



TE KURA O HAU KARETU

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 DECEMBER 2023



7 June 2024

Laura Balmforth
Presiding Member
Te Kura o Hau Karetu
cc: Karen Wellington
Principal

Dear Laura,

We have pleasure in presenting our Audit Completion Report for our audit of the financial statements for Te Kura o Hau Karetu for the year ended 31 December 2023.

We would like to emphasise that our audit work involves the review of only those systems and controls in your School upon which we rely on for audit purposes. Our examination may not have identified, and should not be relied upon to identify, all control weaknesses that may exist.

We take this opportunity to express our appreciation for the assistance and co-operation provided by your School and the School's service provider during the audit.

Yours faithfully,
BDO WELLINGTON AUDIT LIMITED



Geoff Potter
Partner
Audit & Assurance Services

DDI: +64 4 498 3846
Email: Geoff.potter@bdo.co.nz

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	1
2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS	3
3. INTERNAL CONTROL, EMERGING ISSUES AND OTHER AUDIT FINDINGS	5
4. REQUIRED COMMUNICATIONS WITH GOVERNANCE	7
APPENDIX 1 - ADJUSTED DIFFERENCES	11
APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR	12

1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Wellington Audit Limited ('BDO') is the Appointed Audit Firm of Te Kura o Hau Karetu (the "School").

BDO's responsibilities include a requirement to express an opinion on the School's financial statements arising from our audit conducted in accordance with the Auditor-General's Auditing Standards which incorporate International Standards on Auditing (NZ).

This report details the processes, findings and recommendations from our audit of the School in accordance with the Auditor General's Auditing Standards, and the terms of our engagement as set out in our audit engagement letter.

Our audit of the School's financial statements for the year ended 31 December 2023 is complete.

We have issued an unmodified audit opinion.

We welcome your feedback on the effectiveness of the audit process and we are available to discuss our performance.

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks for the School, and their potential impact on the financial statements, as well as the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Locally raised funds
- Payroll controls
- Cyclical maintenance provision
- Management override of controls
- RTM Controls and Disclosures

We were able to obtain sufficient and appropriate audit evidence in respect to these items and we have no significant findings to bring to your attention. Refer to Section 2 for our comments in respect of each significant risk and area of audit emphasis.

SUMMARY OF UNCORRECTED MISSTATEMENTS

There were no errors left uncorrected at the conclusion of our audit.

INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of the School's internal controls in order to assess the risk of material misstatement in the financial statements whether due to fraud or error. However, is not designed to provide assurance over the overall effectiveness of controls operating within the School.

We have included in subpart 3 of this report, a summary of our findings and recommendations arising because of our audit procedures.

2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS

Our audit procedures were focused on those areas of the School's activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through our Audit Plan issued to you at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes, unless stated otherwise.

Locally Raised Funds	
Area of Audit Emphasis	Conclusion/Response
Due to the nature of locally raised funds (often being cash, or having limited segregation of duties), there is a risk of material misstatement around the completeness of locally raised funds.	We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.

Payroll Not Approved or Checked	
Area of Audit Emphasis	Conclusion/Response
Payroll is processed centrally for all schools. The accuracy of payroll processing is therefore dependent on appropriate approval of payroll changes and checking of the fortnightly SUE report at the School.	We found no issues regarding controls that could affect the payroll balances recorded in the financial statements

Cyclical Maintenance Provision

Area of Audit Emphasis

Cyclical Maintenance is an area of significant judgment and estimation which could lead to material misstatement in the financial statements if not considered properly by management. For Schools to be able to calculate the appropriate cyclical maintenance provision, a 10 Year Property Plan (10YPP) and cyclical maintenance calculation need to be prepared and/or reviewed by an expert.

Conclusion/Response

We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.

Management Override

Area of Audit Emphasis

There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.

Conclusion/Response

We have assessed the segregation of duties and risk of management override as part of our planning process and concluded that the risk of fraud from management override of controls primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation. No issues with management override were identified.

3. INTERNAL CONTROL, EMERGING ISSUES AND OTHER AUDIT FINDINGS

This section of the report sets out the key internal control findings we have identified during the course of the audit and highlights control deficiencies requiring management attention. Our work has been limited to those controls relevant to the audit of your statutory financial statements. The purpose of our audit work on controls is not to provide assurance in its own right on the internal controls and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

The following key findings were identified during this year's audit:

Coding Error	
Finding	Conclusion/Response
<p>We have identified that the amount spent to buy groceries and other necessary items for the school using the school admin's credit card from Pak'n Save has been incorrectly coded to the Principal's PD (Principal Development) account.</p> <p>We have raised an MLP in the report to bring this concern to the Board's attention.</p>	<p>Since the sample tested is representative of the population, there is a possibility of more errors of a similar nature. This misclassification could lead to inaccurate financial reporting and budget mismanagement.</p> <p>We recommend conducting a thorough review of all transactions coded to the Principal's PD account to identify and correct any other misclassifications.</p>

Principal Professional Coaching and Wellbeing Support Funding

Finding

We noted from discussion during our interim visit that the \$6k Principal Professional Coaching and Wellbeing Support Funding received during the 2023FY will be carried forward into 2024FY.

Conclusion

As part of this funding the Ministry of Education provided guidance to Schools in respect to the purpose of the funding and how it may be used. A review of this guidance by the Office of the Auditor General found that guidance was released to Schools in draft form and included misleading information. Some guidance information was later retracted, and it is not clear that Schools were communicated clearly in respect to the expectations.

As a result of this while you may consider your expenditure in the future to be in line with guidance you have received, and indeed you may have received direct Ministry approval for specific expenses the expenditure may not meet the test of an appropriate use of public money.

Where the expense confers a private benefit this is not considered an appropriate use of public money regardless of the guidance that may have been received by the Ministry. Where a personal benefit may be obtained it may be necessary to obtain specific Ministry approval and the payment may be subject to fringe benefit tax.

The OAG report link is below:

https://oag.parliament.nz/2023/school-audits-2022/part3.htm#sensitive_expenditure
section 3.29 to 3.34 being the specific references.

In 2024FY we will specifically be testing and checking to see if any Principal Professional Coaching and Wellbeing Support purchases have been spent. Where this spending occurs, and a private element to the spending exists, we will be requesting evidence of explicit approval by the Ministry of Education.

We recommend specific consideration is given to your expenses under this expense area are reviewed and Ministry approval is obtained and fringe benefit tax calculated and returned as is appropriate.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	We are responsible for completing an audit in accordance with generally accepted auditing standards in New Zealand. The detailed terms of which are set out in our audit engagement letter.
Confirmation of Audit Independence	<p>In conducting our audit, we are required to comply with the independence requirements of PES-1 Code of Ethics for Assurance Practitioners issued by the External Reporting Board.</p> <p>Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.</p> <p>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none">• No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner.• All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by our firm for the 2023 financial year.</p>
Management Judgements and Estimates	Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall we note that the judgements and estimates by management in preparing the results for the ended 31 December 2023 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.

Matter	How the matter was addressed
Matters requiring Board if Trustee input	<p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> • Minutes of the Board meetings; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Review and approval of management accounts; • Review and approval of annual budget; • Notification of fraud; and • Review and approval of the financial statements.
Accounting policies	<p>Auditing standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. We reviewed the financial statements of the School against the Kiwi Park Model and noted no material departures from the requirements.</p>
Materiality and adjusted/ unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>All adjusted and unadjusted differences identified during our audit (if any) have been detailed in Appendix 1 of this report.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>
Going concern	<p>We have undertaken a review of management and those charged with governance’ assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that lead us to conclude the going concern assumption cannot be relied upon.</p>

Matter	How the matter was addressed
Fraud	During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.
Compliance with laws and regulations	We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.
Significant findings from the audit	Other than those documented in the executive summary and sections 2 and 3 of this report, there were no significant matters arising from the audit.
Disagreements with management	There have been no disagreements with management over matters of significance to the audit.
Difficulties encountered during the audit	There have been no significant difficulties encountered during the audit.
Consultations with other accountants and consultants	We have considered the need for other accounting specialists during our work and determined, due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.
Management representation letter	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
Probity, waste and performance	We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance.

Matter	How the matter was addressed
Publishing Annual Report on the School's Website	<p>The Education and Training Act 2020 requires you to publish your Annual Report online. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of trustees, Kiwisport statement, Statement of Compliance with Employment Policy, Evaluation of students progress and achievement and report on how the school has given effect to Te Tiriti o Waitangi.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time.</p> <p>We note that you have published your prior year Annual Report on the School's website.</p>

APPENDIX 1 - ADJUSTED DIFFERENCES

ADJUSTED DIFFERENCES

The following adjustments were identified and have been made during the audit:

Description	Assets	Liabilities	Reserves	Profit
	Inc / (Dec)	Inc / (Dec)	Inc / (Dec)	Inc / (Dec)
	\$	\$	\$	\$
Being adjustment to back pay expense and year-end accrual (PSPA)	-	9,742	-	(9,742)
Being adjustment to back pay income and receivable from the Ministry of Education (PSPA)	9,742	-	-	9,742
Correct incorrect service provider journal	-	-	14,469	(14,469)
To reserve the Income in advance as there are no stipulations	-	30,000	-	(30,000)
Being adjustment for banking staffing underuse	30,437	-	-	30,437
Net Effect of Adjustments not made:	40,179	39,742	(14,469)	14,032

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

Cyclical Maintenance Plan Not Updated

Finding

While the Board does have a property plan in place, we noted that information was out-of-date as the plan is dated 2019.

Update

CLEARED: We commend the Board and the school for updating the Cyclical Maintenance Plan. The impact of this is that the school will have access to the necessary information to adequately plan for and carry out maintenance works in a systematic and efficient manner.

Prompt Banking

Finding

Since 2020FY onwards: During our interim testing the Auditor noted that the school banked cash monies received last in April 2023. All cash monies received have been locked into their safe. This was re-raised for the 2021 & 2022 interim, and we recommend that your school banks all money received when the amount is over \$200 or held for longer than a month. Deposits can be made into ATMs or into the deposit slot.

Conclusion/Response

Monies received have often been held for a long period of time before being deposited into your school's bank account. Prompt and regular banking is essential to reduce opportunities for theft and to assist in the accurate recording of amounts received.

RE-RAISED: During interim 2023 we noted the banking is done as and when possible, we recommend that your school banks all money received when the amount is over \$200 or held for longer than a month to reduce the opportunity for theft. Deposits can be made into ATMs or into the deposit slot.