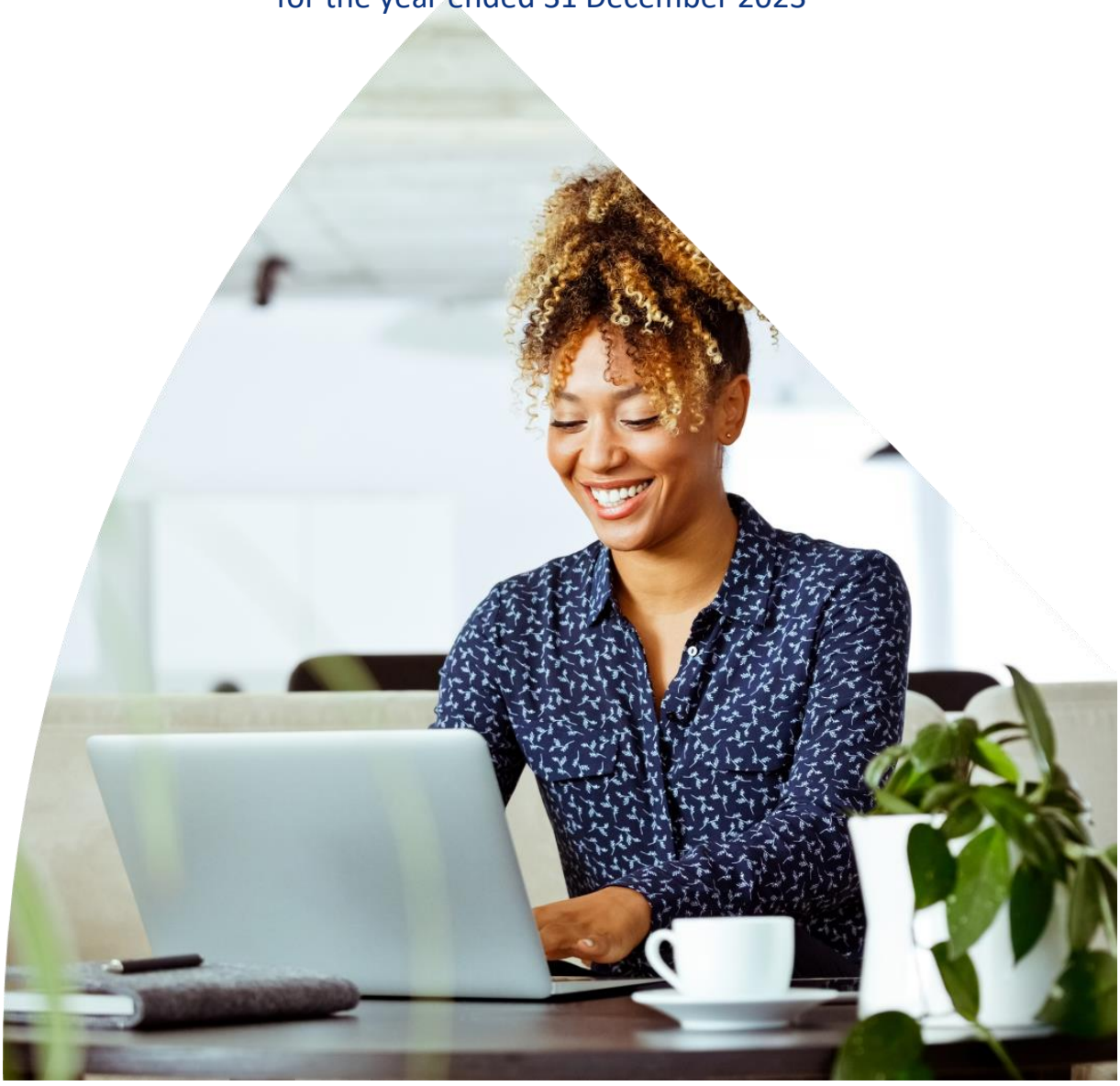
Te Wharekura o Te Rau Aroha

REPORT TO THE BOARD

for the year ended 31 December 2023



28 May 2024

The Board of Trustees
5447 State Highway 27
Waitoa
3380
New Zealand

Dear Board Members

Te Wharekura o Te Rau Aroha Board Report

We have recently completed the audit of your financial statements for the year ended 31 December 2023. I have attached our Board Report in connection with the audit. The Report incorporates the responses from your Principal.

We would like to emphasize that our audit work involves the review of only those systems and controls in your organization 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 exist.

We take this opportunity to thank the staff of Te Wharekura o Te Rau Aroha for the cooperation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Yours faithfully
PKF HAMILTON AUDIT LIMITED



Johann van Loggerenberg
Director

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Encl: Board Report

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EXECUTIVE SUMMARY

This report details the processes, findings, and recommendations from our audit of Te Wharekura o Te Rau Aroha (the "Wharekura") under International Standards on Auditing (NZ) and the terms of our engagement as set out in our audit engagement letter.

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

Overall, we are satisfied that the Wharekura has presented its results for the year ended 31 December 2023 to a good level of compliance with applicable financial reporting standards, with no major adjustments made as a result of our audit and no significant unadjusted differences.

We would like to thank Mokoro, Hinematua and the staff of Te Wharekura o Te Rau Aroha for their cooperation extended to PKF Hamilton Audit Ltd, during the course of the audit. We have received full and frank co-operation. There is nothing we wish to raise solely with the Board.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of the New Zealand Institute of Chartered Accountants and External Reporting Board.

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.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any other PKF office without the express approval of the audit engagement director.
- All services performed by any PKF office in New Zealand will be reported to the governing body.

We have not provided any non-audit services to the Wharekura. We confirm the independence of PKF Hamilton Audit Ltd and its staff in relation to your audit.

KEY FINANCIAL STATEMENT AUDIT RISKS

We have set out our findings below in areas we identified as significant risks. We request that you review these outcomes on the significant accounting and audit matters identified to ensure that there are no further residual considerations or matters that could impact these issues, that you concur with the resolution of the identified risks and that there are no additional issues you may be aware of that should be considered before finalisation of our audit report.

1. Locally Raised Funds

Identified audit risk
Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income.

Planned audit response
Our audit procedures include discussions with the Presiding Member and Principal, to assess the control environment around local funds. We completed Analytic procedures, including a margin analysis, and test of detail to supporting documentation for significant amounts.

Conclusion
Based on the procedures above, no significant issues were noted

2. Cyclical Maintenance Provision

Identified audit risk
Cyclical Maintenance is an area of judgment and could lead to material misstatements in the financial statements. For schools to be able to calculate the appropriate cyclical maintenance provision, a 10-Year Property Plan (10YPP) needs to be prepared and/or reviewed by an expert.

Planned audit response
We obtained and reviewed the school's 10YPP and cyclical maintenance plan and assessed whether the provision at the balance date is materially correct.

Conclusion
Based on the procedures above, no significant issues were noted

3. Management Override

Identified audit risk
A key audit risk is in relation to Management Override. There is a rebuttable presumption under Auditing Standards that there is a risk of fraud about Management Override.

Planned audit response
Our audit procedures include reviewing the monthly management accounts and journals during the year and after year-end to ensure there is no evidence of potential management override.

Conclusion
Based on the procedures above, no significant issues were noted

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 Wharekura in formulating particularly sensitive accounting estimates, assumptions, or valuation judgments. Overall we note that the judgments and estimates by management in preparing the results for the year ended 31 December 2023 appear reasonable.

The most significant areas of judgment, assumptions, and estimates applied by management related to:

- Provision for Cyclical Maintenance and Cyclical Maintenance Expenses
- Depreciation rates to ensure that fixed assets are written off over their estimated useful lives
- Classification of leases between finance leases or operating leases
- Recognition of grants to be consistent with the accounting policies

We are not aware of any other sensitive accounting estimates, assumptions, or valuation judgments made by the Wharekura.

MATTERS REQUIRING BOARD INPUT

We have placed reliance on the Wharekura's review and approval of the following matters:

- Minutes of the Board meetings up to the date that we sign the audit report;
- 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 2023 and 2024 budget;
- Notification of fraud; and
- Review and approval of the financial statements.

ACCOUNTING POLICIES

Auditing standards require us to discuss the qualitative aspects of the Wharekura's accounting practices and financial reporting with you. There were no new accounting standards that had a significant effect on the Wharekura's financial statements for the year ending 31 December 2023.

MATERIALITY AND ADJUSTED/ UNADJUSTED DIFFERENCES

Materiality means, in the context of an audit, if financial information is omitted, misstated, or not disclosed, it can potentially affect the decisions of users of the financial statements. Materiality is used by auditors in making judgments 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.

During our audit, we identified some misstatements.

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.

GOING CONCERN

We have undertaken a review of Management's and those charged with governance assessment of the ability of the Wharekura 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.

The assumption of going concern was concluded as appropriate given the Wharekura's funding sources and its operating budget for the following financial period.

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.

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made inquiries in relation to non-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 Wharekura.

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 .

OVERALL RESULT

There are no significant or material weaknesses arising from our audit.

Our audit work is complete. We have issued an unmodified audit report on the financial statements of the School for the year ended 31 December 2023.

To enable management to set priorities on their action plans we have assessed our findings below.

These findings and recommendations are discussed and agreed with the Wharekura's management and those charged with governance.

KEY AREAS FOR BOARD CONSIDERATION

GENERAL INFORMATION RAISED BY OFFICE OF THE AUDITOR GENERAL

We would like to draw your attention to three key topics relevant to all schools.

1. Increasing Trend of Cyber-Attacks Incident

Observation

The rise of remote work during COVID-19, driven by cloud-based technology, has exposed a heightened vulnerability in Information Technology (IT) security. Entities lacking proactive risk mitigation face an increased risk of cyber-attacks.

In December 2022, New Zealand health sector agencies experienced sophisticated cyber-attacks targeting sensitive records. The trend continued into Q1 2023, with a 66% rise in cybercrime reported by the New Zealand Computer Emergency Response Team (CERT), resulting in substantial financial losses. This underscores the urgent need for improved cybersecurity.

Information technology is a crucial component of the School's operations, with stakeholders relying on the IT infrastructure, equipment, and software applications. The following essential IT settings are accessed daily by stakeholders:

- Student Management System
- Curriculum software application
- Financial & Accounting System
- Payroll and Human Resources Related Systems
- Local public drives among employees

Recognising the significance of these systems, it is imperative to acknowledge the potential threat of cyber-attacks. Possible risks include financial repercussions stemming from phishing emails requesting payments, personal information theft, and other malicious activities. Vigilance and robust cybersecurity measures are essential to safeguard the School's IT environment and protect against such threats.

Recommendation

We recommend the board strengthen its cybersecurity by reviewing the current IT security, conducting annual training for users, and enforcing regular password changes. Below here are useful tips and guidance on this matter recommended by Auditor General:

- https://elearning.tki.org.nz/Teaching/Digital-citizenship
- https://www.education.govt.nz/school/digital-technology/ict-incidents/digital-technology-guide-for-schools/
- https://www.business.govt.nz/risks-and-operations/it-risk-and-avoiding-scams/avoiding-scams-and-fraud/
- https://www.cert.govt.nz/business/

2. Payroll Masterfile Changes

Observation

We have been made aware that Masterfile changes (those made to personal details, except for address changes) are now included in the activity history report available in EdPay. This change has been in place throughout 2022. However, schools have not been informed of this change or received any guidance on how to use this report to review Masterfile changes.

This report can be used to track any changes made to the details of staff in the Edpay system. This means that it will be easier to spot any potential errors or fraudulent activity such as the entering of a fictitious employee into the system. These changes may be missed if the Board only reviews the SUE report.

Recommendation

We recommend that the Presiding member delegated to supervise this matter and review the activity history report each month along with the SUE report to ensure that all changes made are accurate and correctly reflects the details of the staff employed at the school.

3. Board Approval and Completeness of annual budget

Observation

It is important that schools prepare full budgets (including the notional grants) because this promotes good financial management and allows them to prepare their annual financial statements, which require schools to disclose budgeted figures for the main statements.

The school does not need to prepare a budget that is consistent with the Kiwi Park model school format. However, those budgets need to include sufficient information so that the school can disclose the budgeted figures required in its financial statements, as per the Kiwi Park model financial statements.

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

Both budgeted financial position and cash flow statements are important to ensure that the Board can effectively manage its working capital and cash flows and meet possible legislative requirements, such as borrowing limits. The school is required to disclose the budgeted amounts for these statements in its annual financial statements. The budgeted amounts disclosed should be from the board-approved budget at the start of the year.

Not disclosing budgeted amounts in your financial statements or disclosing amounts that do not agree to an approved budget could be reported as a breach of legislation. The Auditor General's usual approach to breaches of legislation related to a school's financial statements is to ask the school to disclose the breach. Otherwise, we will report on the breach in our audit report.

Recommendation

We recommend that the Board produce a budgeted Statement of Financial Position and Statement of Cash flows at the start of each year as part of your budget setting routine, to enable this to be included in the annual financial statements easily.

RECENT REQUIREMENTS RAISED BY THE MINISTRY OF EDUCATION

Our attention has been drawn to two key topics relevant to all schools. These matters were raised by the Ministry of Education during the 2023 financial year-end audit. Following this, we have received queries from several schools seeking guidance on these matters. To address these inquiries, we have included additional information and recommendations for each topic below. Although these areas are not currently subject to scrutiny in the 2023 financial year-end audit, they will be observed for further examination and monitoring in our subsequent audit endeavours.

4. New Reporting Under Education (School Planning and Reporting) Regulations 2023

Observation

New Zealand Government enacted a new reporting regulation back in June 26th, 2023. The regulation is effective commence on August 1st, 2023.

Under the new regulation, there are three highlights relevant for the school annual report 2023 and going forward:
a. New Term – Statement of Variance (Previously was Analysis of Variance)
b. an evaluation of the school's students' progress and achievement; and
c. a report on how the school has given effect to Te Tiriti o Waitangi

Our representative from Ministry of Education (MoE) mentioned some schools presented the analysis variance detailed enough to cover the evaluation of student's progress and achievement, therefore, some schools only have two reports in FY 2023. As the regulation is still new, the ministry allows the reports to be presented that way. However, the requirements are directing the new reports have to be presented into three reports with individual headings: a Statement of Variance (previously named Analysis of Variance), an evaluation of the school's students' progress and achievement, and a report on how the school has given effect to Te Tiriti o Waitangi.

Refer to this guidance for the requirement from MoE: https://www.education.govt.nz/school/schools-planning-and-reporting/school-annual-reports/

MoE also provided template documents (it is not a requirement to follow these). The ministry said the school could tailor this template to fit and deliver the required information.
Refer to this link: Annual-Report-Template-Amended-Nov-2023.docx (live.com)

Recommendation

We recommend that the Board and school to look into this guidance provided by MoE and ensure the reporting going forward align with the new regulation.

5. Guidance on Around Professional Coaching and Wellbeing Support

Observation

Ministry of Education (MoE) renewed all the principal collective agreements in 2023. The collective agreement was agreed upon on October 30th, 2023, and became effective on July 1st, 2023. As part of the new collective agreement, MoE provides a Professional Coaching and Wellbeing Support fund for the principal annually of $ 6,000. The payment was made to the school board and tagged for principals.

The school received the payment in the second or the third quarter of the year, while the guidance relating to the fund was issued later in the year. Across our schools that were audited in 2023, we noted our audit findings relating to the use of the fund, the principal's annual declaration to the board, and whether it has been minuted in the board minutes. The majority of the schools that we audited have not spent the funds. Hence, we provide some useful information related to this.

For the following year, we expect the school, together with board, to document of the following information:
1. Annual declaration made by the principal showing how the principal intent to use the fund in the following year not later the last of Term 4 each year to the board (this is required by section 4.8 of the principal collective agreement)
2. Minuted that the annual declaration has been approved by the board
3. Keep the list transactions of how the fund is spent during the year (preferably to keep it in the separate ledger)

We contacted our MoE representative in regard to this matter and confirmed the following essential information:
1. The schools are not required to return the funds to MoE if they have been spent during the year; therefore, from an accounting perspective, it should be recognised as revenue when received.
2. From a management perspective, unspent funds during the year can be carried forward to the following year.
3. Further guidance about what transaction the funds can be used for: Professional coaching and wellbeing support funding access – Education in New Zealand
4. Sensitive expenditure rules are still applicable for this fund; therefore, we are not expecting this to be spent on a private holiday, sport/entertainment-related memberships, etc. Sensitive expenditure principles can be found here: https://oag.parliament.nz/2020/sensitive-expenditure/part2.htm

Recommendation

We recommend that the Board and the schools review the process around the approval of annual declaration for the following year.

SUMMARY OF FINDINGS

We highlight the following matters for the attention of the Board together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved and any new matters identified during this financial audit that requires the Board's attention.

1. Payroll			
Prior Year Observation			
We noted the primary payroll authoriser per the EdPay system is related to another member of key management personnel.			
Current Year Observation			
We noted the primary payroll authoriser per the EdPay system is related to another member of key management personnel.			
Implication			
Due to the close relationships within the Wharekura, it is important that any changes to a related party (any whanau members related to the principal or deputy principal) be authorised by an independent party (trustee or authoriser separate from the relationship) to avoid any potential conflicts of interest to align with best practice for state funded Kura.			
Recommendation			
We recommend that an independent authoriser makes any changes to payroll relating to the whanau members of the principal and deputy principal (including these two parties).			
Management comments and actions			
We will ensure that we have an independent authoriser who will approve any changes to payroll of the principal and whanau members.			
Responsibility	Deputy Principal	**Target date**	May 2024

2. Deficit Budget			
Prior Year Observation			
We noted that a deficit budget for the 2023 year was approved for a $70,373 loss.			
Current Year Observation			
We noted that a deficit budget for the 2024 year was approved for a $105,102 loss.			
Implication			
While we note the Kura has positive working capital, we are concerned that continued deficit budgeting if achieved will reduce your Kura's equity. Although deficit budgeting may appear warranted for a particular year, we urge caution in this approach as it is unlikely to be sustainable.			
Recommendation			
We recommend that the Board try to avoid deficit budgeting wherever possible, so the Kura's budget reflects the ability for it to operate within its means.			
Management comments and actions			
We will endeavour to avoid deficit budgeting wherever possible, so that the Kura's budget reflects the ability for it to operate within the financial means of the budgeting year.			
Responsibility	Deputy Principal / Principal / BOT chairperson or delegate	**Target date**	May 2024

3. Debit card receipts			
Prior Year Observation			
Not all receipts were available for the Debit card.			
Current Year Observation			
We noted that not all debit card receipts were available during testing.			
Implication			
If the debit card receipts are not attached, there is no proof of what the actual expense was for.			
Recommendation			
That all receipts are attached to the debit card statement.			
Management comments and actions			
We will endeavour to ensure that all receipts are attached to the monthly debit card statements.			
Responsibility	Deputy Principal / Administrator	**Target date**	May 2024

4. Payroll Approval			
Observation			
We noted that one of the SUE reports tested was not approved by the Presiding Member.			
Implication			
That the staffing is not authorised by one up system.			
Recommendation			
That all Sue reports are checked and signed by the Presiding Member.			
Management comments and actions			
We endeavour to ensure that all Sue reports are checked and signed by BOT Chairperson.			
Responsibility	Deputy Principal / BOT Chairperson	**Target date**	May 2024

5. Principal remuneration			
Observation			
We noted that the principal did not get an increase or his MITA allowances during 2023.			
Implication			
That the principal does not receive allowance as per his expertise and experience.			
Recommendation			
As per Edpay recommendation, as the principal is on an older contract, the school have to apply for it every year. We recommend contacting Edpay for advise on 2023 pay increase and MITA allowances, and to apply for it annually from now on.			
Management comments and actions			
We have already contacted Novopay to enquire aboy recommendations for 2023 pay increase and MITA allowances, and these will be applied for annually.			
Responsibility	Deputy Principal / Administrator	**Target date**	30/5/24

6. Conflicts of interest			
Observation			
We noted that not all perceived conflicts of interest were noted in the register or minutes.			
Implication			
That the board might engage with suppliers without knowledge of any possible conflicts.			
Recommendation			
We recommend that all potential or perceived conflicts are noted on the register.			
Management comments and actions			
We endeavour to note all potential and perceived conflicts on our COI register at each whanau hui.			
Responsibility	BOT Chairperson / Principal / Deputy Principal	**Target date**	May 2024

UPDATE ON PRIOR YEAR OBSERVATIONS AND RECOMMENDATIONS

In the previous audit for the year ended 31 December 2022, we identified some matters for the attention of the Trustees, together with recommendations for management to consider. We consider the following matters to have been sufficiently addressed.

1. Breach of Education and Training Act 2020 section 135 and 137
Prior Year Observation
Draft accounts received after due date. Sign off accounts after due date.
Current Year Observation
Annual report on time received and signed off on time.

APPENDIX 1 – ADJUSTED AND UNADJUSTED DIFFERENCES

Significant audit adjustments

Unadjusted Errors:

1. PSPA Backpay leave un adjusted

Code	Name	Group	Debit	Credit
	Employee Benefits - Salaries Learning Resources	expenses	5,251.00	-
	Accruals	liabilities/equity	-	5,251.00
	Receivables MOE	assets	5,251.00	-
	Government Grants - Ministry of Education	income	-	5,251.00
			10,502.00	**10,502.00**

Code	Name	Group	Debit	Credit
	Provision for Cyclical Maintenance - Current	liabilities/equity	10,811.00	-
	Cyclical Maintenance Provision	expenses	-	10,811.00
			10,811.00	**10,811.00**

3. MITA Allowance for principal not received - Leave un adjusted due to being BPM

Code	Name	Group	Debit	Credit
	Employee Benefits - Salaries Learning Resources	expenses	10,000.00	-
	Employee Entitlements - Salaries	liabilities/equity	-	10,000.00
	Teachers' Salaries Grants	income	-	10,000.00
	Teacher Salaries Grant Receivable	assets	10,000.00	-
			20,000.00	**20,000.00**

Adjusted Errors:

1. Lunches debtor

Code	Name	Group	Debit	Credit
	Receivables MOE	assets	92,612.00	-
	Government Grants - Ministry of Education	income	-	92,612.00
			92,612.00	**92,612.00**

2. To bring in new Van as creditor and asset

Code	Name	Group	Debit	Credit
	Motor Vehicles	assets	37,376.00	-
	GST Payable	liabilities/equity	5,348.00	-
	Operating Creditors	liabilities/equity	-	40,985.00
	Prepayments	assets	-	1,739.00
			42,724.00	**42,724.00**