



Results of the 2016 school audits

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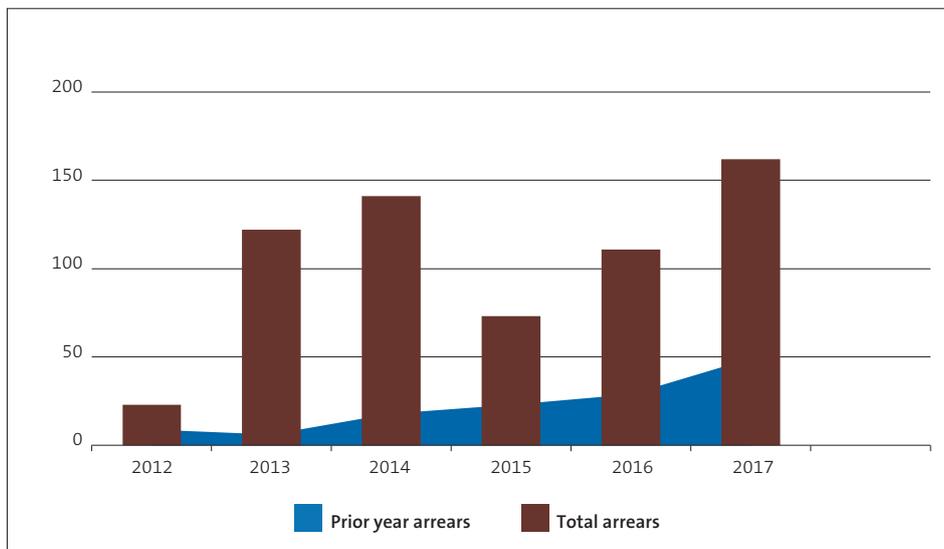
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1 Completion of the 2016 school audits

- 1.1 Of the 2453 audits that we expected to complete for 2016 (which includes schools and school subsidiaries), we completed 1993 (81%) by the statutory deadline of 31 May 2017. This was an improvement on the 75% of 2015 audits completed by the statutory deadline. However, we are still well below our expectation of completing 95% of school audits before the deadline.
- 1.2 We were pleased that, for the 2016 school financial statements, the Ministry improved its guidance and provided its Kiwi Park model financial statements earlier. This meant that schools' draft financial statements provided for audit were a better quality than those provided last year. Nevertheless, some schools are still struggling with some of the requirements of the new standards. The extra payroll reports needed to complete the financial statements are also still having an effect, although this is lessening.
- 1.3 By November, we usually expect less than 1% of the previous year's school audits to be outstanding. As at 10 November 2017, we had 5% of the 2016 school audits outstanding (113 in total). This is higher than at the same time last year, when 82 of the 2015 school audits were in arrears. One of our auditors has not completed a large number of his audits (18), which contributes to this increase. We are working closely with the auditor and the affected schools to complete these audits as soon as possible.
- 1.4 Once the statutory deadline passes, auditors face pressures resourcing the remaining audits because they have other work planned. We have experienced several years of poor completion since Novopay was introduced in 2012, and, as a result, the number of prior-year audits in arrears continues to increase, as shown by Figure 1. As at 10 November 2017, we had 49 audits outstanding from 2015 and earlier.

Figure 1
Audits in arrears as at 10 November in the years 2012 to 2017



1.5 Appendix 1 lists the outstanding audits as at 10 November 2017.

2 The types of audit opinions we issued

- 2.1 Mostly, we issue standard audit reports on the financial statements of schools. Non-standard audit reports can contain a modified audit opinion and/or draw attention to matters of importance to readers of the financial statements.
- 2.2 We modify our opinion when we cannot get enough evidence about an issue or we conclude there is a misstatement in the financial information. If we believe the matter is fundamental to understanding the financial information, we may issue an adverse opinion or not give an opinion on the financial statements (a disclaimer of opinion).
- 2.3 We draw attention to matters of importance where the matter is of public interest, schools are in financial difficulty, or schools have not followed legislation about accountability.

Modified opinions

- 2.4 Of the audits completed for 2016, 16 audit reports contained a modified audit opinion. We also issued a further 10 modified opinions for prior-year audits in arrears. Reasons for the modified opinions were:
- We could not get enough assurance about locally raised funds revenue in 11 schools because of limited controls over this revenue. This included opinions for a 2013 and a 2015 audit.
 - We could not get reliable evidence to support the cyclical maintenance provision for three schools. This provision is an estimate of the board's obligation to maintain the Ministry's buildings.
 - We did not have enough information on related party transactions for one school and could not determine whether the school had disclosed all of these in its financial statements. For this school, we also drew attention to other significant matters in our audit report (see paragraph 2.8). This was a 2014 audit.
 - Two schools did not prepare consolidated financial statements that included the transactions and balances for their subsidiaries.
 - One school did not recognise a settlement payment between the school and an employee as a liability in its financial statements.
 - We disagreed with the calculation of the use of land and buildings revenue and expenditure for one school.
 - We disclaimed the opinion on a 2014 audit because a significant number of financial records were destroyed as a result of fraud. The lack of supporting documents meant we could not get enough evidence to support the amounts in the financial statements.

- We could not get enough assurance over expenditure for two schools. One school had three opinions issued during the year, for 2013, 2014, and 2015, all with this limitation. The other school was a 2012 audit.
- For one school, because we issued a qualified opinion for the previous year, we could not provide assurance on the comparative figures in the 2016 financial statements. We were also unable to form an opinion on the comparative information for a 2015 activity centre audit because this was the first year the activity centre had reported as a separate entity.

2.5 Appendix 2 lists the schools that received modified opinions and the reasons for the modification.

Matters of importance that we have drawn readers' attention to

2.6 In certain circumstances, we include comments in our audit reports to either highlight a matter referred to in a school's financial statements or note a significant matter that is not referred to in a school's financial statements. We do this because the information is relevant to a reader's understanding of the financial information. Such comments are not modifications of our opinion, that the financial information fairly reflects the performance and position of the school. Rather, they point out important information such as a matter of public interest or a breach of legislation.

Matters of public interest

2.7 During 2017, we issued nine audit reports where we referred to matters of public interest. Some of these reports related to earlier years.

Potential conflicts between school board of trustees and proprietor

2.8 **Al-Madinah School (2014)** – We issued a modified opinion on the school's financial statements because we could not tell whether the financial statements included all the related party transactions. We also referred to a potential conflict of interest in our audit report. The proprietor of the school, who is not a public entity, has two representatives on the school's board of trustees (board), and a third board member was also a senior representative of the proprietor.

2.9 We also found a potential lack of clarity about the school's fundraising. The proprietor collects funds from parents, including an activity fee collected for the school board. During the year, the board allowed the proprietor to keep the school's portion of the funds collected, totalling about \$28,000. The school should receive all funds collected for the benefit of the school.

Overseas trips

- 2.10 **Te Kura Kaupapa Māori o Tamaki Nui A Rua (2015)** – The kura funded a trip to Rarotonga for 27 students, four staff, and four parents. The purpose of the trip was to achieve educational experience and personal development of the wharekura girls and boys. The kura spent \$56,246 but collected only \$13,294 from those who went on the trip.
- 2.11 **Te Kura Kaupapa Māori o Hoani Waititi Marae (2016)** – Two hundred and fifty-one students, staff, and associated caregivers visited Rarotonga. The purpose of this trip was to achieve educational outcomes connected with the founding principles of “Te Aho Matua”. To meet the \$399,104 cost of the trip, the kura fundraised \$50,455, received \$82,066 from whanau contributions, and used \$21,466 from the transport allowance. The kura funded the balance of \$249,632, which contributed to the kura’s deficit.
- 2.12 **Blockhouse Bay Intermediate (2016)** – The school paid \$26,000 towards the total cost of \$82,000 for a trip to Korea for 18 students and three teachers.
- 2.13 **Manurewa West School (2016)** – The school paid for five members of staff to visit Kuala Lumpur, as part of a trip to tour schools in Singapore. No evidence of educational outcomes was presented to the board for this part of the trip.
- 2.14 We consider it unusual for schools to fund trips of this nature. We are pleased to see that the Ministry has re-instated its guidance to schools about the need to specifically fundraise for overseas travel for students,¹ as recommended in our letter to the Secretary for Education last year.

Gifts and hospitality

- 2.15 **Blockhouse Bay Intermediate (2016)** – The school spent \$12,000 on hospitality in the year. This included \$7,000 for a farewell party and a \$3,000 leaving gift for the principal, which exceeded the \$1,000 the board had approved.
- 2.16 **Kingsford School (2016)** – The board gave vouchers to the value of \$10,000 to the principal as a leaving gift.
- 2.17 **Puhinui School (2016)** – The board gave the principal a \$8,500 ride-on mower when he left the school. Although the board approved the gift, it was not consistent with the school’s gift policy, which allowed a gift to the value of \$1,000.
- 2.18 We consider this level of expenditure on hospitality and gifts to be relatively high for a school. Spending on farewells and retirements should be both moderate and conservative, and suitable for the occasion.

Expenditure not clearly for school purposes

- 2.19 **Te Kura Kaupapa Māori o Te Kura Kokiri (2012)** – We modified our opinion on the kura’s financial statements because it had limited controls over payments. We issued a similar qualification for 2011. We also drew attention to:
- Inadequate documentation and no evidence of approval for the repayment of expenses paid out of a personal account that were considered to be school payments;
 - Unusually high levels of fuel expenses, food and groceries, and koha payments;
 - Repairs and maintenance paid on cars not owned by the school;
 - Payments for a trip to Rarotonga; and
 - Satellite television subscriptions paid by the school.
- 2.20 The audit reports for 2013, 2014, 2015, and 2016 are still outstanding for this kura.

Other matters

- 2.21 **Blockhouse Bay Intermediate (2016)** – As well as the issues noted above, we drew attention to the school not passing on \$3,700 collected specifically for Fiji flood victims. The school kept the funds and used them for school purposes. Also, the school paid \$2,500 for expenses incurred for overseas trips without suitable receipts.
- 2.22 **Wellington College (2016)** – The school employed a fundraiser who mainly raised funds for a foundation, an independent entity with close links with the school. The foundation has not reimbursed the school for the services it received from the fundraiser. It is inappropriate for the school to use public money to pay an employee to raise funds for a private entity.
- 2.23 **Manurewa West School (2016)** – As well as the expenditure on overseas trips mentioned above, the school made additional payments to the principal without getting permission from the Ministry. The payments included; home broadband and telephone, well-being payments, and a “revitalisation and refreshment sabbatical grant”.

Matters raised in management letters

- 2.24 If an auditor does not consider a matter significant enough to include in a school’s audit report, the auditor will raise the matter in the school’s management letter. Matters of concern that auditors have raised in school management letters include:
- Schools that did not have sensitive expenditure policies for expenditure such as travel and gifts;

- Gifts to staff, either without board approval or inconsistent with the school's gift policy (in these instances, we did not consider the amounts involved to be significant enough to include in the audit report);
- Hospitality and entertainment expenses that seemed excessive;
- Overseas trips for professional development, where the benefit to the school was not clear; and
- Staff entering into contracts outside their delegated authority.

Schools in financial difficulties

- 2.25 If a school is showing signs of being in financial difficulties, we seek confirmation from the Ministry that it will continue to support the school. If the Ministry confirms that it will continue to support the school, it is appropriate for the school to complete its financial statements as a going concern.
- 2.26 However, if the financial difficulty is serious, we draw attention to it in the school's audit report. We drew attention to financial difficulties in the audit reports of 29 schools for 2016 (25 for 2015), and a further five audit reports issued for prior years. Appendix 3 lists the schools whose audit reports mention financial difficulties.
- 2.27 Once again, we drew attention to potential financial difficulties in Kia Aroha College's audit report. The school is not currently in financial difficulty, but significant deficits during the past five years and poor controls over discretionary spending at the school are not consistent with financial sustainability. For this school, we have issued a similar audit report for four of the last five years.

Laws and regulations

- 2.28 As part of the annual audits of schools, we consider whether schools have regard to particular laws and regulations about financial reporting. The main acts that influence the accountability and financial management of schools are the Education Act 1989 and the Crown Entities Act 2004. We advise auditors of the laws and regulations that they should consider.
- 2.29 Either schools disclose breaches of the Education Act 1989 and Crown Entities Act 2004 in their financial statements or our auditors report on them in their audit reports. During the 2016 audits, we identified that:
- 41 Schools (2015: 33) borrowed more than they were allowed (clause 29 of Schedule 6 [section 67])²;

² References are to the Education Act 1989 unless stated. Where the section number changed after the Education Update Act 2017, we have included the previous section number in square brackets, because this will be the reference in the school's financial statements.

- 21 Schools (2015: 31) did not use the Ministry's payroll service to pay teachers, which they must use for all teaching staff (section 89(2));
- 15 Schools (2015: 18) made loans to staff, which they are not allowed to do (clause 28 of Schedule 6 [section 73]);
- Three schools (2015: 9) invested money in organisations without the Ministry's approval (clause 28 of Schedule 6 [section 73]);
- 12 Schools (2015: 8) had conflicts of interest (section 103 and clause 40(8)-(10) of Schedule 6 [clause 8(8) of Schedule 6]);
- Two schools (2015: 3) did not comply with the banking arrangements (section 158 of the Crown Entities Act 2004); and
- Four schools (2015: 6) breached legislation for other reasons.

- 2.30 Appendix 4 sets out the schools where our auditors identified breaches of the Education Act 1989 and Crown Entities Act 2004.
- 2.31 We have noted an increase in the number of conflicts of interest reported. Three of these breaches were permanent members of staff that were not staff representatives being on the board. Under the education act, this disqualifies a person from being a trustee.
- 2.32 Auditors also told us about other instances where staff members on fixed term contracts were on the board. Although this was not a breach of law, because the staff are not permanent employees, any potential conflicts must be carefully managed by the board.
- 2.33 We also identified seven situations where a school had entered into a contract with a trustee (or a company controlled by a trustee) for more than \$25,000 without getting the Ministry's consent. This also disqualifies a person from being a trustee. Most often, these situations occur when the school is managing property projects for the Ministry. Although there is guidance about this on the Ministry's website, the Ministry needs to ensure that all parts of the Ministry give the same advice about these matters.

3 Matters we identified from our audits

3.1 In this section, we set out matters from the 2016 school audits that we consider important enough to bring to the Secretary for Education's attention.

Quality of school financial statements

3.2 For the 2016 school audits, the Ministry provided better guidance to schools in a more timely manner. This included providing the 2016 Kiwi Park model financial statements to schools earlier than in previous years. The sector working group attended by representatives of the Office of the Auditor-General is working well and helping to improve the guidance available to schools.

3.3 Our auditors are still finding that, despite the quality of draft financial statements presented for audit significantly improving for 2016, many schools are not able to prepare statements of cash flows accurately. Although the 2016 Kiwi Park model includes more guidance than previously, schools rely too heavily on the worksheets in the Kiwi Park model and lack an understanding of the principles underlying the cash flow statement.

3.4 To prepare for the 2017 audits, the Ministry has responded to the recommendations set out in our letter about the results of the 2015 school audits:

- The Ministry has recently updated its *Financial Information for Schools Handbook*. This supplements other guidance incorporated into the Kiwi Park school model.
- For 2017, Kiwi Park group model financial statements are available on the Ministry's website, alongside the updated Kiwi Park school model financial statements for 2017.

3.5 These responses should continue to improve the quality of school financial statements.

3.6 We are also pleased to see the Ministry repeating its Kiwi Park regional workshops this year to help schools and service providers use the model effectively. We suggest that the Ministry consider providing Tier 1 Kiwi Park model financial statements for 2018, because we expect that more schools will have to report at Tier 1 from 2017 onwards.

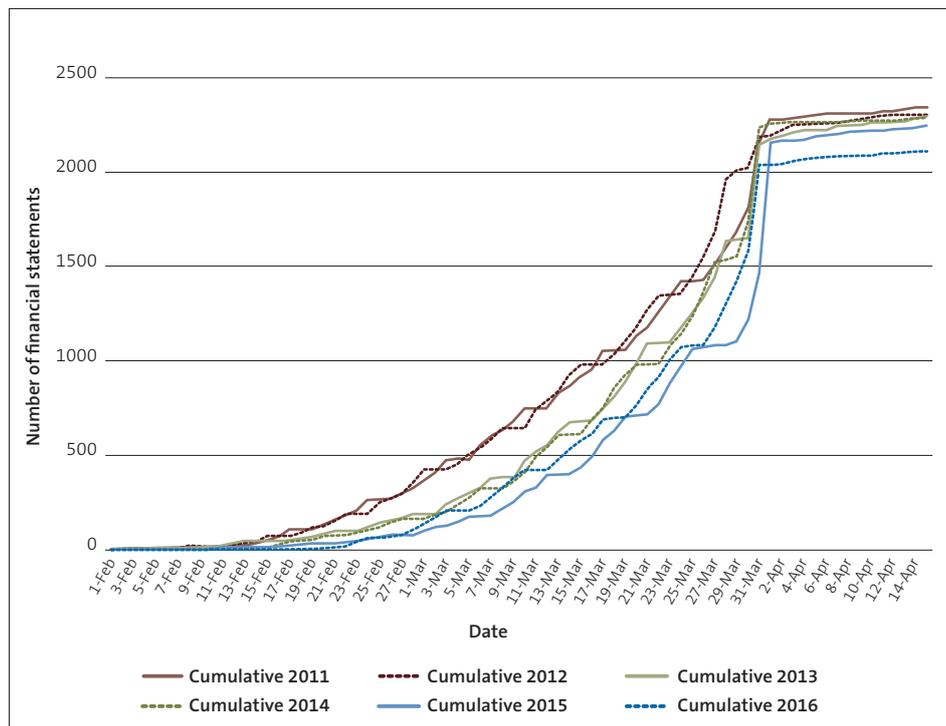
Recommendation

We recommend that the Ministry provide further guidance and training to schools on preparing a statement of cash flows.

School audit “pipeline”

- 3.7 Even though the Ministry provided the Kiwi Park model financial statements earlier than in previous years and has improved its guidance to schools, many schools still missed the statutory deadline. This year, 460 school audits missed the statutory deadline. We expect only 5% (about 120 audits) to do so. Although nearly half of audits that missed the deadline (216) had been completed by the end of June, the “tail” of audit arrears continues to grow, as shown in Figure 1.
- 3.8 Although more schools provided draft financial statements for audit by the deadline of 31 March 2016 than in the previous year, the auditors received most of these at the end of March. Before 2012 and Novopay, auditors would get draft financial statements throughout February and March, which allowed them to spread their workloads. The inability to start audits as early as they would normally start causes a bottleneck at the end of May, putting pressure on schools, financial service providers, and auditors.
- 3.9 Figure 2 shows the dates that auditors received draft financial statements for audit for the last six years. The last “normal” year before Novopay was 2011. Figure 2 shows that the date when auditors receive draft financial statements has moved, with auditors receiving almost a thousand sets of draft financial statements for the 2016 audits in the last week of March.

Figure 2
Date on which draft financial statements were provided for audit



- 3.10 We are working with the Ministry to understand the reasons for this change, because this is only partly attributable to changes in payroll reporting. We are considering what we can do to streamline the process for schools and auditors for the 2017 audits.
- 3.11 Because of the issues with payroll reporting during the past five years and the new accounting standards in 2015, we have had to accept many schools missing the statutory deadline. Where it was because of circumstances outside the school’s control, we relaxed the requirement to disclose the breach. We are now dealing with apathy from some schools about the statutory deadline. Getting schools to recognise the importance of timely accountability is an ongoing challenge.

School payroll reporting

- 3.12 There were no changes to payroll reporting for 2016. Schools still needed the error reports created outside Novopay, as well as Novopay's annual payroll report (the SAAR), to complete their financial statements. Schools also needed the leave liability reports for non-teaching staff, which are also produced outside Novopay.
- 3.13 Because this has had a significant effect on the school audits, we recommended last year that the Ministry:
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- Ensure that there is a clear understanding of the roles and responsibilities of all the parties involved in the payroll process;
 - Make enough resource available to meet the set time frames, including adequate time for the Ministry's internal quality assurance processes; and
 - Encourage schools to prepare draft financial statements when they receive the SAAR.
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- 3.14 It was helpful to have one main point of contact at the Ministry for payroll matters. However, we again experienced several delays and identified errors in the payroll reporting for the 2016 audits.
- 3.15 We agree a timetable with the Ministry and Education Payroll Limited for producing and delivering the SAAR and error reports. Our appointed auditor of the Ministry, carries out testing of these reports before the Ministry sends them to schools and auditors. Because the timing of the payroll reports affects the ability of our auditors to complete their audits, we again asked the Ministry to provide the payroll reports as early as possible.
- 3.16 The Ministry released the SAAR in accordance with the agreed timetable on 13 February. However, the Ministry did not send error reports to schools until 8 March, later than the planned date of 27 February. Auditors did not get their copy of the reports until 29 March (which were planned to be sent by 28 February).
- 3.17 Education payroll limited produces the leave liability and error reports manually using data from Novopay. This means that the reports are more susceptible to error and that we continue to find errors in the reports. For 2016, the overpayments reported to many schools were wrong, and a replacement report was issued to those schools at the end of March.
- 3.18 Funding code errors occur because payments are coded against the wrong funding stream in Novopay. This results in schools owing money to the Ministry for payments made from the teachers' salaries grant instead of the schools operating grant, and the other way around. The Ministry has not agreed to settle

these errors, and the receivables and payables have continued to increase since the start of Novopay.

- 3.19 However, schools told us that some of these amounts were settled during 2015 and 2016. These payments were not reflected in the funding code error reports. We also found that no formal process or record of payments was made. As a result, we could not provide assurance to school auditors on the completeness of the funding code error reports, which meant that some school auditors needed to carry out further procedures.
- 3.20 If we identify errors in the payroll reports, we must carry out further audit work, and the report often has to be rerun. This can cause delays. However, the part of the school payroll reporting process that causes problems each year is splitting the error reports into individual reports so the Ministry can send them to each school. The Ministry needs to ensure that it has the capability and capacity to do this if it is to meet the agreed timetable.
- 3.21 We understand that the time frames for sending payroll reports to schools are not likely to change significantly for the 2017 audits, because there have been no significant changes to the control environment within Education Payroll Services Limited. Therefore, our audit approach will not change. However, we are considering, in consultation with the Ministry, whether we can carry out more work on the pre-year-end reports to speed up the delivery of reports to schools and auditors.
- 3.22 As the level and amount of errors reduce, we find that many of the payroll errors are not material. The message to schools continues to be that they should be able to complete their draft financial statements after getting the SAAR at the beginning of February. Any errors in the error reports can be treated as audit adjustments if necessary. We are working with the Ministry on some data to support this assertion so it can send the necessary communication to schools. This should help auditors to get draft financial statements earlier and improve audit timeliness.

Recommendation

For the 2017 school audits, we recommend that the Ministry:

- Make resources available to meet the set time frames, including enough time for the Ministry's internal quality assurance processes;
 - Ensure that it has the capability and capacity to prepare the reports for distribution to the schools and auditors within those timeframes; and
 - Continue to encourage schools to prepare draft financial statements when they receive the SAAR, and provide those draft financial statements to the auditor.
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Resource Teacher: Learning & Behaviour (RTLB) clusters

- 3.23 During the 2016 audits, we looked into the governance of Resource Teacher: Learning & Behaviour (RTLB) clusters in more detail because we were considering how to account for TELA leases (which are laptop leases for principals and teachers) for RTLB teachers. On reviewing the underlying memorandum of agreement for these clusters, it became clear that the lead school is the governing body for the RTLB cluster and not an agent, as we thought.
- 3.24 We also became aware that many RTLB clusters own assets that are not shown on any school's balance sheet. Because of this and the significant size of some of the clusters, we decided that the note disclosures in the model financial statements were not enough.
- 3.25 For 2016, the Ministry asked RTLB lead schools to add some disclosures to their financial statements about the cluster. We agreed that it was too late in the audit process to make significant changes to reporting requirements. However, for 2017, the Ministry will ask lead schools to report on the RTLB clusters separately. We understand that the Ministry is developing the reporting template, which it will share with us. Once we are clear on the reporting requirements, we will consider the audit arrangements.
- 3.26 We are aware that schools are involved in other activities, including activity centres, Communities of Learning, and other cluster arrangements. There is no guidance for schools on how to account for these separate activities. The reporting requirements usually depend on whether the school board is in a governance position or acting as an agent.
- 3.27 Without clear guidance, there is a risk that schools are accounting for these other activities inconsistently. When the Ministry puts new arrangements in place, such as Communities of Learning, it needs to consider how schools are to be accountable for the funds they receive. The Ministry needs to ensure that it reviews the reporting requirements regularly because these informal arrangements often evolve over time.

Recommendation

We recommend that the Ministry:

- Provide guidance to schools on accounting for "other activities" that they receive funding for; and
 - Consider whether the funding schools receive for Communities of Learning should be disclosed separately in school financial statements.
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Kura kaupapa Māori

- 3.28 We continue to raise concerns about financial management and the appropriateness of spending in some kura. Examples of this can be found in section 2. Appendices 1 and 2 show many kura on our arrears lists. The 2016 audits of 17 kura (23% of kura) remain outstanding, and six of these have prior-year audits also outstanding, some of which are for multiple years.
- 3.29 In part 6 of our report, *Education Sector: Results of the 2010/11 audits*, we reported on a review we had carried out of financial management of Kura kaupapa Māori. Our work found that the policies and practices in about 20% of kura did not reflect best practice. We recommended that the Ministry monitor how effectively kura and other small schools follow its guidance and, if necessary, provide more targeted guidance.
- 3.30 In our report on the *Results of the 2012 school audits*, published in May 2014, we included a follow up of our earlier work. The Ministry told us that it planned to issue model financial management policies in 2014 and was working with two external organisations to put support and training in place for kura later in 2014. We would appreciate an update on the Ministry's support and guidance for kura.

School annual reports

- 3.31 Under the new auditing standards, auditors must refer in their audit reports to the "other information" that they are required to review as part of the audit. The Education Act 1989 and the Ministry specify that schools must include the following "other information" in their annual reports:
- Analysis of variance;
 - List of trustees;
 - Statement of responsibility; and
 - Statement of Kiwisport funding.
- 3.32 For the 2016 audits, many auditors found that not all of these documents were available when they were ready to sign the audit report. Also, many schools do not produce an annual report with consecutively numbered pages. Because of this, many auditors had concerns about whether the version of a document they reviewed as part of the audit was the final document that the school reported.
- 3.33 Under the recent update to the Education Act 1989, schools must now make their annual reports available on their websites. Although the Ministry has told schools about this change, there has been no guidance about how schools should present their annual reports.

- 3.34 We have told our auditors to ensure that schools provide the version of the documents they intend to publish on their website for review before the audit is signed off. It would be useful if the Ministry also gave this message to schools. We have also been told that some small schools do not yet have a website.

Recommendation

We recommend that the Ministry provide guidance to schools on preparing their annual report, including:

- What the annual report should contain and how it should be presented;
 - That schools should provide the version of the annual report they intend to publish to their auditor before the audit is completed; and
 - How they can publish the annual report on their website.
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Sensitive payments

- 3.35 As noted in section 2, our auditors told us about several instances of schools giving gifts to principals on their retirement. We were told about some other gifts as well as the three payments we referred to in section 2. Because the amounts involved were not as large, we referred to these in the school's management letter rather than the audit report.
- 3.36 Although a gift for a long-serving employee is not unreasonable, we considered that the amounts involved were unreasonable. In many of these instances, schools had a policy about gifts but had not approved payments consistent with their policy.
- 3.37 Auditors also told us about some significant settlement payments to employees, trustees, or committee members during the year. If a school has followed the correct procedure when an employment dispute occurs, including getting appropriate advice and ensuring that the settlement agreement is clear, we do not comment on the amount agreed.
- 3.38 However, the number of large settlements may indicate that boards need more guidance on employment matters. We also identified settlement agreements that were ambiguous because either the school did not know how much it had agreed to pay or the school did not understand how it should pay the settlement.

Recommendation

We recommend that the Ministry:

- Improve its guidance to schools on giving gifts; and
 - Provide schools with more guidance on employment matters, including how to settle employment disputes.
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Fraud

- 3.39 We ask our auditors to report any actual or suspected fraud that they identify or are told about during their audits. Auditors told us about several relatively small incidents of fraud this year where the school decided not to tell the relevant law enforcement agency. The school often did not tell the Ministry about these either. In these instances, the employee paid back the amounts in question, and the school dismissed the employee. However, we are aware that some of these employees then moved to other schools.
- 3.40 Fraud in schools often happens because duties are not sufficiently segregated. We ask our auditors to raise this as a risk in school management letters, even if it is difficult for a small school to correct this. We also stress the importance of a fraud policy and showing employees that there are consequences for committing fraud. We have also written to the Ministry directly about schools about which we have identified concerns.
- 3.41 It is encouraging to see the Ministry's new risk assessment tool that targets those schools most in need of help. Although this cannot prevent fraud, we hope that it will help to raise awareness of good controls and financial governance. We will continue to share information with the Ministry when our auditors raise significant concerns about schools.

Recommendation

We recommend that the Ministry:

- Improve its guidance on what good controls look like;
 - Continue to encourage schools to have fraud policies; and
 - Encourage schools to report suspected fraud.
-

Leases

Leasing school equipment

- 3.42 For the 2016 audits, the Ministry provided guidance to schools on how to classify and record leases in their financial statements. However, our auditors found that some schools still struggled with the accounting and getting the necessary information.
- 3.43 After a review of the accounting treatment under the new standards, we agreed with the Ministry that TELA leases are finance leases. The guidance the Ministry provided was comprehensive, which helped schools make the change for their 2016 financial statements. Some schools struggled in this first year of transition because of the amount of leases. Schools needed to consider the classification of existing as well as new leases. If schools record these leases correctly as finance leases from the beginning, they should not experience the same issues for the 2017 audits.
- 3.44 We continue to have concerns about the value for money of some of the copier and other equipment contracts that schools enter into. We still see agreements that include large settlement payments to buy the school out of previous contracts, significant commitments for service and consumables, and companies offering schools “donations” as incentives. It is not always clear that schools understand what they have signed up for and whether they followed the proper delegations.
- 3.45 We have also seen schools that have upgraded their equipment and added the outstanding lease payments on the old lease to the new lease. The school is then paying for the old equipment it no longer has as well as the new. For copiers, because the school is usually paying a “per copy” charge, what the school is actually paying for is not always clear.
- 3.46 In our view, guidance on considering the value for money of lease agreements and the implications on the school’s borrowing limits of entering into finance leases would be useful. We saw an increase in schools breaching the borrowing limit from 33 last year to 41 this year, because TELA leases are now considered to be borrowing. Because schools need more equipment to keep pace with the digital curriculum, the decision to lease or buy has become more commonplace for schools.

Schools leasing it equipment to students

- 3.47 Because of NZQA's intentions to allow students to complete most NCEA examinations online by 2020, schools need to consider how they can provide access for their students to the necessary equipment. We raised the issue of schools leasing equipment to students, which the Ministry considers a breach of legislation, in our letter to the Secretary for Education last year.
- 3.48 During the 2016 audits, we were told about a school entering into an arrangement with a third party to allow parents and caregivers access to a device for their children. This includes the school paying an administration fee to the third party.
- 3.49 Although the arrangement did not breach legislation, it is not without risk. The Ministry has confirmed that it considers this to be a suitable use of schools funds and that the school in question consulted with the Ministry.
- 3.50 However, we expect school boards to fully consider the arrangement, whether the amounts involved are appropriate, and any potential financial or other risks to the school before entering into such an arrangement. There is a risk that schools will consider such arrangements to be "approved" by the Ministry and not carry out the necessary due diligence before entering into one.
- 3.51 The Ministry has provided no further guidance to schools on this. The Secretary for Education's response to our letter last year stated that there would be guidance on this by the end of the first quarter of 2017. Our auditors will continue to raise concerns about these arrangements in schools' management letters.

Recommendation

We recommend that the Ministry:

- Provide guidance to schools to help them decide about leasing rather than buying equipment and how to ensure that they get value for money if they decide to lease, including how to access all-of-government contracts; and
 - Consider the adequacy of the guidance available to schools on schools managing laptop schemes for their students, including through a third party.
-

State-integrated schools

- 3.52 We have raised concerns in the past about state-integrated schools because of the close relationship between the proprietor and the school. Although these are only a small minority of schools, we still see instances where either schools do not make clear who they are collecting donations for or boards collect donations for the school and pass these to the proprietor.

- 3.53 We also continue to see clear conflicts of interest where proprietor representatives take part in the decision for the proprietor to keep these funds. Of concern is that, when we raise this issue, the proprietor representatives do not consider it to be a conflict.
- 3.54 Last year, we recommended that the Ministry remind state-integrated schools of their obligations about public money in its update to the guidance on payments by parents. The Secretary for Education's response to our letter said that the Ministry would make more guidance available to boards of state-integrated schools by mid-December 2016. We would appreciate an update on this guidance.
- 3.55 The Association of Integrated Schools has updated its guidance on fundraising to proprietors recently. However, its new manual, *Handbook for a Proprietor of a State-Integrated School*, does not cover conflicts of interest.
- 3.56 Another issue that has arisen in some schools this year is proprietors' agreeing to provide funds to the school after the year ends, so the school does not report a deficit. Historically, these funds have been recognised as a receivable.
- 3.57 Although the proprietor may have told the school it would provide some funding, there was no formal agreement about how much the proprietor would give to the school. Because no binding agreement was in place as at 31 December, the school does not have a receivable at that date. Without an agreement, any funds received are accounted for as a donation when received. How such an amount is accounted for may affect the going concern status of the school, because the funds might be needed for the school to pay its outstanding bills at balance date.
- 3.58 We have identified this issue only in a handful of schools, but we will ask our auditors to look out for this in the 2017 audits.

Recommendation

We recommend that the Ministry consider providing guidance about conflicts of interests, in consultation with the association of state integrated schools.

Cyclical maintenance

- 3.59 Our auditors are still finding cyclical maintenance a challenging area to audit because many schools do not understand the provision and do not have the necessary information to calculate the provision accurately.
- 3.60 The new 10-year planning process is producing better quality plans, which include maintenance plans. However, because boards delegate this to a property planner, they may not take the time to fully understand the plans. The actual maintenance a school plans to carry out can be different to that set out in the 10-year property plan.

- 3.61 Even when the 10-year property plan is up to date and agreed by the board, schools often do not understand how to translate this into a cyclical maintenance provision. The template for calculating the provision is no longer on the Ministry's website.
- 3.62 The Ministry needs to provide further guidance on how to translate the plan into a provision. Although we qualified the opinions of only three schools because we could not get enough assurance about the cyclical maintenance provision, this area takes a considerable amount of audit time.

Recommendation

We recommend that the Ministry provide further practical guidance on calculating cyclical maintenance provisions and put the template for calculating the provision back on the Ministry's website.

Board contributions to capital works

- 3.63 The Ministry's policy has been that a school can capitalise a contribution to a Ministry capital works project only if it has Ministry approval, otherwise it should be an expense. We understand that this is a policy position to prevent schools building assets without permission. However, whether or not such contributions should be expensed depends on the underlying circumstances.
- 3.64 Although the Ministry has updated its guidance on this on its website, we consider that it still needs further clarification. There are several different scenarios, such as schools contributing funds for a part ownership of a building, contributing funds to upgrade the fit-out, and providing funds to the Ministry (often raised by the community) for a building that they no longer wish to have any responsibility for.
- 3.65 Using the current guidance, it is not always clear what the correct treatment is in each scenario. It would be useful for the Ministry to confirm the accounting treatment for these contributions when it agrees the project with the school.
- 3.66 We are working with the Ministry on the correct accounting treatment for the different scenarios where school funds are used to build or improve a building where the school will have no ongoing ownership interest.

Recommendation

We recommend that the Ministry:

- Update its guidance on the financial reporting requirements for board contributions to Ministry capital works projects; and
 - Consider including the financial reporting requirements as part of the project agreement between the board and Ministry.
-

Closed and merging schools

- 3.67 The Secretary for Education signalled to us last year that updated guidance for residual managers on the financial reporting requirements of closed and merging schools would be available by mid-2017. We have not seen this updated guidance.
- 3.68 We continue to see a lack of clarity about the financial reporting requirements for merging schools, especially when they merge during a school year. As soon as a school has been told it is merging, a decision should be made on how it must prepare its financial statements in the year of merger. Our experience has been that our auditors have to work this out with the school once the financial statements are due. This usually significantly delays the audit.
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Recommendation

We recommend that the Ministry provide updated guidance on financial reporting for closed and merging schools for residual managers.

Update on previous recommendations and issues raised with the Ministry

- 3.69 In appendix 5, we provide an update on the recommendations we raised in our letter to the Secretary for Education about the results of the 2015 audits that we have not covered in this report.
- 3.70 In our report on the *Results of the 2012 School Audits* published in May 2014, we commented on some work we had done in previous years. Although this was several years ago, some of these issues are still relevant. We would appreciate an update on how the Ministry has progressed against the issues raised. Matters relating to property funding for, and payments to principals by proprietors of, state-integrated schools are also set out in the appendix.

Appendix 1

School audits not completed as at 10 November 2017

2016 School audits (shaded schools have prior-year audits outstanding)

Al-Madinah School	Rangiwaea School
Albany Junior High School	Rotokawa School
Aramoho School	Rotorua Lakes High School
Aranui School (Christchurch)	Rotorua School
Avondale School (Christchurch)	Sacred Heart College (Auckland)
Baradene College	Saint Joseph's Catholic School (Matamata)
Cambridge High School	Saint Joseph's School (Upper Hutt)
Cambridge High School Educational Trust	Saint Mary's-Bishop Edward Gaines Combined Schools Board
Carlson School (Cerebral Palsy)	Saint Thomas More Catholic School
Cashmere High School Foundation	Salisbury School (Nelson)
Cheltenham School	Sunnydene Special School
College House Hostel Trust	Sunset Primary School
Devon Intermediate	Taikura Rudolf Steiner School
Edgecumbe College	Tangaroa College
Edgecumbe School	Tatuanui School
Galatea School	Taupo Intermediate
Hamilton North School	Te Aute College
Hastings Boys' High School	Te Awamutu Intermediate
Hastings Intermediate	Te Kura Kaupapa Māori o Ngāti Kahungunu ki Heretaunga
Hato Petera College	Te Kura Kaupapa Māori o Kaikohe
Hilltop School	Te Kura Kaupapa Māori o Mangatuna
Hurleyville School	Te Kura Kaupapa Māori o Otara
Insoll Avenue School	Te Kura Kaupapa Māori o Puau Te Moananui-A-Kiwa
Izard Rodney College Trust	Te Kura Kaupapa Māori o Takapau
James Cook High School	Te Kura Kaupapa Māori o Tamarongo
Kakahi School	Te Kura Kaupapa Māori o Te Kōtuku
Kawaha Point School	Te Kura Kaupapa Māori o Te Kura Kokiri

Kawerau Putauaki School	Te Kura Kaupapa Māori o Te Orini ki Ngāti Awa
Kerepehi School	Te Kura Kaupapa Māori o Te Rawhiti Roa
Kimi Ora School	Te Kura Kaupapa Māori o Te Tonga o Hokianga
Koru School	Te Kura Kaupapa Māori o Tuia Te Matangi
Lichfield School	Te Kura Kaupapa Māori o Waiuku
Longbeach School	Te Kura Kaupapa o Te Pūaha o Waikato
Maketu School	Te Kura Kaupapa o Te Wananga Whare Tapere o Takitimu
Mana Tamariki	Te Kura Māori o Ngā Tapuwae
Massey High School	Te Kura o Pakipaki
Mayfield School (Blenheim)	Te Kura o Te Whānau-a-Apanui
Meremere School	Te Kura o Waikaremoana
Miramar Central School	Te Pahu School
Mohaka School	Te Waka Unua School
Morrinsville College	Te Waotu School
Morrinsville College Educational Trust	Te Wharekura o Mauao
Morven School	Te Wharekura o Te Rau Aroha
Nayland College	Timaru Boys' High School
Northland College	Timaru Boys' High School Development Trust
Onewhero Area School	Tokoroa High School Trust
Opotiki College	Upper Atiamuri School
Otara Boards Forum Incorporated	Waerenga School
Otorohanga College	Waimahia Intermediate School
Pahoia School	Waimate Main School
Parkvale School	Wainoni School
Pomare School	Wainuiomata Primary School
Pukehamoamo School	Wairoa College
Pukemiro School	Wellington Activity Centre
Putaruru College	Whakatane High School
Putaruru Primary School	Whangaparaoa School (Auckland)
Rangiora High School Education Trust	

Prior-year school audits

School name	Audit outstanding
Al-Madinah School	2015
Albany Junior High School	2015
Cambridge High School Educational Trust	2012, 2013, 2014, and 2015
Cashmere High School Foundation	2015 (The Foundation is disputing it is a controlled entity)
Maketu School	2015
Massey High School	2015
Mohaka School	2015
Morrinsville College Educational Trust	2015
Morven School	2015 (This school closed on 15 April 2016)
Murupara School	2012 (This school closed on 27 January 2013)
Nayland College	2015
Otara Boards Forum Incorporated	2015 (This trust is being wound up)
Otorohanga College	2015
Parkvale School	2015
Pukemiro School	2015
Putaruru Education Services Trust	2013, 2014, and 2015 (This trust is being wound up)
Rangiora High School Education Trust	2015
Rangitahi College	2012 (This school closed on 27 January 2013)
Sacred Heart College (Auckland)	2015
Taikura Rudolf Steiner School	2015
Tareha School	2014 (This school closed on 4 May 2014)
Taupo Intermediate	2015
Te Aute College	2014 and 2015
Te Kura Kaupapa Māori o Takapau	2015
Te Kura Kaupapa Māori o Tamarongo	2015
Te Kura Kaupapa Māori o Te Kotuku	2015
Te Kura Kaupapa Māori o Te Kura Kokiri	2013, 2014, and 2015
Te Kura Kaupapa Māori o Waiuku	2015
Te Kura Māori o Ngā Tapuwāe	2015
Te Kura o Pakipaki	2014 and 2015

School name	Audit outstanding
Te Kura o Waikaremoana	2015
Te Wharekura o Mauao	2014 and 2015
Te Wharekura o Te Rau Aroha	2014 and 2015
Timaru Boys' High School	2015
Waimahia Intermediate School	2015
Waipaoa Station School	2013 (This school closed on 5 May 2013)
Waiterimu School	2014 and 2015 (This school closed on 27 January 2015)

Appendix 2

Modified opinions

School	Reason for the modified opinion
Al-Madinah School (31 December 2014)	We could not determine whether all related party transactions had been disclosed because the controls over identification and disclosure are limited. We also drew readers' attention to potential conflicts with the proprietor and funds raised on behalf of the school being given to the proprietor.
Ballance School	We could not get enough assurance about locally raised funds because the Trustees had limited controls over that revenue.
Elmgrove School	We could not get enough assurance about network fundraising revenues because the Trustees had limited controls over those revenues. The school had a similar qualification in 2015.
Grey Lynn School	We could not get enough assurance about fundraising revenues for 2015, so our opinion was qualified on the comparatives only. We were able to obtain enough assurance for the current year.
Hagley Community College Preschool (31 December 2015 and 2016)	We could not get enough assurance about revenue from parents' fees and the related income in advance and accounts receivable, because the board did not keep enough records.
Havelock North Intermediate School	We could not get enough assurance about locally raised funds because the Trustees had limited controls over revenue from activities.
May Road School	We could not get enough evidence to support the provision for cyclical maintenance because the school did not have an up-to-date 10-year property plan.
Norsewood School	We could not get enough assurance about revenue from trading, fundraising, and other sources because the Trustees had limited controls over that revenue.
Opawa School	We could not get enough evidence to support the provision for cyclical maintenance. The school had a similar audit opinion for 2015.
Opoutere School	We could not get enough assurance about revenue from trading because the Trustees had limited controls over that revenue.
St Mary's School (Gore)	We could not get enough evidence to support the provision for cyclical maintenance.
Saint Joseph's School (Taihape)	We disagreed with the Use of Land and Buildings revenue and expense recognised by the board, which is a proxy for the rent the school would have to pay on the land and buildings provided by the proprietor. The amount recognised in the financial statements related only to the proprietor's buildings, but this school also uses buildings provided by the Ministry that are not recognised in its financial statements.

School	Reason for the modified opinion
Tangaroa College (31 December 2013, 2014, and 2015)	We could not get enough assurance about procurement, purchases, and payments because the Trustees had limited controls over this expenditure. We could gain enough assurance over payroll, notional lease and depreciation expenses from other procedures.
Taumarunui High School & Community Trust	We could not get enough assurance about revenues because the Trustees had limited controls over those revenues. The school had a similar opinion for 2015.
Te Kura Kaupapa Māori o Tamarongo School (31 December 2014)	We were unable to form an opinion because we could not obtain enough appropriate audit evidence about transactions being properly recorded in the financial statements. A significant number of financial records were intentionally destroyed in a fraud. A police investigation found \$100,934 of expenditure misappropriated between 2012 and 2015. We also drew attention to the resulting financial difficulties of the school.
Te Kura Kaupapa Māori o Te Kura Kokiri (31 December 2012)	We could not get enough evidence on the income statement because there were limited controls over expenditure. We also drew attention to several unusual payments.
Te Mahia School	We could not get enough assurance about revenue from trading, fundraising, and other sources because the Trustees had limited controls over that revenue.
Te Ra School	We disagreed with the Trustees not recognising a settlement payment between the school and an employee as a liability at 31 December 2016.
Te Wharekura o Mauao (31 December 2013)	We could not get enough assurance about revenue because the Trustees had limited controls over those revenues.
Waitara High School	We could not get enough assurance about revenue from trading because the Trustees had limited controls over that revenue.
Whanganui City College	We disagreed with the board not preparing group financial statements to consolidate the financial statements of its subsidiary, the College House Hostel Trust. The school had a similar opinion in 2015.
Wellington Activity Centre	We were unable to form an opinion on all of the comparative information in the school's financial statements because the school had not previously been audited. It had previously been audited as part of the lead school's financial statements.
William Colenso College	We disagreed with the board not preparing group financial statements to consolidate the financial statements of its subsidiary, the William Colenso College Charitable Trust. The school had a similar opinion in 2015.

Appendix 3

Schools whose 2016 audit reports draw attention to financial difficulties

Shaded schools were also considered to be in financial difficulty in the prior year

Bainesse School	St Joseph's School (Grey Lynn)
Cambridge East School	St Matthew's Collegiate
Golden Bay High School	St Patrick's College Silverstream
Herekino School	Te Kura Kaupapa Māori o Ngā Mokopuna
Kaitaia Abundant Life School	Te Kura Kaupapa Māori o Ngāti Rangī School
Kia Aroha College	Te Kura o Ratana
Mangamuka School	View Road School
Melville Intermediate	Waiheke Primary School
Ngaruawahia High School	Waipahihi School
Papatawa School	Wairarapa College
Pukepoto School	Wairau Intermediate School
Rangiriri School	Waitara Central School
Rathkeale College	Wanganui Collegiate School
Solway School	Waverley Primary School
St Joseph's Catholic School (Matata)	

We also made reference to the financial difficulties of the following schools in audit reports issued for audits in arrears:

- Hato Petera College (2015);
- Heretaunga College (2015) – The 2014 audit report also drew attention to financial difficulties;
- Mana Tamariki (2015)
- Southland Boys High School (2015); and
- Te Kura Kaupapa Māori o Tamarongo School (2014).

Appendix 4

Laws and regulations

We ask our auditors to consider whether schools are complying with particular requirements of the Education Act 1989 and Crown Entities Act 2004, which relate to financial reporting. This appendix sets out those schools where auditors identified breaches of these legislative requirements in the school's 2016 financial statements.

References are to the Education Act 1989 unless stated. Where the section number changed after the education update act 2017, we have included the previous section number in square brackets, because this will be the reference in the school's financial statements.

Shaded schools also breached laws and regulations in the same area in the prior year.

Borrowing – clause 29 of Schedule 6 [S67]

Bainesse School	Ngatapa School
Ballance School	Parnell School
Belmont School (Auckland)	Ponsonby Primary School
Bledisloe School	Pukepoto School
Breens Intermediate	Russell School (Bay Of Islands)
Castlecliff School	Saint Mary's School (Blenheim)
Elm Park School	South Auckland Seventh Day Adventist School
Endeavour Avenue Primary School	South End School
Epsom Normal School	Sunnyvale School
Havelock School	Tahuna Normal Intermediate
Hunua School	Taipa Area School
Kadimah School	Te Awamutu Primary School
Karapiro School	Te Kao School
Kelston Intermediate	Te Kura Kaupapa Māori o Whatatutu
Kiwitahi School	Tuturumuri School
Laingholm School	Valley Primary School
Makuri School	View Road School
Mangamuka School	Wainuioru School
Moerewa School	Waitara Central School
Mossburn School	Wanganui Collegiate School
New Lynn School	

Payments outside the education service payroll – section 89(2)

Ahipara School	Paparore School
Bay of Islands International Academy	Pukepoto School
Broadwood Area School	Russell School (Bay Of Islands)
Herekino School	Taipa Area School
Kaeo School	Te Kura Kaupapa Māori O Rangiawhia
Kaitaia Abundant Life School	Te Kura o Hata Maria (Pawarenga)
Kaitaia College	Te Kura o Hato Hohepa Te Kamura
Kaitaia Intermediate	Te Kura Taumata o Panguru
Matauri Bay School	Te Rangi Aniwaniwa
Matihetihe School	Whangaroa College
Pamapurua School	

Loans to staff – clause 28 of Schedule 6 [S73]

Broadwood Area School	Te Kura Kaupapa Māori o Rangiawhia
Halswell School	Te Kura Kaupapa Māori o Tamaki Nui A Rua
Hillcrest School (Pahiatua)	Te Kura Kaupapa Māori o Tapere Nui A Whatonga
Kaitaia College	Te Kura Kaupapa Māori o Taumarere
Kaitaia Intermediate	Te Kura Taumata o Panguru
Matauri Bay School	Te Kura-a-iwi o Whakatupuranga Rua Mano
Oakura School	Te Ra School
Te Kura Kaupapa Māori o Ngaringaomatariki	

Investments – clause 28 of Schedule 6 [S73]

Dunstan High School	Logan Park High School
Feilding High School	

Conflict of interest – section 103 and clause 40(8)(9)(10) of Schedule 6 [clause 8(8) of Schedule 6]

Bainesse School	Paparore School
Cargill Open Plan School	Rangitikei College
Fairfield School (Dunedin)	Sunnynook School
Ilminster Intermediate	Waikaia School
Kaitaia College	Waipa School
Mackenzie College	Wanganui Collegiate School

Banking arrangements (section 158 of the Crown Entities Act 2004)

Te Kura Kaupapa Māori O Ngā Uri A Maui	Wanganui Collegiate School
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Other breaches of legislation

School	Type of breach
Mapiu School	Schedule 6, section 8 – school did not hold regular meetings. Every board must hold a meeting not later than three months after its previous meeting.
Omokoroa School	Section 69 – school cannot lease a building without the consent of the Minister.
Saint John's College (Hastings)	Section 4 – enrolling international students without the board's consent. Section 238E – school was not signatory to Code of Practice for International Students.
Saint John's College (Hillcrest)	Schedule 6, section 8 – school did not hold regular meetings. Every board must hold a meeting not later than three months after its previous meeting.

Appendix 5

Update on previous recommendations and issues raised

Our letter to the Secretary for Education on the results of the 2015 school audits included several recommendations. We have commented on the Ministry's progress against most of these recommendations in this report. In this appendix, we comment on those recommendations that we have not covered in this report.

In our report published in May 2014, we commented on some work we had done in previous years. Although this was several years ago, some of these issues are still relevant. We have also included these matters in the appendix because we would appreciate an update on how the Ministry has progressed against the issues raised.

Principals' remuneration – concurrence

The Ministry updated its guidance on principals' remuneration – concurrence to give prior concurrence by the Ministry for certain items within clear guidelines. These guidelines include that any private benefit to the principal should be "incidental". We found that some schools' interpretation of this did not concur with our interpretation. We recommended that the Ministry provide schools with guidance on what is considered to be incidental private benefit and expectations of how schools document this.

The Secretary for Education's response noted that they would continue to work with the Office of the Auditor-General if an update was required. We have had no further communication on this matter.

Payments above a principal's normal salary – state integrated schools

The Ministry issued its circular 2013/27 principal concurrence in response to our December 2010 report on payments to principals.³ However, this did not address all matters raised. We understood that the Ministry was considering the matters we raised about payments by proprietors of state-integrated schools further. This included the possibility that some of the payments were unlawful, such payments may undermine the principle of equality of pay for all state schools, and whether conflicts of interest were properly managed. We would appreciate an update on the Ministry's work in this area.

State-integrated schools property funding

In our *Results of the 2012 School Audits* report, we followed up on concerns raised in our *Education Sector: Results of the 2011 audits* about relationships between proprietors and boards. We found that, although the Ministry had given guidelines to proprietors for accounting for policy 1 and 2 funding, it still did not require proprietors to have an audit of the property funding they receive. The Ministry told us that education infrastructure services was to carry out a review of integrated schools' use of policy 1 and 2 funding during the first half of 2015. We would appreciate an update on that review.