

LOWER MOUTERE SCHOOL

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2023



8 July 2024

Nellie Bell
Presiding Member
Lower Moutere School

cc: Chris Bascand
Principal

Dear Nellie,

We have pleasure in presenting our Audit Completion Report for our audit of Lower Moutere School's financial statements for the year ended 31 December 2023.

We 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 express our appreciation for the assistance and co-operation provided by the School and the School's service provider during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Christchurch



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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Christchurch ('BDO') is the Appointed Audit Firm of Lower Moutere School (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.

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements are presented fairly in all material respects; and
- report to Management about control environment issues that should be addressed by the School.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested, and assessed the controls supporting the School's key transaction streams, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

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

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

Our audit procedures have detected uncorrected misstatements. Uncorrected misstatements are documented at Appendix 1 and will be included in the letter of representation to confirm that you agree with Management's assertion that they are immaterial to the readers understanding of your financial statements.

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 Section 3 of this report, a summary of our findings and recommendations arising because of our audit procedures.

A number of topics of interest can also be found within Appendix 3 of this report. Further points can be located in our Audit plan issued following our interim work.

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.	Refer to Appendix 2 of this report. Please refer to Section 3 of this report for payroll advisory.

Cyclical Maintenance Provision

Area of Audit Emphasis	Conclusion/Response
<p>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.</p>	<p>We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.</p>

Management Override

Area of Audit Emphasis	Conclusion/Response
<p>There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.</p>	<p>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.</p>

3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key findings we identified during the audit and highlights control deficiencies requiring attention from management. Our work has been limited to those controls relevant to the audit of your financial statements. The purpose of our audit work on controls is not to provide assurance 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:

Further points can be located in our Audit plan issued following our interim work.

Prior Year Annual Report not uploaded to website	
Finding	Conclusion
The School has not uploaded the 2022 Annual Report including audited Financial Statements to the website.	All schools and Kura must prepare an annual report under section 134 of the Education and Training Act 2020. The annual report is a key accountability document that school boards are required to prepare to inform and report to stakeholders including the Ministry, Members of Parliament, parents, and the wider community of schools and Kura. We recommend that the 2022 and 2023 Annual Reports be uploaded as soon as possible.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	<p>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.</p>
Confirmation of Audit Independence	<p>In conducting our audit, we are required to comply with the independence requirements of AG PES-1 <i>Code of Ethics for Assurance Practitioners</i> 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 or the OAG. • All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by BDO during the year.</p>
Management Judgements and Estimates	<p>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 made by management in the preparation of the financial statements for the year 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.</p>

Matter	How the matter was addressed
Matters requiring Board of 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; • Management accounts; • Annual budget; • 10 Year Property Plan/maintenance plan; • Notification of fraud; and • 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 when evaluating the financial statements. Materiality is initially calculated at the planning stage of our audit and has an influence on the amount of work we do, as well as where we direct our 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>

Matter	How the matter was addressed
Going concern	<p>We have undertaken a review of the Board and management’s assessment of the ability of the School to continue as a going concern for at least 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 led us to conclude the going concern assumption could not be relied upon.</p>
Fraud	<p>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.</p>
Compliance with laws and regulations	<p>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.</p>
Significant findings from the audit	<p>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.</p>
Disagreements with management	<p>There have been no disagreements with management over matters of significance to the audit.</p>
Difficulties encountered during the audit	<p>There have been no significant difficulties encountered during the audit.</p>
Consultations with other accountants and consultants	<p>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.</p>

Matter	How the matter was addressed
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.
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, statement of variance, list of trustees statement of compliance with employment policies, report on how the school has given effect to Te Tiriti o Waitangi and Kiwisport statement.</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>At the time we carried out our audit, your prior year Annual Report had not been published on the School's website. Failure to publish your Annual Report on the School's website is a breach of section 136 of the Education and Training Act 2020.</p>

APPENDIX 1 - ADJUSTED AND UNADJUSTED DIFFERENCES

ADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have* been adjusted:

Description	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
YE Kahui Ako reversal		(47,846)		47,846
To correct Kahui Ako Funds c/fwd as agreed		34,078		(34,078)
Net Effect of Adjustments made:		(13,768)		13,768

UNADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have not* been adjusted as they were considered by management not to be material:

Description	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
PSPA Back pay not accrued	8,111			(8,111)
Whenua Iti 50% deliverables met in 2024 - prepaid expense not recorded in the Cluster	25,000	(25,000)		
Error in prior period (2022) Cluster liability with revenue and expenses through school accounts in that year. Corrected in 2023			28,931	28,931
Net Effect of Adjustments not made:	33,111	(25,000)	28,931	(37,042)

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

INDEPENDENT REVIEW OF EDPAY TRANSACTION REPORTS

Finding	Update
<p>We advised in last year's Board Report that the school should consider using EdPay's new transaction reports (activity, timesheet and leave histories reports), which should be checked each pay period, prior to payment, to ensure they match authorisations.</p> <p>In summary the single "transaction report" that was in the old Novopay system no longer exists. However, it has been replaced by the activity, timesheet and leave histories reports.</p>	<p>We continue to recommend that the advice from Edpay for payroll checking be followed:</p> <p><i>"The transactions recorded in the activity, timesheet and leave histories should be checked each pay period, prior to payment, to ensure they match authorisations"</i></p> <p>https://www.edpay.govt.nz/Site/Training/authorisation/checking-transactions-using-the-activity-history.aspx</p> <p>In summary the single "transaction report" that was in the old Novopay system no longer exists. However, it has been replaced by the activity, timesheet and leave histories reports.</p>

APPENDIX 3

BUDGET ADVISORY

Section 11(i) of the Education (School Planning and Reporting) Regulations 2023 requires each school to disclose budgeted figures in the statement of revenue and expenses, the statement of its assets and liabilities (balance sheet), and the statement of its cash flows.

The budgeted amounts disclosed in the annual financial statements should be from the Board approved budget at the start of the year.

If your school does not already prepare a budgeted Statement of Financial Position and Statement of Cash flows at the start of each year as part of the budget setting routine, we recommend this be done for the next financial year.

It is important to consider the budgeted financial position of the school and its future cash flows to ensure that Boards can effectively manage their schools working capital and cash flows, as well as possible legislative requirements, such as borrowing limits.

PAYROLL ADVISORY - EDPAY'S TRANSACTION REPORTS (ACTIVITY, TIMESHEET AND LEAVE HISTORIES REPORTS)

We advised in last year's Audit Completion Report that schools should consider using EdPay's new transaction reports (activity, timesheet and leave histories reports), which should be checked each pay period, prior to payment, to ensure they match authorisations. The EdPay system relies on the school checking the accuracy of the payroll transactions processed as this information is not checked centrally.

The independent reviewer should receive and review these reports along with the fortnightly SUE Report.

Recommendation

If your school is not reviewing these reports, we continue to recommend that the advice from Edpay for payroll checking be followed:

“The transactions recorded in the activity, timesheet and leave histories should be checked each pay period, prior to payment, to ensure they match authorisations”.

Guidance can be located here <https://www.edpay.govt.nz/Site/Training/authorisation/checking-transactions-using-the-activity-history.aspx>

PAYROLL ADVISORY - ADDITIONAL HOURS

When paying additional hours to a teacher who is part-time, the school needs to consider the following:

- whether it is paying the teacher at the correct rate - if a teacher is 'relieving' for another teacher they should be paid as a relief teacher not paid additional hours; and
- if the teacher is being paid additional hours for an extended period (over four weeks) whether their hours should be re-negotiated to reflect these additional hours.

We understand there may be some confusion over the correct treatment of additional hours and that the Ministry and NZEI Te Riu Roa are working together to clarify this matter.

If this issue affects your school, we recommend that you contact either the Ministry of Education or EdPay to discuss how the employee(s) should be paid.