(340,196)	90,749
Increase / (decrease) in Sundry Creditors	58,101	34,224
Net Movements in Working Capital Items	(1,062,706)	(557,980)
Net Cash Flows from Operating Activities	313,321	73,641

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION

STATEMENT OF APPROPRIATIONS
FOR THE YEAR ENDED 30 JUNE 2016

In New Zealand Dollars

Year Ended 30 June 2016		Appropriation Voted	Revenue/ Expenditure Actual	Surplus / (Deficit)
Output 1:	Taku Ipukarea Kia Rangatira	1,080,556	752,503	328,053
Output 2:	Learning & Teaching	1,196,461	1,151,237	45,224
Output 3:	Learning & the Community	1,113,864	986,933	126,931
Output 4:	Infrastructure & Support	10,409,272	10,639,628	(230,356)
Output 5:	Corporate Service	920,202	583,253	336,949
		<u>14,720,355</u>	<u>14,113,554</u>	<u>606,801</u>
Included in the Appropriation Vote:				
Other Revenue		-	42,489	42,489
Net Aid Surplus		-	-	-
Net Surplus				649,291

Year Ended 30 June 2015

Output 1:	Taku Ipukarea Kia Rangatira	231,401	370,106	(138,705)
Output 2:	Learning & Teaching	652,970	553,138	99,832
Output 3:	Learning & the Community	442,694	536,976	(94,282)
Output 4:	Infrastructure & Support	9,543,596	9,523,418	20,178
Output 5:	Corporate Service	227,594	297,066	(69,472)
		<u>11,098,255</u>	<u>11,280,704</u>	<u>(182,449)</u>
Included in the Appropriation Vote:				
Other Revenue		-	37,090	37,090
Net Aid Surplus		-	315,144	315,144
Net Surplus				169,785

The accompanying accounts should be read in conjunction with these Financial Statements



**MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Statement of Accounting Policies

Reporting Entity

These financial statements are for the Ministry of Education which is considered to be an agency of the Crown. It has therefore designated itself a public entity for financial reporting purposes.

The Ministry of Education provides a dynamic and professional environment which promotes and supports lifelong learning through the provision of quality services.

Statement of Compliance

These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management Act 1995-96 and the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).

Measurement Base

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared using the historical cost method to report results, cashflows and the financial position of the Ministry of Education. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest dollar.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Income Tax

The Ministry of Education, as an agency of the Crown, is exempt from the payment of income tax in terms of the Income Tax Act 1997. Accordingly, no charge for income tax has been provided for.

Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Comprehensive Revenue and Expenses.

**MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Statement of Accounting Policies (continued)

Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Statement of Cash Flows

Cash is considered to be cash balances on hand and current accounts in banks, net of bank overdrafts and trust accounts with original maturities of three months or less.

Operating activities include cash received from all income sources of the Ministry of Education and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Value Added Tax (VAT)

All statements of account are inclusive of VAT as the Ministry is not VAT registered due to the annual trading income being below the threshold.

Budget figures

The budget figures are derived from the Cook Islands Government Budget Estimates 2015/2016 Book 2: Ministry Budget Statements as approved by the Minister of Finance at the beginning of the financial year.

Critical accounting estimates and assumptions

In preparing these financial statements, the Ministry has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

> useful lives of property, plant and equipment and intangible assets - refer to Note 11 & 12

Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited Financial Statements



**MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 2: Other Revenue

Accounting policy

The specific accounting policies for significant revenue items are explained below.

Revenue under non-exchange transactions

Funding from the Crown

The Ministry is primarily funded from the Crown. This funding is restricted in its use for the purpose of the Ministry meeting the objectives specified in its founding legislation and the scope of the relevant appropriation of the Crown. The Ministry provides services to the Crown in the form of the production of certain outputs as disclosed in the Statement of Appropriations on page 12.

The funding is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due from the funding arrangements.

Breakdown of other revenue

	Actual 2016 \$	Actual 2015 \$
Revenue under non-exchange transactions		
Cost recovery for sale of stationeries and consumables to private schools	41,099	34,309
Other revenue	1,390	900
Total Other Revenue	42,489	35,209

Note 3: Personnel Costs

Accounting Policy

Superannuation schemes

The Ministry contributes to the Cook Islands National Superannuation Fund and Government Fund. Which is accounted for as a defined contribution scheme and are expensed in the surplus or deficit as incurred.

Breakdown of personnel cost

	Actual 2016 \$	Actual 2015 \$
Salaries and wages	10,122,328	9,092,566
Defined contribution plan - employer contributions	646,776	600,428
Increase / (decrease) in employee entitlements	(18,795)	22,614
Total personnel costs	10,750,309	9,715,608

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 4: Other Expenses

Breakdown of other expense

	Actual 2016 \$	Actual 2015 \$
Communication	155,185	138,522
Course materials and registration	84,783	-
Expensed assets	68,027	16,092
Freight and postage	176,507	20,085
Repairs and maintenance	129,612	57,069
Fuel and oil	11,376	14,451
Office supplies & consumables	543,706	335,480
Electricity	129,156	150,725
Entertainment	37,564	2,773
Professional services	136,861	11,243
Travel	543,996	64,699
Human resources and training	91,292	4,997
Advertising, marketing, and promotion	57,565	9,571
Rent	28,859	21,063
Uniforms	10,765	-
Scholarship allowance	156,813	178,984
Subscription	56,287	5,437
Tutors	118,128	-
Private school reimbursement	144,851	-
Books, magazines & CDs	45,972	-
Staff amenities & welfare	21,147	241
Other	198,307	91,794
Total other expenses	2,946,758	1,123,224

There are various expense categories which do not have prior year comparatives as they were previously funded through Aid. More details are provided in Note 18.

Note 5: Cash and Cash Equivalents

Breakdown of cash and cash equivalents

	Actual 2016 \$	Actual 2015 \$
Cash at bank (Bank of South Pacific)	(9,560)	(1,508)
Total Cash and Equivalents	(9,560)	(1,508)

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 6: Inventory

Accounting Policy

Inventories are recorded at the lower of cost or current replacement value. Appropriate allowance has been made for obsolescence where it is deemed necessary.

Breakdown of inventory

	Actual 2016 \$	Actual 2015 \$
Inventory held for use	69,524	87,304
Total inventory	69,524	87,304

Note 7: Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less any provisions for uncollectability.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Breakdown of receivables and further information

	Actual 2016 \$	Actual 2015 \$
Receivables under non-exchange transactions		
Accounts receivable (gross)	18,898	18,163
Less: Provision for doubtful debts	-	
Accounts receivables (net)	18,898	18,163
Cash recall	664,819	347,667
Sundry receivables	(2,709)	16,378
Crown receivable		
Prior years crown receivable	2,761,157	2,404,912
Current year crown receivable	387,102	356,245
Total receivables	3,829,267	3,143,365
Inter-ministry receivables included above to Crown Agencies	1,829	1,829

The aging profile of accounts receivable at year end is detailed below:

	2016			2015		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	1,498	-	1,498	447	-	447
Past due 0 - 30 days	-	-	-	-	-	-
Past due 31 - 60 days	8,437	-	8,437	13,447	-	13,447
Past due over 60 days	8,962	-	8,962	4,269	-	4,269
	18,898	-	18,898	18,163	-	18,163

All receivables greater than 30 days in age are considered to be past due.

The assessment for uncollectability is performed on an individual basis, based on past collection history and write offs. All above debtors have been assessed as collectable as all past debts have been collectible and none have been written off.

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 8: Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and further information

	Actual 2016 \$	Actual 2015 \$
Payables under exchange transactions		
Accrued expense	116,758	62,935
<i>Total payables under exchange transactions</i>	116,758	62,935
 Inter-ministry payables included above to Crown Agencies	 39,465	 8,685
Inter-ministry payables included above to State Owned Enterprises	29,292	10,422
 Payables under non-exchange transactions		
Crown Payable		
Prior years depreciation payable	2,146,674	1,704,802
Prior years surplus payable	664,268	664,268
Current year depreciation payable	416,487	441,872
Current year surplus payable	329,191	-
<i>Total payables under non-exchange transactions</i>	3,556,619	2,810,942
Total payables	3,673,377	2,873,877

Note 9: Employee Entitlements

Accounting Policy

Employee benefits are due to be settled within 12 months after the end of the financial year in which the employee provides the related service and are based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and time off in lieu.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created constructive obligation and a reliable estimate of the obligation can be made.

Breakdown of employee entitlements

	Actual 2016 \$	Actual 2015 \$
Accrued salaries and wages	172,444	512,640
Annual leave	98,380	105,284
Total employee entitlements	270,824	617,924

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 10: Aid Revenue and Expenses

Accounting Policy

Aid monies received are recorded in the Statement of Comprehensive Revenue and Expenses as they are utilised. Revenue is recognised at the same time the equivalent expense is incurred. Any unused aid money is held as an Aid Liability until such time as it is used and/or any applicable conditions attached to the funding are satisfied.

Breakdown of Aid Revenue and Aid Expenses

	Actual 2016 \$	Actual 2015 \$
New Zealand Aid	70,573	3,301,820
United Nations Aid	7,892	50,699
European Union Aid	-	3,000
Other Aid	-	23,561
Total Aid Revenue Received from Crown	78,465	3,379,080
Aid Revenue Received from Donors:		
Other Aid	115,714	-
Total Aid Revenue Received from Donors	115,714	-
Total Aid Revenue Received	194,178	3,379,080
Aid Expenses Incurred:		
New Zealand Aid	70,573	2,986,676
United Nations Aid	7,892	50,699
European Union Aid	-	3,000
Other Aid	115,714	23,561
Total Aid Expenses Incurred	194,178	3,063,936
Capital Expenditure Funded by Aid		
New Zealand Aid	-	315,144
Net Surplus	-	315,144

Net Surplus relates to purchase of Assets from Aid funding. More details can be found in Note 11.

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 11: Plant, Property, and Equipment

Accounting Policy

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

Additions

The cost of purchased plant, property, and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at date of acquisition. An asset acquired below the \$3,000 threshold set by the Cook Islands Government Policy and Procedures Manual is assessed on a case by case basis, and if the asset provides economic benefit for more than one financial year, it will be recognised as an asset.

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

The cost of day to day servicing of property, plant and equipment are expensed in surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the sales proceeds with the carrying amount of the asset.

Depreciation

Depreciation of plant, property, and equipment is provided on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Computer Equipment	3 - 4 years	25 - 33%
Motor Vehicles	5 years	20%
Furniture and Fittings	4 - 10 years	10 - 25%
Office Equipment	5 years	20%
Buildings	10 years	10%

Impairment of property, plant and equipment

The Ministry does not hold any cash generating assets. Assets are considered cash generating when their primary objective is to generate a commercial return.

Non-cash generating assets

Property, plant and equipment held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less cost to sell and value in use.

Value in use is the present value of an asset's remaining service potential. It is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 11: Property, Plant and Equipment (continued)

Breakdown of property, plant and equipment and further information

Movement for each class of property, plant and equipment are as follows:

	Computer Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Plant & Equipment \$	Buildings \$	Total \$
Cost						
Balance as at 1 July 2014	1,399,553	992,869	148,525	841,130	11,237	3,393,314
Additions	184,981	52,461	39,981	220,806	6,615	504,843
Disposals	(24,031)	(614)	(23,289)	(28,765)	-	(76,699)
Balance as at 30 June 2015	1,560,503	1,044,716	165,217	1,033,171	17,852	3,821,458
Accumulated depreciation and impairment losses						
Balance as at 1 July 2014	980,980	640,928	146,025	508,387	4,918	2,281,238
Depreciation	262,130	47,812	3,841	121,634	689	436,106
Accumulated depreciation on disposals	(22,654)	(614)	(23,289)	(28,765)	-	(75,323)
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2015	1,220,468	688,125	126,577	601,256	5,607	2,642,034
Carrying Amount						
As at 30 June 2015	340,035	356,591	38,640	431,914	12,245	1,179,424
Cost						
Balance as at 1 July 2015	1,560,503	1,044,716	165,217	1,033,171	17,852	3,821,458
Additions	216,390	141,404	26,948	87,548	31,696	503,985
Disposals	(98,701)	-	-	(48,495)	-	(147,196)
Balance as at 30 June 2016	1,678,193	1,186,119	192,165	1,072,223	49,547	4,178,247
Accumulated depreciation and impairment losses						
Balance as at 1 July 2015	1,220,468	688,125	126,577	601,256	5,607	2,642,034
Depreciation	220,842	52,232	8,496	133,510	1,233	416,313
Accumulated depreciation on disposals	(98,701)	-	-	(48,495)	-	(147,196)
Impairment losses	-	-	-	-	-	-
Balance as at 30 June 2016	1,342,610	740,357	135,073	686,271	6,840	2,911,151
Carrying Amount						
As at 30 June 2016	335,583	445,762	57,091	385,952	42,707	1,267,096

Certain amounts in prior period have been reclassified between classes to correct this disclosure.

Capital commitments

There were no property, plant and equipment commitments at year end (2015:nil).



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NOTES TO THE FINANCIAL STATEMENTS
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Note 12: Intangible Assets

Accounting Policy

Software acquisition

Computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Staff training costs and cost associated with maintaining computer software are expensed when incurred. Cost associated with development and maintenance of the Ministry's website are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases on the date that the assets is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

The useful lives and associated amortisation rates have been estimated as follows:

Acquired computer software	3-4 years	25-33%
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Impairment of intangible assets

Refer to the policy for impairment of property, plant and equipment in Note 10. The same approach applies to impairment of intangible assets.

Breakdown of intangible assets and further information

Movement for each class of intangible assets are as follows:

	Acquired Software \$
Cost	
Balance as at 1 July 2014	64,745
Additions	-
Disposals	-
Balance as at 30 June 2015	64,745
Accumulated amortisation and impairment losses	
Balance as at 1 July 2014	58,820
Depreciation	5,751
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2015	64,571
Carrying Amount	
As at 30 June 2015	174
Cost	
Balance as at 1 July 2015	64,745
Additions	-
Disposals	-
Balance as at 30 June 2016	64,745
Accumulated amortisation and impairment losses	
Balance as at 1 July 2015	64,571
Depreciation	174
Accumulated amortisation on disposals	-
Impairment losses	-
Balance as at 30 June 2016	64,745
Carrying Amount	
As at 30 June 2016	-

Capital commitments

There were no intangible asset commitments at year end (2015:nil).

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
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Note 13: Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- > contributed capital
- > accumulated surplus / (deficit)

Depreciation and amortisation payable to the Crown

The higher of the actual depreciation and amortisation or the budgeted depreciation and amortisation for the year will be repaid to the Crown and is recognised directly in the statement of changes in equity.

Return of surplus to the Crown

The surplus of total liquid assets over total liabilities at the end of each financial year will be repaid back to the Crown if no approval for carry forward has been given and is recognised directly in the statement of changes in equity.

Crown Repayable - Gain on sale

Any gains received from the sale of an asset is to be repaid to Crown.

Breakdown of equity

	Actual 2016 \$	Actual 2015 \$
Contributed capital		
Balance as at 1 July	1,199,306	1,042,225
Capital contribution	504,070	157,081
	1,703,377	1,199,306
Accumulated surplus / (deficit)		
Balance as at 1 July	(265,271)	11616
Surplus / (deficit) for the year	649,291	169,785
Return of surplus to the Crown	(329,191)	-
Depreciation payable to the Crown	(416,487)	(441,872)
Crown repayable - gain on sale	(5,100)	(4,800)
Balance as at 30 June	(366,757)	(265,271)
Total equity	1,336,620	934,035

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
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Note 14: Related party transactions

The Ministry of Education is a wholly owned entity of the Crown, however, the Government protects it through its legislation from undue influence and significant control.

The Crown provides the Ministry with significant funding in the form of an annual appropriation to assist the Ministry in discharging its duties and obligations. The Ministry also enters into transactions with other Government ministries, Crown agencies and State Owned Enterprises in an arms-length basis. As such, these do not need to be disclosed. Any transactions between related parties which are not subject to arms-length consideration will be detailed below.

The key management personnel are members of the senior management group.

The aggregate remuneration of members of the senior management group and the number of individuals determined on a full time equivalent basis receiving remuneration within this category are:

Key management personnel compensation

	Actual 2016	Actual 2015
Remuneration	\$ 362,717	\$ 421,174
Full-time equivalent members	6	7

The position of Executive Director was vacant during the 2015/2016 year, hence the reduction from 7 to 6 key management personnel.

Note 15: Financial Instruments

Accounting Policy

Financial assets

All financial assets are classified as Loans and Receivables. Loans and receivables are measured at fair value plus transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

Financial liabilities

All financial liabilities are classified as Other Liabilities. Other liabilities are measured at fair values less transaction cost on initial measurement and subsequently at amortised cost. Interest income and interest expense is recognised in the surplus or deficit.

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 15: Financial Instruments (continued)

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2016 \$	Actual 2015 \$
Loans and receivables		
Cash and cash equivalents	(9,560)	(1,508)
Receivables	3,829,267	3,143,365
Aid Trust Accounts	619,141	619,936
Aid Receivables	15,754	12,719
<i>Total loans and receivables</i>	4,454,602	3,774,512
Other Liabilities		
Payables	3,673,377	2,873,877
Employee entitlements	172,444	512,640
Aid Trust Liabilities	625,883	621,848
<i>Total other liabilities</i>	4,471,703	4,008,365

Financial Instrument risks

The Ministry's activities exposes it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency rates. The Ministry does not have any foreign currency transactions and therefore there is no currency risk.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due. The Ministry manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

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 Ministry's income or value of its financial instruments. The Ministry has no financial assets or liabilities that are affected by changes in market prices and therefore there is no market risk.

The accompanying accounts should be read in conjunction with these Financial Statements

**MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 15: Financial Instruments (continued)

Credit Risk

In the normal course of business, the Ministry of Education incurs credit risk from trade debtors and transactions with financial institutions. The Ministry has a credit policy, which is used to manage this risk. As part of this policy, limits on exposure with counter parties had been set and are monitored on a regular basis.

The Ministry of Education has no significant concentrations of credit risk. It does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

Fair Values

The estimated fair values of the Ministry of Education's financial assets and liabilities are their carrying values.

Note 16: Contingencies

Accounting Policy

Contingent assets and liabilities are disclosed at the point which the contingency is evident.

Contingent Liabilities

The Ministry has no contingent liabilities at balance date (2015: \$nil).

Contingent assets

The Ministry has no contingent assets at balance date (2015: \$nil).

Note 17: Events after balance date

There are five - 40 ft containers of used school furniture expected to be donated by Arorangi Puaikura Community NSW Incorporated through The University of Technology Sydney. This will be free of cost, however the Ministry will pay for the freight costs. Though the donation meets the definition of asset, it would not lead to an increase in assets as the cost / value cannot be measured reliably. Freight for two of the 40ft containers of \$23,591 was paid as at reporting date and has been expensed.

Note 18: Explanation of major variances against the budget

Explanations for major variances from the Ministry's budgeted figures are as follows:

Statement of comprehensive revenue and expense

Other revenue

The Ministry does not have any trading revenue and therefore no budget appropriation, other revenue of \$41,099 relates to the cost recovery for sale of stationeries to private schools.

Personnel expense

Personnel expense was less than budgeted by \$201,981 due to:

1. Reversal of the 12 day accrual for year 2014/2015 of \$503,311 and only 4 days accrued for 2015/2016 of \$167,825.
2. Vacant Financial Accountant and Executive Director positions for 2.5 and 9 months respectively. Combined savings from these positions was approximately \$54,097.

The accompanying accounts should be read in conjunction with these Financial Statements



MINISTRY OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 18: Explanation of major variances against the budget (continued)

Other Expense

Other expense was less than budgeted by \$458,943 due to:

1. The Ministry of Education received New Zealand Aid funding in the prior years, this stopped in the current financial year 2015/2016. Operating expenditure previously incurred and paid by New Zealand Aid funding is now funded by the Ministry, as part of its Local Appropriation. Given this is the first year of transition, in terms of loss of aid funding, the Ministry undertook a conservative approach with regards to its spending and incurring expenditure during the year, attributing to unexpended funds to be repaid back to the Crown.
2. \$50,000 was appropriated for the Ministry building electricity however solar panels are still being utilized and therefore this was refunded to Ministry of Finance.

The accompanying accounts should be read in conjunction with these Financial Statements

