

Results of the 2018 school audits

Issued under section 21 of the
Public Audit Act 2001.

December 2019

Contents

Our recommendations	3
Part 1 – Completing the school audits	4
Improving the timeliness of school audits	5
Completing the school audits for previous years	6
Part 2 – What did our audit reports say?	8
Modified audit opinions	8
Matters of importance that we have drawn readers' attention to	12
Reporting on whether schools followed laws and regulations	14
Part 3 – Schools in financial difficulty	16
What we mean by financial difficulty	16
The financial health of schools	16
Schools considered to be in serious financial difficulty	17
Why do schools get into financial difficulty?	19
Part 4 – Matters we identified during our audits	22
Publishing annual reports	22
School payroll	23
Cyclical maintenance	24
Kura Kaupapa Māori	25
Sensitive payments	26
Borrowing	28
Budgeting	29
Fraud	29
Non-compliance with the Holidays Act 2003	31
Appendices	
1 – Questions for school boards	28
2 – Progress with our recommendations	30
3 – Incomplete school audits, by region	33
4 – What we reported	38
Figures	
1 – Reasons for late and still outstanding 2018 school audits	5
2 – Number of outstanding audits, for the years 2012 to 2019	7
3 – Schools without assurance for locally raised funds	9
4 – Schools that were unable to provide assurance over their cyclical maintenance provision	10
5 – Schools with working capital deficit, by decile	15
6 – Schools that needed letters of support in 2018 to confirm they were a “going concern”	15
7 – Payments to board-funded staff as a percentage of the school's operations grant, by decile	17
8 – Numbers of international students for all schools by year, 2003-2018	18

Our recommendations

We recommend that the Ministry of Education:

1. actively monitor schools' compliance with the legislative requirement to publish their annual reports online;
2. ensure that changes to the Novopay system include adding appropriate controls for schools, where possible, to help prevent fraud and error and ensure that all transactions are approved within the school's delegations;
3. follow up unusual transactions or anomalies identified as part of the payroll audit so they do not reoccur, including giving boards additional support and guidance on payroll matters if necessary;
4. monitor how effectively kura follow the Ministry of Education's guidance and, if necessary, provide more targeted guidance;
5. continue to work with those kura that have audits outstanding to help facilitate the completion of those audits;
6. provide additional guidance to schools on how to budget effectively, including how to prepare a budgeted balance sheet and cash flow budget;
7. improve its guidance on what good controls look like; and
8. continue to encourage schools to have fraud policies and report suspected fraud to the appropriate authority.

1 Completing the school audits

- 1.1 In this Part, we report on the completion status of the school audits, including audits of entities related to schools.
- 1.2 Of the 2444 school audits for 2018, we completed 2014 (82%) by the statutory deadline of 31 May 2019.¹ This was a disappointing result because timeliness had begun to improve in recent years. In 2017, we completed 86% of school audits by the statutory deadline.
- 1.3 We expect to complete at least 95% of school audits before the 31 May deadline each year. However, we have not met this expectation since the Novopay system was introduced in August 2012. We have now resolved the payroll reporting problems that contributed to this.
- 1.4 This year, the Ministry of Education (the Ministry) provided all financial information, including the payroll reports, to schools, their service providers, and auditors on time. The Ministry did this earlier than in previous years. However, this did not result in improved completion rates for school audits.
- 1.5 Figure 1 sets out the reasons why the 2018 school audits were completed late and how many of each category were still outstanding at 30 September.

Figure 1
Reasons for late and still outstanding 2018 school audits

The number of school audits that missed the statutory deadline is 430. The number of school audits that were still outstanding at 30 September is 123. The main reason for audits being late or still outstanding is because of school (or service provider) delay.

Reasons for delays	Missed the deadline		Still outstanding at 30 September	
	Number	%	Number	%
School (or service provider) delay	207	8.5	67	2.7
Auditor resourcing problems	115	4.7	12	0.5
Delay in signing financial statements	34	1.4	0	0.00
Previous-year audits outstanding	27	1.1	24	1.0
Responsibility for delay shared between school and auditor	27	1.1	5	0.2
Significant audit issues	20	0.8	15	0.6
Total	430	17.6	123	5.0

- 1.6 The 207 school audits that were late because of school (or service provider) delays include schools that did not provide their financial statements for audit by the statutory deadline of 31 March. Many schools, particularly small schools, use a service provider to prepare their financial statements for audit. Our auditors experienced significant delays with one service provider, which affected about 100 schools.
- 1.7 Auditor resourcing problems contributed to the delay of 115 school audits. Our auditors are located throughout New Zealand, and those in small towns can find it hard to recruit experienced replacements quickly when staff members leave unexpectedly. In these cases, the school's financial statements did not disclose a breach of the statutory deadline.
- 1.8 By the end of September each year, we usually expect less than 1% of the previous-year school audits to be outstanding. At 30 September 2019, 5% (123) of the 2018 school audits were outstanding. Of these, 67 school audits were outstanding because of ongoing problems with schools and service providers. Auditor resourcing problems caused 12 audits to be outstanding at 30 September 2019. We have agreed time frames with auditors to ensure that these audits are completed as soon as possible.

Improving the timeliness of school audits

- 1.9 If school audits are not completed on time, the information presented is less relevant and accountability is diminished. We worked with the Ministry to improve the timeliness of the 2018 school audits. As we have done in previous years, we agreed on a time frame with the Ministry for providing financial information to the schools and auditors. The Ministry met this time frame and provided information earlier than in previous years. However, as mentioned in paragraphs 1.3 and 1.4, this did not result in improved audit timeliness.
- 1.10 Auditors received 2197 (91% of all schools) financial statements for audit by the statutory deadline of 31 March,² which was less than the previous year (93%). Delays from one service provider that prepared financial statements for a large number of schools affected this.
- 1.11 In recent years, auditors have received most financial statements for audit close to the statutory deadline. For the 2018 school audits, 1291 financial statements (54%) were received in the last two weeks of March. Of those, 867 were received in the last week and 525 of them in the last three working days.
- 1.12 Although schools have until 31 March to provide their financial statements to auditors, meeting the 31 May audit deadline depends on auditors receiving

² Financial statements received on 1 April were considered to have met the deadline because 31 March 2019 was on a Sunday.

financial statements throughout February and March. We allocate schools to auditors, and the auditors resource their audits and agree audit fees on that understanding.

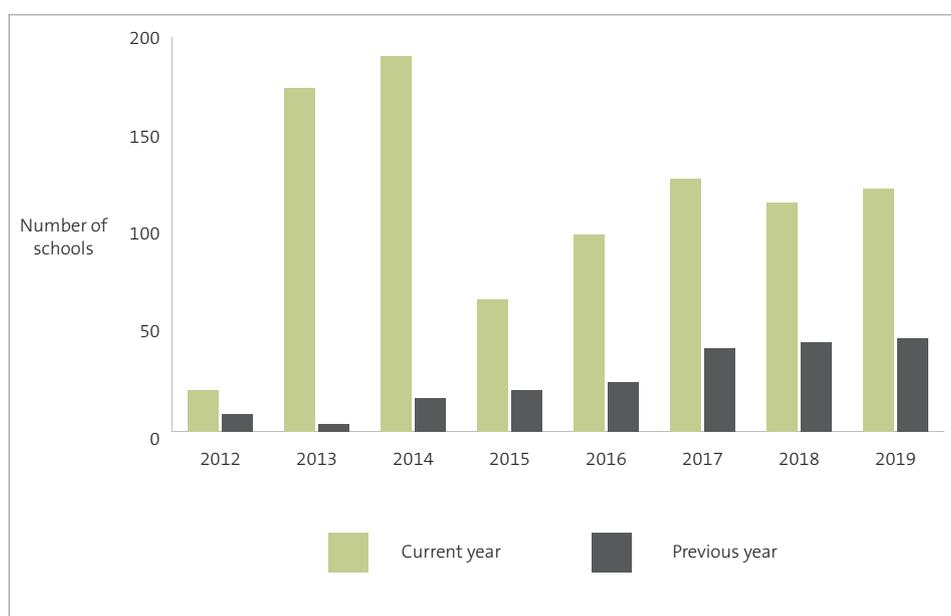
- 1.13 To ensure that audits go as smoothly as possible, schools, service providers, auditors, and the Ministry need to work together. In response to our recommendations in last year's report, the Ministry communicated with a wider range of stakeholders during the 2018 school audit process (including schools, service providers, and regional Ministry staff) and updated its annual reporting workshops for the 2019 audits.
- 1.14 The School Sector Working Group has also been working on how to improve communications throughout the school sector. We encourage the school sector to keep working together to improve the timeliness of school audits and the accountability of schools.

Completing the school audits for previous years

- 1.15 Timeliness of reporting is essential to good accountability. We completed 77 school audits from previous years since we last reported on the results of the school audits in November 2018. Figure 2 shows the number of outstanding audits from previous years continues to increase, after several years of poor timeliness for school audits. At 30 September 2019, 47 previous-year audits were still outstanding. This is significantly higher than we would expect if schools are to achieve good accountability. These outstanding audits include 23 from 2017, 14 from 2016, and the oldest is from 2013.
- 1.16 Appendix 3 lists all the audits that were outstanding at 30 September 2019. As we have noted in previous years, the list of outstanding audits includes a high proportion of kura. Eighteen kura have audits from 2018 outstanding (25% of all kura), and 10 of these kura have audits from previous years outstanding. We discuss this further in Part 4.

Figure 2
Number of outstanding audits, as at 30 September, for the years 2012 to 2019

The figure shows the number of outstanding current and previous-year audits for every year since 2012. The number of outstanding audits from previous years continues to increase from 2014.



2 What did our audit reports say?

2.1 In this Part, we set out the results of the 2018 school audits and the results of any audits for previous years that were completed since our last report on the 2017 school audits.

2.2 We issued standard audit reports on the financial statements of most schools. This means that the financial statements fairly reflected the schools' transactions and financial position for 2018.

Modified audit opinions

2.3 We issue modified audit opinions if we cannot get enough evidence about a matter or if we conclude that there is a material error in the financial information. Of the audits completed for 2018, 20 audit reports contained a modified audit opinion. We also issued a further 11 modified opinions for previous-year audits that were outstanding since our last report. We explain the types of modified opinions we issued below.

Disclaimers of opinion

2.4 We issue a disclaimer of opinion when we cannot get enough audit evidence to express an opinion. This is serious because there is a lack of accountability – we cannot confirm that the school's financial statements are a true reflection of its transactions and balances. We issued a disclaimer of opinion on the financial statements of two schools.

2.5 **Te Kaupapa Māori o Tamarongo (2015)** – We could not get enough evidence about a significant number of transactions. The financial records had been intentionally destroyed to cover up a fraud the New Zealand Police was investigating. We also drew attention to breaches of legislation, including failure to keep appropriate accounting records and the failure to meet statutory deadlines.

2.6 **Te Kura o Pakipaki (2014)** – We could not get enough evidence about bank accounts, revenue and expenditure, and some assets and liabilities of the school. This was because there was a lack of controls over cash receipting and expenditure from a bank account under the control of the school, and a lack of supporting documents for some transactions. We also drew attention to the school's financial difficulties and breaches of legislation because of the school's failure to keep appropriate accounting records and meet statutory deadlines.

Disagreements

- 2.7 If a school's financial statements have been prepared inconsistently with applicable accounting standards or we consider that they include a significant error, we will issue an opinion that sets out where we "disagree" with the school. We issued this type of opinion for two schools.
- 2.8 **William Colenso College (2018)** – For the seventh year, we disagreed with the college not preparing consolidated (or group) financial statements that included the transactions and balances for the William Colenso College Charitable Trust. We consider that group financial statements are required because the college "controls" the Trust for financial reporting purposes. Therefore, the college is not fairly presenting its true financial position to its community.
- 2.9 **Tinui School (2018)** – The school did not recognise the value of the tree-cutting rights Masterton District Council granted it as an asset in its financial statements. This was because the board could not reliably estimate the value of the forestry block. This is a departure from accounting standards and means the school is not fairly presenting its true financial position to its community.

Limitations of scope

- 2.10 We issue "limitations of scope" opinions when we cannot get enough evidence about one or more aspects of a school's financial statements. The audit report explains which aspect of a school's financial statements we could not corroborate. We explain the types of limitations of scope that we reported on this year.

Locally raised funds

- 2.11 If a school receives funds from its community, it is important that it has appropriate controls in place to ensure that all money received is correctly recorded. We could not get enough assurance about the amounts raised locally for the seven schools in Figure 3 because they had limited controls over collecting money and recording it. Three of these opinions were for previous-year audits.

Figure 3
Schools without assurance for locally raised funds

Four schools had insufficient controls for locally raised funds in 2018. Two schools had insufficient controls for locally raised funds in 2017, and one school had insufficient controls in 2016.

2018 audits	Previous-year audits
Opihi College	Stoke School (2017)
Tamatea School	Te Kura Kaupapa Māori o Mangatuna (2016)
Taumarunui High School Community Trust	Whakatane High School (2017)
Whakatane High School	

- 2.12 For some schools, we could not get enough assurance over a certain aspect of locally raised funds. At Whakatane High School (for both 2017 and 2018), it was canteen revenue. At Opihi College, it was fundraising, raffles, and donations. At Tamatea School, it was its afterschool care/holiday programme.
- 2.13 Our concerns about the controls over cash receipts was resolved for Stoke School, and we were able to give a standard opinion on the school's financial statements for 2018.
- Cyclical maintenance**
- 2.14 Schools receive funding for property maintenance as part of their operations grant. Certain types of maintenance are needed only periodically, such as painting the exterior of the school. Because schools are obligated to maintain the Ministry-owned buildings, they must recognise a provision for this cyclical maintenance in their financial statements. This helps schools to identify the funds needed to paint their buildings in the future.
- 2.15 School boards are responsible for calculating their cyclical maintenance provision based on the best information available. Schools often do not have evidence to show auditors that their cyclical maintenance provision is reasonable. We raised this matter with the Ministry in our previous reports on school audit results and discuss it further in Part 4. In 2018, more schools than in previous years were unable to provide enough evidence that the provision for cyclical maintenance in their financial statements is materially correct (see Figure 4).

Figure 4
Schools that were unable to provide assurance over their cyclical maintenance provision

For the 2018 audits, 13 schools were unable to provide evidence that the provision for cyclical maintenance in their financial statements is materially correct. For previous-year audits, two schools were unable to provide evidence that the provision for cyclical maintenance in their financial statements is materially correct.

2018 audits	Previous-year audits
Christian Renewal School	Matiere School (2017)
Golden Bay High School	Saint Francis School (Thames) (2017)
Jireh Christian School	
Mount Cook School (Wellington)	
Saint Joseph's Catholic School (Matata)	
Saint Joseph's Catholic School (Whakatane)	
Te Kura Kaupapa Māori o Taumarunui	
Te Kura Kaupapa Māori o Tuia Te Matangi	
Te Kura Kaupapa o Waioweka	
Te Waha o Rerekohu Combined Schools Board	
Te Kura Mana Māori o Matahi	
Te Wharekura o Te Kaokaoroa o Patetere	
Wakanui School	

- 2.16 If a school does not know what future maintenance its buildings need, it might not adequately plan so that funds are available to carry out that maintenance when it is due. We also identified Golden Bay High School and Saint Joseph's Catholic School (Matata) as being in financial difficulty, which we discuss in the next section.

Other matters

- 2.17 **Blue Mountain College (2018)** – The college did not provide enough information to explain \$52,200 of the \$306,113 it spent on an overseas trip.
- 2.18 **Hato Paora College (2017)** – The governing body of the college was made up of representatives of both the school Board of Trustees and its proprietor. This is a breach of clause 4 of Schedule 6 and section 94 of the Education Act 1989. Because the college had not been managed by a properly constituted board, we could not establish whether decisions the governing body made were appropriate. We also drew attention to the college's financial difficulties and its reliance on support from its proprietor.

- 2.19 **Rangiora High School Education Trust (2015 and 2016)** – We could not confirm whether trustees properly authorised payments from the trust to Rangiora High School for resources and scholarships. We referred to this limitation on the 2015 figures in our audit report on the trust’s 2016 financial statements.
- 2.20 **Te Kura Kaupapa Māori o Tamarongo (2016)** – Because we could not express an opinion on the 2015 financial statements, we had no assurance over the opening balances in the school’s 2016 financial statements. In 2015, records were intentionally destroyed to cover up a fraud (see paragraph 2.5).
- 2.21 Appendix 4 sets out the details of all the modified audit reports issued to schools, by region.

Matters of importance that we have drawn readers’ attention to

- 2.22 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 a school did not disclose. We do this because the information is relevant to readers’ understanding of the financial information.
- 2.23 These comments are not modifications of our opinion. We are satisfied that the financial information fairly reflects the performance and position of the school. Rather, we point out important information, such as a matter of public interest or a breach of legislation. This includes when we consider schools are experiencing financial difficulties, which we discuss in Part 3.
- 2.24 We issued 13 audit reports that referred to matters of public interest. Some of these reports were for previous years.

Potential conflicts between school Board of Trustees and proprietor

- 2.25 **Sacred Heart College (Auckland) (2016)** – For the seventh year, our audit report drew attention to the close relationship between the school, its proprietor, and the Sacred Heart Development Foundation (the foundation). The school, the foundation, and the proprietor all have trustees in common, and the Principal receives remuneration from the foundation. This gives rise to potential conflicts of interest.
- 2.26 As with the 2017 audit report, the 2018 audit report noted that the school should not pay for hospitality to further relationships between the foundation and former students of the school. Although the foundation is related to the school, it is a private entity that the board does not control. It is not clear whether the school would benefit from the expenditure.

- 2.27 The audit report also drew attention to the school's failure to meet statutory deadlines. The 2017 and 2018 audits for the school are still outstanding.

Overseas travel

- 2.28 **Clendon Park School (2018)** – The school spent \$153,580 on a trip for 26 students (including three who do not attend the school), 17 parents/caregivers, and seven staff to Hawaii as part of its Urban Hapuu Initiative. The students and families contributed \$100,209, and the school contributed \$53,371. The school's contribution is significant considering the small number of students and families involved. It was also inappropriate for the school to fund travel for students from other schools.
- 2.29 **Te Kura Kaupapa Māori o Te Koutu (2017)** – The kura spent more than the board approved on an educational trip to Mexico for students to learn the Spanish language and Mexican culture. The kura funded this from locally raised funds and \$105,425 of other funds controlled by the school board.

- 2.30 We discuss overseas travel further in Part 4.

Other matters

- 2.31 **Brookby School (2018)** – The school donated \$53,329 to a church trust. The trust used the donation to renovate a church building. The school has a long-standing relationship with the trust (which is independent from the school and is not a public entity), but there was no agreement guaranteeing the school's use of the church building. The school raised the funds from the school community and the school's Parent Teacher Association.
- 2.32 **Kings High School (2018)** – The school made payments to cover the costs of contracted fundraising activities for an independent entity, the Kings High School Charitable Trust, which is not a public entity. It was not appropriate for the school to use public money to pay the costs of contracted fundraising activities to raise funds for a private entity when the school might not receive the benefit of that spending.
- 2.33 **Waiau School (2018)** – In the school's 2017 audit report, we reported about the proposed transfer of funds raised to Hurunui District Council. The Council will use the funds to build a new swimming pool, which it will own, on the school grounds. The previous swimming pool was damaged by the 2016 Kaikōura earthquake. This transfer was made in June 2018 and was referred to in this year's audit report.

- 2.34 We also drew attention to the fact that three schools could not estimate their cyclical maintenance provisions accurately. The three schools were uncertain about whether they would need to maintain their buildings in the near future. The schools were Lawrence Area School and Maniototo Area School, which are part of the Christchurch Schools Rebuild Programme, and Taihape Area School, which has significant infrastructure issues that it must resolve before it can reasonably estimate its future maintenance obligations.
- 2.35 When a school closes, or is due to close, its financial statements are prepared on a disestablishment basis. This is because the school is no longer a “going concern”, and its assets will be distributed after it has closed. We issued audit reports for four closed schools – Hillcrest School (Pahiatua) and Riverslea School for 2018, and Avondale School (Christchurch) and Saint Joseph’s School (Picton) for 2017.

Reporting on whether schools followed laws and regulations

- 2.36 As part of our annual audits of schools, we consider whether schools have complied with particular laws and regulations about financial reporting. The main Acts that influence the accountability and financial management of schools are the Education Act and the Crown Entities Act 2004.
- 2.37 Usually, schools disclose breaches of the Education Act and the Crown Entities Act in their financial statements. Sometimes, we report on breaches in a school’s audit report. During the 2018 audits, we identified that:
- 42 schools (2017: 49) borrowed more than they were allowed to (clause 29 of Schedule 6);³
 - one school (2017: 6) did not use the Ministry’s payroll service to pay teachers, which they must use for all teaching staff (section 89(2));
 - 10 schools (2017: 4) lent money to staff, which they are not allowed to do (clause 28 of Schedule 6);
 - five schools (2017: 4) invested money in organisations without the Ministry’s approval (clause 28 of Schedule 6);
 - four schools (2017: 2) had trustees that did not comply with rules about conflicts of interest (section 103);
 - two schools (2017: 2) did not comply with the banking arrangements set out in section 158 of the Crown Entities Act; and
 - two schools (2017: 2) breached legislation for other reasons.
- 2.38 Appendix 4 sets out the details of schools that reported breaches of the Education Act and the Crown Entities Act, by region.

- 2.39 Only a small number of schools breach legislation every year. However, the number of schools that have breached the statutory borrowing limit has increased in the past few years.

Borrowing

- 2.40 As demand for digital devices in education increases, schools are entering into more equipment leases. Many equipment leases, including most copier contracts, are “finance leases”, so they are classed as borrowing. Because of this, we have seen more schools coming close to, or breaching, the statutory borrowing limit. We discuss this further in Part 4.

Publishing annual reports online

- 2.41 Our auditors checked whether schools had published their 2017 annual reports on their website. This is a requirement of section 87AB of the Education Act. At the time of completing their 2018 audits, 773 schools had not published their 2017 annual report. Of the others, many schools only published their annual reports when our auditors reminded them to. We discuss this further in Part 4.

3 Schools in financial difficulty

- 3.1 In this Part, we explain what we mean by financial difficulty and why schools get into financial difficulty.

What we mean by financial difficulty

- 3.2 Most schools are financially sound. However, each year, we identify some schools that we consider to be in financial difficulty.
- 3.3 Generally, when we talk about schools being in financial difficulty, it is because they have a “working capital deficit”. This means that, at that point in time, the school needs to pay out more funds in the next 12 months than it has available. Although a school will receive further funding in that period, a school might find it difficult to pay bills as they fall due depending on the timing of that funding. A school with an overdraft or low levels of available cash is another sign of potential financial difficulty.
- 3.4 When we consider whether a school is in serious financial difficulty, we usually look at the size of its working capital deficit against its operations grant. Although many schools receive additional revenue, this is often through donations or fundraising, so it is discretionary. For most schools, the operations grant is their only guaranteed source of income. However, when we assess the financial position of a school, we take all factors into account.

The financial health of schools

- 3.5 At 31 December 2018, the average cash (and cash equivalents⁴) on hand for all schools was about \$281,800. Individual school balances ranged from \$20,458 in debt to \$7.1 million in hand. In addition, schools held an average of about \$339,200 of investments in longer-term deposits. However, almost a third of schools had no investments.
- 3.6 There can be many reasons why schools have high cash balances, including fundraising for significant building projects, advanced payments for international student fees, or cash held for others. Schools might hold funds on behalf of the Ministry for capital projects the school is managing, payments collected from international students for home-stay providers, or on behalf of other schools in “cluster”-type arrangements, such as transport networks.
- 3.7 A school’s available cash is important in ensuring that a school can pay its bills when they are due. However, cash and investments might be earmarked for a particular purpose, or there might be outstanding bills. This is why we also consider a school’s working capital position when considering whether a school is in financial difficulty.

- 3.8 For all schools, working capital as a percentage of a school’s operational grant ranges from -40% to 846%. At 31 December 2018, we identified 88 schools that had a working capital deficit. Of these:
- 55 schools had a working capital deficit between 0% and 10% of their operations grant;
 - 22 schools had a working capital deficit between 10% and 20% of their operations grant; and
 - 11 schools had a working capital deficit more than 20% of their operations grant.
- 3.9 Figure 5 shows that decile rating does not affect whether schools were in financial difficulty. Those schools with more serious working capital deficits come from across the deciles.

Figure 5
Schools with working capital deficit, by decile

There are 88 schools with working capital deficits across all deciles. There are 11 schools with working capital deficits greater than 20% of their operations grant.

	Schools with working capital deficits	Schools with working capital deficits greater 20% of operations grant
Decile 1	9	2
Decile 2	14	2
Decile 3	10	0
Decile 4	5	2
Decile 5	11	2
Decile 6	9	1
Decile 7	4	0
Decile 8	9	0
Decile 9	8	1
Decile 10	9	1
Total	88	11

Schools considered to be in serious financial difficulty

- 3.10 If a school is showing signs of being in financial difficulty, we ask the Ministry whether it will continue to support the school. If the Ministry confirms that it will continue to support the school, the school can complete its financial statements as a “going concern”. This means that the school can continue to operate and meet its financial obligations in the near future. If we consider a school’s financial difficulty to be serious, we draw attention to it in the school’s audit report.

- 3.11 Figure 6 shows 36 schools needed letters of support from the Ministry to confirm that they were a “going concern” for the 2018 school audits (2017: 44 schools). We referred to serious financial difficulties in 23 of those schools’ audit reports. Appendix 4 lists the schools where we referred to serious financial difficulties in the school’s audit report.
- 3.12 Nga Tawa Diocesan School, an integrated school, received a letter of support from its proprietor. The proprietor agreed to provide the school with financial support, as it had done for 2017.

Figure 6
Schools that needed letters of support in 2018 to confirm they were a “going concern”

Out of the 36 schools that needed a letter of support from the Ministry to confirm they were a “going concern”, six schools also had a letter of support in 2017 and 12 schools needed a letter of support in 2017 and earlier.

Schools that needed a letter of support in 2018	Schools that needed a letter of support in 2018 and 2017	Schools that needed a letter of support in 2018, in 2017, and earlier
Bathgate Park School	Albany Junior High School	Avondale Intermediate
Bethlehem College	Bay Of Islands College	Cambridge East School
Bradford School	Mangere Bridge School	Castlecliff School
Burnside Primary School	Owhata School	Golden Bay High School
Green Island School	Tai Tapu School	Kadimah School
Halfway Bush School	Waitaki Boys’ High School	Omanaia School
Matauri Bay School		Pukehina School
Maungakaramea School		Saint Brigid’s School (Dunedin)
Ōhoka School		Saint Joseph’s School (Grey Lynn)
Oropi School		Solway School
Our Lady Star of the Sea School (Christchurch)		Te Wharekura o Mauao
Pahoia School		Waipahihi School
Pine Hill School		
Saint Joseph’s Catholic School Matata		
Taikura Rudolf Steiner School		
Tamatea School		
Te Kura Kaupapa Māori o Otara		
Westown School		

- 3.13 We also referred to the financial difficulties in audit reports of five schools for previous-year audits: Te Kura o Pakipaki (2014), Te Wharekura o Mauao (2016 and 2017), Berhampore School (2017), Hato Paora College (2017) and Te Kura o Ngāpuke (2017).
- 3.14 The number of schools in financial difficulty remains about the same each year (about 40 schools), but it is not always the same schools. Of those schools identified in our report last year, 27 are no longer considered to be in financial difficulty. Of the 36 schools considered to be in serious financial difficulties in 2018, 18 had also required a letter of support the previous year. Twelve of those had also required a letter of support in earlier years.

Why do schools get into financial difficulty?

- 3.15 Schools in financial difficulty often have some of these characteristics:
- There is a recent drop in the number of children attending a school (school roll).
 - There is a large overuse of the school's entitlement of Ministry-funded teachers (banking staffing).
 - The school uses a large percentage of its operations grant to fund salaries.
- 3.16 School funding, both the base operations grant and teachers' salaries funding, depends on the school roll. The school roll can also affect how much funds are raised from the school community. When a school roll drops significantly, the school might not be able to adjust its expenditure quickly enough to make up for the loss in revenue because it might have already committed to some expenditure. School boards might also choose to keep staff because they believe the school roll will increase again.
- 3.17 Each school is given an entitlement of teachers that the Ministry will fund. The entitlement is based on the size of the school roll. This is called "banking staffing". If a school has more teachers than its allocation, and it does not choose to pay them directly from its own funds, it will overuse the entitlement and have to pay the Ministry back. This will reduce the operations grant the school receives in the next year. Schools need to actively monitor their banking staffing balances. However, this might not always be considered as part of the financial information at monthly board meetings, because it is often not included in the school's budget.
- 3.18 All schools pay non-teaching staff from their operations grant. Schools can also choose to use their operations grant to fund additional teachers. Most of the schools in financial difficulty use the equivalent of more than half of their operations grant to pay staff (overall, an average of 81%). This was higher than the average for all schools that used the equivalent of 60% to 71% (depending on decile) of their operations grant to pay staff.

- 3.19 It is not necessarily a problem for a school to use a large percentage of its operations grant to pay staff. However, it can mean that a school will need to rely heavily on other sources of funding. Because many of these sources are discretionary, such as school donations, problems can occur when schools do not collect as much revenue from other sources as they expect and have to spend their cash reserves. This can result in schools getting into financial difficulty.
- 3.20 Figure 7 shows board-funded salaries as a percentage of a school's operations grant, by decile. The number of schools that fall into each band is similar for all deciles. However, deciles 9 and 10 have more schools funding salaries that are equivalent to more than 100% of their operations grant. About half the schools that use the equivalent of more than 100% of their operations grant to pay staff have international students. These schools received about 9% (decile 3) to 27% (decile 10) of their locally raised funds from international student revenue, on average.

Figure 7
Payments to board-funded staff as a percentage of the school's operations grant, by decile

The table shows the cost of board-funded staff as a percentage of a school's operations grant. The number of schools in each 20% band is similar for all deciles. However, deciles 9 and 10 have more schools that must rely on other sources of income to pay staff, because they pay out more in staff costs than they receive in operations grants.

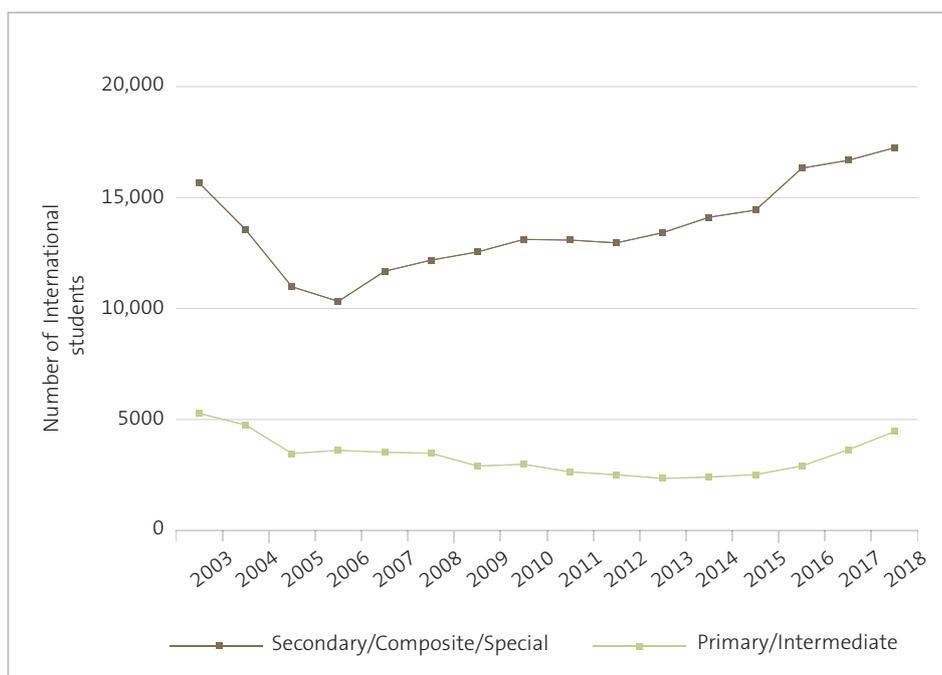
Decile	Percentage of operations grant that schools use to pay staff						Number of schools
	0-19	20-39	40-59	60-79	80-100	100+	
1	2	24	83	83	14	8	214
2	0	21	84	67	19	9	200
3	2	13	86	85	22	12	220
4	3	15	67	84	27	10	206
5	3	22	76	74	33	12	220
6	3	13	72	80	27	11	206
7	0	15	64	87	37	10	213
8	0	19	63	96	31	12	221
9	3	8	71	77	36	18	213
10	2	5	55	81	48	28	219
Total	18	155	721	814	294	130	2132

Note: The table is limited to schools with data entered into the Ministry's database of schools' financial statements as at August 2019.

- 3.21 For 2018, 551 schools got revenue from international students. For most of those, that revenue was equivalent to less than 10% of the school's total expenditure (excluding teachers' salaries). However, the revenue for 11 schools was equivalent to more than 20% of the school's expenditure. The highest percentage was 34.46%.
- 3.22 For these schools, there might be a risk of over-reliance on revenue from international students, which could cause the school problems should numbers drop significantly. Figure 8 shows that international student numbers in the schooling sector has increased steadily since 2006, although numbers dropped significantly in earlier years. In that same time period, average tuition fees have increased by 50% to \$14,500.⁵

Figure 8
Numbers of international students for all schools by year, 2003-2018

This graph shows numbers of international students have steadily increased since a drop in students in 2006, with the number of international students overtaking the previously high numbers of students in 2003.



⁵ *Export Education Levy: Full-year statistics 2018* (Corrected 8 October 2019). Figures include all New Zealand schools.

4 Matters we identified during our audits

- 4.1 In this Part, we set out matters that we identified during the 2018 school audits and make some recommendations for the Ministry.
- 4.2 The Ministry has made good progress on many of the recommendations from our previous reports. However, we will not see the benefits of some of the Ministry's changes until we carry out our 2019 school audits. For some recommendations, the Ministry has made little progress. Where appropriate, we have repeated our recommendations and will follow up on them in next year's report on the 2019 school audits. Appendix 2 updates progress on the recommendations in our report *Results of the 2017 school audits*.

Publishing annual reports

- 4.3 Since 2017, the Education Act has required schools to publish their annual reports online.⁶ A school's annual report consists of an analysis of variance, a list of trustees, financial statements (including the statement of responsibility and audit report), and a statement of KiwiSport funding. After our auditors raised concerns last year that schools were not aware of this requirement, we asked auditors to check during this year's audit whether schools had published their 2017 annual reports.
- 4.4 What we found was disappointing. At the time each 2018 school audit was completed, 773 schools (32%) had not published their 2017 annual reports online. Of the schools that had published their annual reports, 457 were published late, usually after the auditor had reminded the school. It is important that schools publish their annual report as soon as possible after the school's audit is completed. This ensures that schools do not breach legislation and are properly accountable to their community.
- 4.5 Our auditors reminded all schools in their management letters this year that they need to publish their annual reports online. If a school does not have a website, the Ministry will publish the annual report on its Education Counts website.
- 4.6 The Ministry has responded to our recommendations in last year's report by continuing to emphasise schools' reporting obligations in its annual reporting communications and reminding schools of the obligation when they submit their completed financial statements to the Ministry. The Ministry also told us that its finance advisors will monitor compliance for the 2018 annual reports. We encourage school communities to contact the school board if their school's annual report has not been published online.

Recommendation 1

We recommend that the Ministry of Education actively monitor schools' compliance with the legislative requirement to publish their annual reports online.

School payroll

- 4.7 The school payroll information is a significant part of a school's financial statements. Since Novopay was introduced, schools have needed additional payroll reports to give them the information they need to complete their financial statements. This has contributed to the delays in school audits in recent years.
- 4.8 For the 2018 audits, the Ministry led a project team that included representatives from the Ministry, Education Payroll Limited (which administers the payroll on the Ministry's behalf), and the auditors. The project team successfully delivered payroll reports and guidance to schools by the agreed time frame. This resulted in the Ministry providing financial information to schools and their service providers earlier than in previous years. However, this did not result in better timeliness for school audits because of other factors that were not related to payroll. We will work to the same time frame for the 2019 school audits.
- 4.9 Our appointed auditor of the Ministry carries out extensive work on the Novopay system centrally. This includes carrying out data analytics of the payroll data to identify anomalies or unusual transactions. We write to the Ministry every year setting out our findings from this work. Although we continued to see improvements in data quality and fewer errors being raised on school error reports, we continued to identify weaknesses in the controls in the system.
- 4.10 Because of the lack of data entry controls in the Novopay system and at the pay centre, the responsibility is on schools to check for and detect errors. Schools do this by reviewing the fortnightly payroll reports. However, our auditors continue to identify many schools that do not regularly review these payroll reports. This could result in schools paying employees the wrong amount and increases the risk of fraud.
- 4.11 Another common weakness is that schools do not have the appropriate payroll documentation, with evidence of approval, for all payroll transactions or amendments. This includes recording and authorising pay for relieving teachers and changes to payroll data, such as changes of bank accounts. Payroll legislation requires schools to keep proper payroll documentation.
- 4.12 School boards need to oversee the school's monthly payroll expenditure, as they do with other expenses. This should form part of the board's financial monitoring and include consideration of banking staffing balances, which gives a balance of staff entitlements. If a school does not manage this entitlement, it might find it owes funds to the Ministry, which will reduce the operations grant it receives for the next school year.

- 4.13 An improvement project is under way, including improvements to the user interface of Novopay, to allow more data entry directly at schools. However, this currently does not include additional data entry controls at schools. Schools must still rely on reviewing fortnightly payroll reports to detect errors. We urge the Ministry to ensure that appropriate internal controls are incorporated into the payroll system, where possible, to help prevent instances of fraud or error.
- 4.14 As part of their audit work locally, our auditors follow up any anomalies identified from the data analytics work that the Ministry cannot resolve. We have seen the extent of these exceptions decrease over the years, but some matters reoccur. This is often because of a lack of knowledge at the school of how certain transactions should be processed. Currently there is no feedback loop so that schools get the necessary guidance to ensure that issues are not repeated.

Recommendation 2

We recommend that the Ministry of Education:

- ensure that changes to the Novopay system include adding appropriate controls for schools, where possible, to help prevent fraud and error and ensure that all transactions are approved within the school's delegations; and
 - follow up unusual transactions or anomalies identified as part of the payroll audit so they do not reoccur, including giving boards additional support and guidance on payroll matters if necessary.
-

Cyclical maintenance

- 4.15 Schools must keep the Ministry-owned school buildings in a good state. They receive annual funding for this as part of their operations grant. Although school buildings need painting only periodically, it can be a significant cost. Schools need to plan and provide for this so they have funds available when the painting is needed. The requirement to paint the school building is disclosed in a school's financial statements as a cyclical maintenance provision.
- 4.16 Our auditors are still finding the cyclical maintenance provision challenging to audit. As previously reported, many schools do not understand the cyclical maintenance provision and do not have the necessary information to calculate the provision accurately. This year, there was a significant increase in the number of schools that did not have enough information to confirm that their cyclical maintenance provision was reasonable. As a result, our auditors issued modified opinions for 13 schools for 2018 and two schools for 2017 (see paragraph 2.15).

- 4.17 A school board must prepare a cyclical maintenance plan for the next 10 years as part of its 10-year property plan, as well as consider capital works. The cyclical maintenance plan then forms the basis for calculating the school's cyclical maintenance provision. However, in previous years, the Ministry did not check that the submitted 10-year property plans included a maintenance plan.
- 4.18 After recommendations in our report last year, the Ministry has changed its annual property visits to include discussion of school maintenance plans. We hope to see an improvement in the quality of cyclical maintenance provisions for the 2019 school audits from this. However, it is ultimately each school board's responsibility to ensure that it has proper maintenance plans in place and to consider how it will fund future maintenance. Without these plans, there is a risk that schools will not be able to fund necessary maintenance.
- 4.19 Based on the Ministry's guidance and our knowledge of the sector, we expect that schools will paint their schools about every 10 years. If we compare the cyclical maintenance provision balance in a school's financial statements to its annual cyclical maintenance charge, we can estimate how many years through its maintenance cycle the school is. Using this proxy, we identified 293 schools that we expect would need to paint their buildings in the near future.
- 4.20 Of these 293 schools, about half have enough working capital (current assets less current liabilities) available to fund the painting costs. Of the rest, 41 have less than 50% of the necessary working capital and 27 have less than 10% (nine of which are in financial difficulty). Including non-current investments (those that will be available in more than 12 months) reduces the number to 38. This shows that a small number of schools might have difficulty meeting their maintenance requirements in the near future.

Kura Kaupapa Māori

- 4.21 In last year's report, we continued to highlight concerns that we have raised since 2012 about financial management and the appropriateness of spending in some kura.⁷ We also raised concerns about the number of outstanding audits for some kura.
- 4.22 Although some of the older audits have been completed in the past year, the list of audits in arrears still includes a high proportion of kura. Eighteen kura (25% of all kura) have audits from 2018 outstanding, and 10 have audits outstanding for other years, some for multiple years. We will continue to work with these kura and the Ministry to ensure that the outstanding audits are completed.
- 4.23 In the last two years, we could not give an opinion on the 2015 financial statements of two kura because of poor record-keeping, one of which was

⁷ Education sector: Results of the 2010/11 audits.

because of a fraud. When schools have not reported for several years, they are not properly accountable to their community. There is also a lack of visibility of the school's processes and controls.

- 4.24 Weaknesses in controls can increase the risk of inappropriate spending or fraud. Although our audits are not designed to identify fraud, they do identify weaknesses in controls that are relevant to the audit and recommend improvements to controls that can help the school prevent against fraud.
- 4.25 We have recommended for several years that the Ministry monitor how effectively kura and other small schools follow its guidance on financial matters and, if necessary, provide more targeted guidance. We still have concerns about the financial reporting of some kura, so we repeat that recommendation below.
- 4.26 The Ministry told us that it is working with Te Runanga Nui (the national collective body of Kura Kaupapa Māori Te Aho Matua communities) to better support kura with financial matters. We would like to work with Te Runanga Nui and the Ministry to better understand what is preventing kura from completing their audits and help facilitate their completion. We would like to see agreed time frames for completing the audits put in place in the first half of next year, to allow the kura to bring their audits up to date (including the 2019 audits) by the end of 2020.

Recommendation 3

We recommend that the Ministry of Education:

- monitor how effectively kura follow the Ministry of Education's guidance and, if necessary, provide more targeted guidance; and
 - continue to work with those kura that have audits outstanding to help facilitate the completion of those audits.
-

Sensitive payments

- 4.27 We refer to some sensitive payments in Part 2 where we considered them significant enough to mention in the school's audit report. If an auditor does not consider a matter significant enough or it relates mainly to school policies and procedures, the auditor will raise the matter in the school's management letter. This year, auditors brought fewer matters about sensitive payments to our attention, and our auditors referred to fewer of these types of matters in their audit reports.

- 4.28 Although auditors continue to raise concerns about sensitive payments in school management letters, the incidences and amounts involved have reduced, consistent with last year. Concerns that auditors raised included:
- gifts to staff that were either without board approval or inconsistent with the school's gift policy; and
 - hospitality and entertainment expenses that seemed excessive.
- 4.29 Our auditors have referred to poor controls over credit cards in many school management letters (we also mentioned this in last year's report). Credit cards are susceptible to error and fraud or to being used for inappropriate expenditure, such as personal expenditure. We are seeing an increase in the use of credit and other cards in schools. In many schools, we noted that:
- there was no review and approval of the Principal's credit card; and/or
 - receipts for amounts spent on the school credit card were not being kept.
- 4.30 Credit card payments might not go through a school's normal payment processes because schools often pay credit card balances directly from their bank account. Also, the money is spent before any approval. However, it is important that expenditure on credit cards is subject to the same controls as other spending.
- 4.31 We recommend that schools use a "one-up" principle when approving expenses, including credit card spending. This means the board chairperson would need to approve the Principal's expenses. It is also important that credit card users provide supporting receipts for the approver and an explanation for the expenditure. This also applies to fuel cards or store cards.

Overseas travel

- 4.32 The Ministry updated its guidance on overseas travel in early 2018. It asked that schools complete a checklist to document their decisions on overseas travel and disclose details of the travel in their financial statements. The Ministry expects a board to approve all overseas travel in line with the school's travel policy. As well as considering the educational outcomes of any travel, the board needs to consider whether the proposed travel is the best use of the funds available.
- 4.33 Although we drew attention to spending on overseas trips in two audit reports (one was for a 2017 audit), fewer of these matters were referred to us for consideration during our 2018 audits. Details of any significant overseas travel by a school are disclosed in the notes to its financial statements, usually under the locally raised funds note for student trips, the learning resources note for professional development trips, or the international students note for marketing trips. This should give details of the trip, the costs, and how it was funded.

- 4.34 Our auditors identified instances of some schools providing either cash or a pre-loaded foreign currency card for use abroad. As with all school expenditure, receipts should be kept where possible. A reconciliation of amounts spent should be provided after the trip and any unspent funds returned directly to the school. Auditors noticed that this sometimes was not done in a timely way.

Borrowing

- 4.35 Boards are allowed to borrow from any source, as long as the annual repayment cost (principal and interest) is less than 10% of their operations grant. If they wish to borrow more than this, boards need the approval of the Ministers of Finance and Education.⁸ This is to ensure that schools do not over-commit and get into financial difficulty.
- 4.36 The number of schools breaching the borrowing limit each year is relatively small. Although the number of breaches did go down slightly this year, it has been increasing in the past few years. Breaches usually happen because a school has several different types of borrowing. Common types of borrowing for schools can include loans, finance leases, and painting contracts (where the school pays for the painting of its school over several years). The digitalisation of education means that schools are entering into more leases for equipment. Our auditors find that most of these are finance leases, which is a type of borrowing.
- 4.37 Annual finance lease payments as a proportion of payments for all school borrowing due in the next 12 months have increased in the past few years. In 2015, annual finance lease payments as a proportion of all borrowing due in the next 12 months was 74%. In 2018, it was 94%. The value of annual finance lease payments increased from \$13.4 million in 2015 to \$43.2 million in 2018. We saw a significant increase in the value of finance lease payments in 2016 to \$34.5 million, because many leases that were previously considered to be operating leases were reclassified as finance leases.
- 4.38 If schools breach the borrowing limit, this does not mean they will get into financial difficulty. Schools might have other sources of funds to pay the debt with. However, schools need to be cautious if these sources of funds are discretionary.
- 4.39 We have also found that some schools have entered into lease agreements without following proper delegations. This means that the board might not be aware of the amount the school has committed to and that it has breached legislation until the audit identifies this.
- 4.40 Appendix 4 includes the 42 schools that breached the borrowing limit in 2018.

⁸ Clause 29 of Schedule 6 of the Education Act and Regulation 12 of the Crown Entities (Financial powers) Regulations 2005.

- 4.41 By looking at the payments due on all types of borrowing in the next 12 months compared with the operations grant for all schools, we identified that 66 schools could exceed their borrowing limit in 2019. We predict that half of those schools will breach the borrowing limit by less than 1.5% of their operations grant, so these schools might not go on to actually commit a breach. For those that have potentially larger breaches, they will not commit a breach if they obtain ministerial approval for the borrowing.

Budgeting

- 4.42 Section 87(3)(i) of the Education Act requires a school to include budgeted figures in its financial statements. Our auditors commonly find that many schools prepare only a budgeted income statement of their revenue and expenditure for the year. Schools must also produce a budgeted Statement of Financial Position (their assets and liabilities) and a budgeted Statement of Cash Flows.
- 4.43 These statements are required by legislation, and they are important for good financial management. As noted above, if a school does not monitor its working capital position (its cash available less its current liabilities), it might find itself unable to make payments when they fall due. It is also important for schools to understand when cash flows will occur.
- 4.44 Many schools also do not include teachers' salaries in their budget. Although teachers' salaries are funded by the Ministry, the school needs to ensure that its employee costs are budgeted for and monitored, because this is part of the school's financial picture.

Recommendation 4

We recommend that the Ministry of Education provide additional guidance to schools on how to budget effectively, including how to prepare a budgeted balance sheet and cash flow budget.

Fraud

- 4.45 As part of our audit, we collect information every year on fraud or suspected fraud in schools that we are told about. Many incidences are relatively minor, such as the theft of small amounts of cash or equipment. However, there have been several more significant frauds in the past few years. We report on fraud trends on our website each year. This includes details of the methods and reasons for fraud, types of fraud, and how the frauds were detected.

- 4.46 We find that most fraud happens because a person has overridden an internal control or policies and procedures have not been followed. However, many types of fraud are found eventually by schools' internal controls.
- 4.47 Effective controls require good segregation of duties (needing more than one person to complete a task). Schools, particularly small schools, can find it difficult to segregate duties. This is often because they have few administration staff, such as staff to deal with receipting locally raised funds through the school office. These situations require careful monitoring and oversight by management.
- 4.48 The most common fraud reported to us is the theft of small amounts of cash by staff at schools, because there are weak physical controls and a lack of segregation of duties. We recommend that schools:
- encourage electronic payment for fees or large invoices, rather than cash payments;
 - store cash in a secure location that few employees have access to; and
 - minimise the time they hold cash on their premises.
- 4.49 Procurement-related theft, carried out mainly through false invoices, is less common, but the amounts involved tend to be larger. To mitigate against false invoices, a board needs to ensure that it has adequate internal controls. Schools should:
- require a second person to authorise all changes to supplier bank accounts after confirming the change with the supplier;
 - have adequate supporting documentation for all expenditure; and
 - investigate all suspicious invoices.
- 4.50 During our audits, we look at controls that are relevant to the audit. If auditors identify weaknesses in controls, they mention these in the management letter sent to the board after the audit, along with recommendations on how to make improvements. We expect boards to discuss this letter at a board meeting and the auditor will follow up the recommendations in the next year.
- 4.51 We made some recommendations to the Ministry about improving its guidance on internal controls and fraud to schools in previous reports. The Ministry told us that it would update the guidance in this area in its Financial Information for Schools Handbook. It has not done this yet, and we repeat the recommendation below.

Recommendation 5

We recommend that the Ministry of Education:

- improve its guidance on what good controls look like; and
 - continue to encourage schools to have fraud policies and to report suspected fraud to the appropriate authority.
-

Non-compliance with the Holidays Act 2003

- 4.52 The issue of non-compliance with the Holidays Act 2003 has arisen because entities might have incorrectly interpreted clauses of the Holidays Act or employment agreements when calculating holiday entitlements.
- 4.53 The Ministry has identified that there is an issue with holiday pay for employees on the school payroll, but it has not yet quantified the issue or the schools affected. Because the Ministry could not reliably estimate the amounts owing, it disclosed this as a contingent liability in its financial statements for the year ended June 2018.
- 4.54 Even though the Ministry pays most teachers (except those funded from a school's operations grant), school boards are the employer of all teachers. Until further detailed analysis has been completed, the potential effect on any specific individual or school and any associated liability will not be known. Work in this area is still ongoing. For 2018, all school financial statements disclosed a contingent liability for non-compliance with the Holidays Act 2018.
- 4.55 As at June 2019, the Ministry has recognised a provision for holiday pay non-compliance in its financial statements. However, the effect on individual schools has yet to be determined, so schools will also be required to disclose a contingent liability in their 2019 statements.

Appendix 1

Questions for school boards

We set out some questions for school boards to consider. The board may wish to ask the Principal to provide them with assurance on these matters.

Publication of annual reports

- Are your school's 2017 and 2018 annual reports published online?
- Do you let your school community know the annual report is available?

School payroll

- Are you reviewing your school's payroll reports regularly to ensure that all payroll payments are valid and consistent with expectations?
- Do you review all payroll costs as part of the financial information provided at monthly board meetings? If so, does your review include consideration of the school's banking staffing balance and salaries funded directly by the school?

Cyclical maintenance

- Do you have a reasonable idea of the costs of significant future maintenance, such as painting the exterior of the school, and when this will need to be done?
- If you do have maintenance plans in place, do you review them regularly to ensure that they are still valid and that the estimated costs are still reasonable?
- Do you have plans in place for how to fund those costs when the painting is required?

Credit and fuel cards

- Do you have controls in place so all expenditure on school credit cards or fuel cards is approved by someone other than the person who used the card? If so, does this follow the one-up principle (for example, the board chairperson should approve the Principal's credit or fuel card)?
- Are appropriate supporting documents and explanations provided, such as receipts or records of mileage, so the approver can ensure that the spending is appropriate and for school purposes?

Overseas travel

- Do you have a policy for overseas travel? If so, does this include how to deal with requests for personal travel, such as where an employee wants to add a vacation onto the trip or take a family member with them?
- Do you receive a formal proposal to approve all overseas travel, setting out details of the travel, including the educational outcomes, the budget, and how the trip will be funded?

- Do you receive a report on the outcomes achieved from the overseas travel after the trip and a detailed breakdown of costs against budget? If so, does this include explanations for any costs over budget and how these will be funded?

Borrowing

- Does the board approve all new lease agreements? If so, is an analysis done to compare the costs of leasing and buying the equipment?
- Has your school considered using the all-of-government contracts?

Budgeting

- Does the board approve the school's budget before the start of each new school year?
- Does your school's budget include a budgeted balance sheet and a cash flow budget?
- Does the board receive regular reports of actual costs against budget and explanations for any variances?

Appendix 2

Progress with our recommendations

In this Appendix, we provide the Ministry's progress on responding to our recommendations in our report *Results of the 2017 school audits*. We also refer to some recommendations from earlier reports that have not yet been addressed.

Recommendation	The Ministry's progress	Our comment
<p>Quality of school financial statements</p> <p>We recommended that the Ministry provide further guidance and consider providing training to schools on preparing a statement of cash flows.</p>	<p>The update of the Kiwi Park model will include some enhancements to the cash flow calculation worksheet and additional guidance.</p> <p>The regional Annual Reporting Workshops will include information on the purpose and preparation of the cash flow statement.</p>	Addressed.
<p>School payroll reporting</p> <p>We recommended that the Ministry, for the 2018 audit of the school payroll:</p> <ul style="list-style-type: none"> • make resources available to meet the agreed timetable, including enough time for the Ministry's internal quality assurance processes; • keep a record of actions agreed at payroll stakeholder meetings: and • continue to encourage schools to prepare draft financial statements when they receive the payroll information, and provide those draft financial statements to auditors as soon as possible. 	<p>The Ministry led a project team that included representatives from Education Payroll Limited, the Office of the Auditor-General, and Ernst & Young (the Ministry's appointed auditor) that successfully delivered payroll reports and guidance to schools by the agreed time frame.</p>	Addressed – a similar approach and time frame will be followed for the 2019 school audits.

Recommendation	The Ministry's progress	Our comment
<p>School annual reports</p> <p>We recommended that the Ministry reinforce its guidance to schools on publishing their annual report, and consider how it can confirm that schools are reporting to their communities by publishing their annual reports online, in a timely manner.</p>	<p>The Ministry has again included the requirement for schools to publish their annual report online in all annual reporting communications for 2018. The Ministry has also added a reminder when schools submit their financial statements to the Ministry's portal on completion of their audit.</p> <p>The School Financial Advisors team will monitor schools' compliance. The Ministry is also considering whether it can publish all schools' annual reports on their behalf, given not all schools have the capability to do so.</p>	<p>We will follow up as part of our 2019 school audits.</p>
<p>Cyclical maintenance</p> <p>We recommended that the Ministry ensure that schools are complying with its property planning requirements by having an up-to-date cyclical maintenance plan. The Ministry's review of a school's 10-year property plan should include a review of the cyclical maintenance plan, to ensure that it is reasonable and consistent with the school's condition assessment and any planned capital works.</p>	<p>The Ministry's property team has implemented improvements to processes and guidance from 1 June 2019. This includes school property advisors talking to schools about their maintenance obligations during school visits and a requirement for them to review the school's maintenance plans at that visit.</p>	<p>We will follow up as part of our 2019 school audits.</p>
<p>Kura Kaupapa Māori</p> <p>We recommended that the Ministry support kura by:</p> <ul style="list-style-type: none"> • monitoring how effectively kura follow its guidance and, if necessary, provide more targeted guidance; and • continuing to work with those kura that have audits outstanding to help facilitate the completion of those audits. 	<p>The Ministry is working with Te Runanga Nui to address these issues. To date the Ministry has had initial discussions with Te Runanga Nui.</p> <p>A small number of the outstanding audits have been completed, but progress is slow.</p>	<p>See paragraph 4.22. The recommendation has been repeated.</p>
<p>Sensitive payments</p> <p>We recommended that the Ministry consider providing guidance to schools on the suitability of funding transport services for students who live outside the immediate area of the school.</p>	<p>To be included in the regional Annual Reporting workshops.</p>	<p>Addressed.</p>

Recommendation	The Ministry's progress	Our comment
<p>Leasing school equipment</p> <p>We recommended that the Ministry provide guidance to schools to help them:</p> <ul style="list-style-type: none"> decide whether to lease or buy equipment: and ensure that they get value for money if they decide to lease, including how to access all-of-government contracts. 	<p>A “Lease vs Buy” model has been developed to help schools with purchasing decisions. The Ministry have told us that this is in the final stages of development and should be released by January 2020.</p>	<p>We will follow up as part of our 2019 school audits.</p>
<p>Schools leasing IT equipment to students</p> <p>We recommended that the Ministry consider the adequacy of the guidance available to schools on managing laptop schemes for their students, including through a third party.</p>	<p>We have agreed to share examples of this with the Ministry from the 2018 school audits, to help it develop the guidance.</p> <p>The risks of this will be covered in the regional Annual Reporting Workshops.</p>	<p>We will provide information to the Ministry.</p>
<p>Principal's remuneration – concurrence</p> <p>We recommended that the Ministry give schools practical guidance on how to assess the extent of private benefit for a sensitive payment to a Principal, and how it evidences this assessment, so the school complies with the Ministry's circular.</p>	<p>The circular on Principal's Concurrence is to be updated by December 2019.</p> <p>This will also be covered at the regional 2020 Annual Reporting workshops.</p>	<p>We will follow up as part of our 2019 school audits.</p>
<p>Accounting for “other activities”</p> <p>We recommended that the Ministry:</p> <ul style="list-style-type: none"> provide guidance to schools on accounting for “other activities” (including Resource Teacher: Learning & Behaviour clusters) that they receive funding for; and consider whether the funding schools receive for Communities of Learning should be disclosed separately in school financial statements. 	<p>The Ministry is still considering the financial reporting requirements for the 40 Resource Teacher: Learning & Behaviour (RTL) clusters, and is preparing a scoping paper for discussion with the OAG in early 2020.</p> <p>As an interim measure additional disclosure has been incorporated into the Kiwi Park model financial statements to ensure that the activities of the RTL clusters are disclosed in the host schools' financial statements.</p>	<p>We will follow up as part of our 2019 school audits.</p>

Recommendation	The Ministry's progress	Our comment
<p>Internal controls</p> <p>In our report <i>Results of the 2016 school audits</i>, we recommended that the Ministry:</p> <ul style="list-style-type: none"> • improve its guidance on what good controls look like; • continue to encourage schools to have fraud policies; and • encourage schools to report suspected fraud. 	<p>The Ministry told us that it would update guidance on internal controls in its Financial Information for Schools Handbook in 2018. This has not been done yet.</p> <p>The Ministry has been actively working alongside schools who have reported instances of suspected fraud to ensure effective internal controls are put in place.</p>	<p>We have repeated the recommendation.</p>

Appendix 3

Incomplete school audits by region

The table sets out the school audits not completed as at 30 September 2019 by region.

Auckland

School	Audit outstanding
Al Madinah School	2018
Beachlands School	2018
Central Auckland Specialist School	2016, 2017, and 2018
Hato Petera College	2016 and 2017
Izard Rodney College Trust	2018
Laingholm School	2018
Manurewa West School	2017 and 2018
Matipo Road School	2018
Otahuhu Intermediate	2018
Otara Boards Forum Incorporated	2015 and 2016
Pukekohe Intermediate	2018
Sacred Heart College (Auckland)	2017 and 2018
Te Kura Kaupapa Māori o Manurewa	2018
Te Kura Kaupapa Māori o Te Kotuku	2015, 2016, 2017, and 2018
Te Kura Kaupapa Māori o Waiuku	2015, 2016, 2017, and 2018
Te Kura Māori o Nga Tapuwae	2018
Te Wharekura o Manurewa	2018
Tomarata School	2018
Westlake Boys' High School	2018
Westlake Boys High School Foundation	2018
Wiri Central School	2018

Bay of Plenty

School	Audit outstanding
Apanui School	2018
Ashbrook School	2018
Galatea School	2018
Kawerau Putauaki School	2017 and 2018
Kea Street Specialist School	2018
Kutarere School	2018

School	Audit outstanding
Lake Rotoma School	2018
Ngamuwahine Camp Trust	2018
Omarumutu School	2018
Rotokawa School	2018
Sunset Primary School	2017 and 2018
Tahatai Coast School	2018
Tawera Bilingual School	2018
Te Kura Kaupapa Māori o Te Koutu	2018
Te Kura Kaupapa Māori o Te Kura Kokiri	2014, 2015, 2016, 2017, and 2018
Te Kura Kaupapa Māori o Te Orini ki Ngati Awa	2016, 2017, and 2018
Te Kura o Te Whānau-a-Apanui	2018
Te Kura Toitu o Te Whaiti-nui-a-toi	2018
Te Wharekura o Ruatoki	2018
Thornton School	2018
Waimana School	2018
Whangamarino School	2017 and 2018

Canterbury

School	Audit outstanding
Albury School	2018
Chertsey School	2018
Geraldine High/Carew Peel Forest – Combined BOT	2018
Methven School	2018
Morven School	2016
Mountainview High School	2018
Rangiora High School Education Trust	2018
Saint Joseph's School (Pleasant Point)	2018
Timaru Boys' High School	2018
Timaru Boys' High School Development Trust	2018
Tinwald School	2018
Waimate Centennial School	2018
Wainoni School	2016

Gisborne

School	Audit outstanding
Makarika School	2018
Mangapapa School	2018
Motu School	2018
Ngata Memorial College	2018
Te Kura Kaupapa Māori o Mangatuna	2017 and 2018
Waipaoa Station School	2013

Hawke's Bay

School	Audit outstanding
Central Hawkes Bay College	2018
Hastings Boys' High School	2017 and 2018
Kowhai School	2018
Putorino School	2018
Ruakituri School	2018
Saint Joseph's Māori Girls' College	2018
Tareha School	2014
Te Kura Kaupapa Māori o Ngati Kahungunu Ki Heretaunga	2018
Te Kura Kaupapa Māori o Ngati Kahungunu o Te Wairoa	2017 and 2018
Te Kura Kaupapa Māori o Takapau	2016, 2017, and 2018
Te Kura o Pakipaki	2015, 2016, 2017, and 2018
Te Kura o Waikaremoana	2015, 2016, 2017, and 2018
Tiaho Primary School	2018
Wairoa Primary School	2018

Manawatu-Wanganui

School	Audit outstanding
Dannevirke South School	2018
Marco School	2017 and 2018
Newbury School	2018
Russell Street School	2018
Taumarunui High School	2017 and 2018

Nelson

School	Audit outstanding
Enner Glynn School	2018
Nelson Christian Academy	2018
Nelson College	2018

Northland

School	Audit outstanding
Te Kura Kaupapa Māori o Te Rawhiti Roa	2016, 2017, and 2018
Te Kura Kaupapa Māori o Te Tonga o Hokianga	2016, 2017, and 2018
Te Rangi Aniwaniwa	2018

Otago

School	Audit outstanding
Hampden School	2018
Romahapa School	2018
Saint Kevins College (Oamaru)	2018

Southland

School	Audit outstanding
Isla Bank School	2018
Knapdale School	2018
Mataura School	2018
Newfield Park School	2018
Saint Peter's College (Gore)	2018
St Peter's College Foundation	2018
St Peter's College Hostel Charitable Trust	2018
St Peter's College Hostel Limited	2018
Thornbury School	2018
Trinity School	2018

Taranaki

School	Audit outstanding
Lepperton School	2018
Te Kura Kaupapa Māori o Tamarongo	2017 and 2018

Tasman

School	Audit outstanding
Appleby School	2018
Ranzau School	2018

Waikato

School	Audit outstanding
Harrisville School	2017 and 2018
Mangakino Area School	2018
Mapiu School	2018
Matangi School	2018
Otorohanga South School	2018
Pekerau School	2018
Pukemiro School	2018
Putaruru Education Services Trust	2015
Raglan Area School	2018
Reporoa College	2018
Roto-o-Rangi School	2018
Saint Joseph's Catholic School (Te Kuiti)	2018
Tatuanui School	2018
Taupo nui-a-Tia College	2018
Te Aroha Primary School	2018
Te Kura Kaupapa Māori o Te Puaha o Waikato	2018
Te Pahu School	2018
Te Poi School	2018
Te Wharekura o Maniapoto	2018
Waerenga School	2018

Wellington

School	Audit outstanding
Paekākāriki School	2018
South Featherston School	2018
Te Ra School	2018
Wainuiomata High School	2018

West Coast

School	Audit outstanding
Franz Josef Glacier School	2018
Inangahua Junction School	2018

Some of the 2018 audits that are outstanding are because of non-performance of our auditor.

Appendix 4

What we reported

In the following tables, “Yes” in the “Audit report” column means the matter is included in our audit report. “No” means the school has disclosed it in its financial statements and we have not mentioned it in our audit report.

Auckland

School	Year	Type	Audit report	Description
Albany Junior High School	2018	Financial difficulty	Yes	We drew attention to the fact that the school is in serious financial difficulty. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Baradene College	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Bayview School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Belmont School (Auckland)	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Brookby School	2018	Donation to private entity	Yes	We drew attention to the fact that the school made a donation during the year, which was used to renovate a church building that belongs to a Church Trust. The Church Trust is independent from the school and is not a public entity. The donation of \$53,329 was raised by the school from the school community and the school's Parent Teachers' Association. The school had a long-standing relationship with the Church Trust, but there was no agreement in place that guarantees the school's future use of the church building.

School	Year	Type	Audit report	Description
Clendon Park School	2018	Overseas travel	Yes	We drew attention to \$153,580 spent on sending 26 students (including three who do not attend the school), 17 parents/caregivers, and seven staff to Hawaii as part of the school's Urban Hapuu Initiative. The students and families contributed \$100,209 and the school contributed \$53,371 from its normal educational funding. The school's contribution is significant considering the small number of students and their families involved. It was inappropriate for the school to fund travel for students from other schools.
Combined Board of Kelston and Van Asch Deaf Education Centres	2017	Missed statutory deadlines	Yes	The Board of Trustees breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2018.
Dominion Road School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Jean Batten School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Jireh School	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because the school has not recorded a provision for cyclical maintenance. The school did not have a 10-year property plan, and it was not possible to ascertain the amount of the provision because of limited information and explanations.
Kadimah School	2018	Financial difficulty	Yes	We drew attention to the fact that the school is experiencing serious financial difficulties because the school has incurred several deficits over recent years. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

School	Year	Type	Audit report	Description
Macleans College	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Meadowbank School	2018	Loans to staff	No	The school failed to comply with the law because it paid advances to its employees without authority from the Minister of Education.
Orere School	2018	Borrowing	Yes	We highlighted that the school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Panmure District School	2018	Loans to staff	No	The school failed to comply with the law because it paid advances to its employees without authority from the Minister of Education.
Papatoetoe East School	2018	Concurrence	No	We noted that concurrence was not obtained for the previous Principal's use of the school vehicle. This was a breach of section 75 of the State Sector Act 1988
Rodney College	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

School	Year	Type	Audit report	Description
Sacred Heart College (Auckland)	2016	Conflicts Hospitality Missed statutory deadlines	Yes	<p>We drew attention to the following in our audit report:</p> <p>There are close relationships between the school and its related organisations, which are not public entities. They all have trustees in common, which may give rise to conflicts of interest.</p> <p>The school incurred expenditure using public funds to enable the Sacred Heart Foundation, which is a private entity, to maintain its relationships with old boys and to raise revenue from them, without any clear expectation that the school would receive any benefits from this expenditure.</p> <p>The school breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2017.</p>
Saint Joseph's School (Grey Lynn)	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Saint Mary's College (Ponsonby)	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Shelly Park School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

School	Year	Type	Audit report	Description
South Auckland Seventh Day Adventist School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Te Kura Kaupapa Māori o Mangere	2018	Loans to staff	No	The Board of Trustees had breached the law because it had failed to get permission from the Ministers of Education and Finance before it acquired securities.
Te Kura Kaupapa Māori o Otara	2018	Budgets	No	The school has been operating in 2019 without a complete and approved budget. This is required by section 87 of the Education Act 1989. Delays in finalising the annual budget means that the benefits of regular monitoring of the school's financial performance against budget are significantly reduced.
	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Te Matauranga School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Waiheke High School	2018	Conflicts of interest	No	The school had breached section 103A of the Education Act 1989. This section requires the Board of Trustees to obtain approval from the Secretary of the Ministry of Education for any Board member who enters into contracts with the school in any one financial year that are in excess of \$25,000.
Waterview School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

School	Year	Type	Audit report	Description
Westminster Christian School	2018	Securities	No	The Board of Trustees had breached the law because it had failed to get permission from the Ministers of Education and Finance before it acquired securities.

Bay of Plenty

School	Year	Type	Audit report	Description
Bellevue School (Tauranga)	2018	Borrowing	Yes	We highlighted that the school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Bethlehem College	2018	Financial difficulty	Yes	We drew attention to serious financial difficulties facing the school. As a result, the school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2017	Missed statutory deadlines	Yes	The Board of Trustees breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2018.
Oropi School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Owhata School	2018	Loans to staff	No	The school failed to comply with the Education Act 1989. Loans have been made to staff to purchase personal laptops and iPads. This is a breach of clause 28 of Schedule 6 (acquisition of securities).
	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Pahoia School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

Appendix 4
What we reported

School	Year	Type	Audit report	Description
Pukehina School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Saint Joseph's Catholic School (Matata)	2018	Limitation – cyclical maintenance Financial difficulty	Yes	We disagreed with the Board of Trustees not recording a provision for cyclical maintenance. The proprietor paid for the painting of the buildings during 2018. Because the school had not recorded the cost of painting or the associated revenue, being a donation from the proprietor, the property expenditure in the financial statements could be materially understated. We also drew attention to the fact that the school is experiencing financial difficulties. The school is reliant on the continued financial support of the Ministry of Education to meet its obligations as they fall due.
Saint Joseph's Catholic School (Whakatane)	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements.
Te Kura Kaupapa Māori o Hurungaterangi	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Te Kura Kaupapa Māori o Rotoiti	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Te Kura Kaupapa Māori o Te Koutu	2017	Overseas travel Missed statutory deadlines	Yes	We drew attention to spending on an educational trip to Mexico. This trip cost \$105,425 more than expected, which the school funded by locally raised funds and other funds controlled by the Board of Trustees. The Board of Trustees also breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2018.

School	Year	Type	Audit report	Description
Te Kura Kaupapa Motuhake o Tawhiuau	2018	Payroll	Yes	We drew attention to fact that the Board of Trustees breached the law by making payments to teaching staff outside of the payroll service.
Te Kura Kaupapa Māori o Waioweka	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements.
Te Kura Mana Maori o Matahi	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements.
Te Wharekura o Mauao	2016	Financial difficulty Missed statutory deadlines	Yes	We drew attention to the fact that the school is experiencing serious financial difficulties. The school is reliant on support from the Ministry of Education to meet its obligations as they fall due. In addition, the Board of Trustees breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2017.
	2017	Financial difficulty	Yes	We drew attention to the fact that the school is experiencing serious financial difficulties. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due
	2017	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
	2018	Financial difficulty	Yes	We drew attention to the fact the school is experiencing serious financial difficulties. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

School	Year	Type	Audit report	Description
Whakatane High School	2018	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about receipts from canteen sales because the Board of Trustees had limited controls over that revenue.
	2017	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about, and the Board of Trustees had limited controls over, the school's canteen sales revenue.

Canterbury

School	Year	Type	Audit report	Description
Aidanfield Christian College	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Amuri Area School	2018	Securities	No	The Board of Trustees had breached the law because it had failed to get permission from the Ministers of Education and Finance before it acquired securities.
Ashburton Intermediate	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Avondale School (Christchurch)	2017	Disestablishment	Yes	We drew attention to the fact that the Board of Trustees used a disestablishment basis of accounting to prepare its financial statements because the school closed on 27 January 2017.

School	Year	Type	Audit report	Description
Burnside Primary School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Kaikōura High School	2018	Securities	No	The Board of Trustees made a short-term loan to the Rolfe Outdoor Education Trust during 2018. Although the loan was repaid in full within the same reporting period, making loans to third parties is a breach of legislation.
Marian College	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Opihi College	2018	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about receipts from fundraising, raffles and donations because the Board of Trustees had limited controls over that revenue.
Rangiora High School Education Trust	2015	Limitation – expenditure	Yes	Our audit was limited because we were unable to obtain enough evidence to confirm that payments to Rangiora High School for resources and scholarships had been appropriately authorised by the Trustees.
	2016	Limitation – previous year expenditure	Yes	Our audit of the comparative information in the financial statements was limited because, in the previous year, we had been unable to obtain enough evidence to confirm that payments to Rangiora High School for resources and scholarships, had been appropriately authorised by the Trustees.

School	Year	Type	Audit report	Description
Timaru Boys' High School	2017	Disposal of a controlled entity Missed statutory deadlines	Yes	The Board of Trustees breached the law because it failed to submit its financial statements to its auditor by 31 March 2018, and its audited financial statements to the Ministry of Education by 31 May 2018. We also highlighted that it disposed of a controlled entity during the financial year, Oxford Street (TU) Holdings Limited, which was acquired in breach of the Education Act 1989.
Waiau School	2018	Transfer of donations for pool	Yes	We drew attention to disclosures outlining that the funds raised to replace the school's swimming pool that had been damaged by the November 2016 earthquake, has been transferred to the Hurunui District Council. The Council will build a new pool on the school grounds, and own the pool. The major funders for this project have been informed and continue to support the building of the pool.
Wakanui School	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements. This limitation arose because the Board of Trustees failed to comply with the requirement to prepare and annually review a 10-year property maintenance plan.

Gisborne

School	Year	Type	Audit report	Description
Te Kura Kaupapa Māori o Mangatuna	2016	Limitation – locally raised funds Missed statutory deadlines	Yes	Our audit was limited because we could not get enough assurance about receipts from donations, fundraising, trading, and activities income because the Board of Trustees had limited controls over that revenue. We also drew attention to the Board of Trustees breaching the law by failing to submit its financial statements to the Ministry of Education by 31 May 2017.

School	Year	Type	Audit report	Description
Te Kura Kaupapa Māori o Nga Uri A Maui	2018	Banking	No	The school failed to comply with the Crown Entities Act 2004 by holding funds in a bank account not under the name of the School Board of Trustees
Te Kura Kaupapa Māori o Tapere-Nui-A-Whatonga	2018	Loans to staff	No	The Board of Trustees breached clause 28 of Schedule 6 of the Education Act 1989 in that the kura had loaned funds to staff and had not recovered all of the advances as at 31 December 2018. Loans to staff are deemed to be acquisitions of securities.
Te Kura Kaupapa Māori o Whatatutu	2017	Missed statutory deadlines	Yes	We drew attention to the fact that the Board of Trustees breached the law by failing to submit its financial statements to its auditor by 31 March 2018. It also failed to submit its audited financial statements to the Ministry of Education by 31 May 2018.
Te Waha o Rerekohu Combined Schools Board	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements.

Hawke's Bay

School	Year	Type	Audit report	Description
Riverslea School	2018	Disestablishment	Yes	We drew attention to the fact that the Board of Trustees used a disestablishment basis of accounting to prepare its financial statements because the school closed on 31 January 2019.
Tamatea School	2018	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about, and the Board of Trustees had limited controls over, the school's revenue from its after-school care/holiday programme.
Te Aute College	2018	Loans to staff	No	The school failed to comply with the law because it paid advances to its employees without authority from the Minister of Education.

School	Year	Type	Audit report	Description
Te Kura Kaupapa Māori o Ngati Kahungunu Ki Heretaunga	2016	Missed statutory deadlines	Yes	We drew attention to the fact that the Board of Trustees breached the law by failing to submit its financial statements to the Ministry of Education by 31 May 2017.
	2017	Missed statutory deadlines	Yes	We drew attention to the fact that the Board of Trustees breached the law by failing to submit its financial statements to the Ministry of Education by 31 May 2018.
Te Kura o Pakipaki	2014	Disclaimer Financial difficulty Failure to keep proper accounting records Missed statutory deadlines	Yes	<p>We could not form an opinion because we could not get enough audit evidence about bank accounts, revenue and expenditure, accounts receivable and payable, and property, plant and equipment. This is because the school had a lack of controls over cash receipting and expenditure from a bank account administered directly by the school, and a lack of supporting documents for some transactions.</p> <p>We also drew attention to:</p> <ul style="list-style-type: none"> the fact that the school is experiencing serious financial difficulties and is reliant on the support of the Ministry of Education to meet its obligations as they fall due; and a number of breaches of legislation, including a failure to keep appropriate accounting records, a failure to submit financial statements for audit by 31 March 2015, and a failure to submit audited financial statements to the Ministry of Education by 31 May 2015.

School	Year	Type	Audit report	Description
William Colenso College	2018	Disagreement – non-consolidation of a controlled entity	Yes	We disagreed with the Board of Trustees not preparing group financial statements that included its subsidiary, the William Colenso College Charitable Trust Board. This is a departure from generally accepted accounting practice, which requires the Board of Trustees to present consolidated financial statements.

Manawatu-Wanganui

School	Year	Type	Audit report	Description
Aokautere School	2018	Conflicts of interest	No	The school had breached section 103(3) of the Education Act 1989 because it had two permanent members of staff on the school board.
Castlecliff School	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Cornerstone Christian School	2018	Conflicts of interest	No	The school had breached section 103A of the Education Act 1989. The Board of Trustees must obtain approval from the Secretary for Education for any Board member who enters into contracts with the school in any one financial year that are in excess of \$25,000.

School	Year	Type	Audit report	Description
Hato Paora College	2017	Limitation – constitution of Board Financial difficulty	Yes	Our audit was limited because we could not establish whether decisions made by the governing body of the college were appropriate as the college had not been managed by a properly constituted Board of Trustees. The governing body was comprised of representatives of the Board of Trustees and the proprietor, in breach of Schedule 6, clause 4 and section 94 of the Education Act 1989. We drew attention to that the fact that the school is experiencing serious financial difficulties because the school has ended the year in deficit. The school is reliant on the continued support of its proprietor
Matiere School	2017	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the value of the provision for cyclical maintenance that had been recognised in the financial statements.
Nga Tawa Diocesan School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of its Proprietor to meet its obligations as they fall due.
Ngāpuke School	2017	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

School	Year	Type	Audit report	Description
Raetihi Primary School	2017	Missed statutory deadlines	Yes	We drew attention to the fact that the Board of Trustees breached the law by failing to submit its financial statements to the Ministry of Education by 31 May 2019.
Taihape Area School	2018	Uncertainty about cyclical maintenance	Yes	We drew attention to the fact that the school had reversed its provision for cyclical maintenance. There was uncertainty about the property maintenance the school is obliged to carry out due to significant issues with its infrastructure, including the roof.
Te Kura Kaupapa Māori o Manawatū	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Te Kura Kaupapa Māori o Tamaki Nui A Rua	2018	Loans to staff	No	The school breached clause 28 of Schedule 6 of the Education Act 1989 because it loaned money to an employee for the purchase of a laptop.
Te Kura Kaupapa Māori o Taumarunui	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements. This limitation arose because the Board of Trustees failed to comply with the requirement to prepare and annually review a 10-year property maintenance plan.

School	Year	Type	Audit report	Description
Te Kura Kaupapa Māori o Te Atihaunui-A-Paparangi	2017	Loans to staff Missed statutory deadlines	Yes	<p>The Board of Trustees had breached clause 28 of Schedule 6 of the Education Act 1989 in that the Principal received a loan without the approval of the Ministry of Education. The Board of Trustees did not approve the loan to the Principal. It was subsequently repaid after balance date.</p> <p>We drew attention to the fact that the Board of Trustees breached the law by failing to submit its financial statements to its auditor by 31 March 2018. It also failed to submit its audited financial statements to the Ministry of Education by 31 May 2018.</p>
	2018	Loans to staff	Yes	<p>The Board of Trustees had breached clause 28 of Schedule 6 of the Education Act 1989 in that the Principal received a loan without the approval of the Ministry of Education. The Board of Trustees did not approve the loan to the Principal. It was subsequently repaid after balance date.</p>
Whanganui City College	2018	Banking	Yes	<p>We highlighted that the school failed to comply with the Crown Entities Act 2004 by holding funds in a bank account not under the name of the School Board of Trustees</p>

School	Year	Type	Audit report	Description
West End School (Palmerston North)	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Winchester School (Palmerston North)	2018	Borrowing	Yes	We highlighted that the school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

Marlborough

School	Year	Type	Audit report	Description
Saint Joseph's School (Picton)	2017	Disestablishment	Yes	We drew attention to that fact that the Board of Trustees used a disestablishment basis of accounting to prepare its financial statements because the school closed on 13 October 2017.
Wairau Valley School (Blenheim)	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.

Nelson

School	Year	Type	Audit report	Description
Stoke School	2017	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about, and the Board of Trustees had limited controls over, the school's locally raised cash revenue.

Northland

School	Year	Type	Audit report	Description
Christian Renewal School	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because the school has not recorded a provision for cyclical maintenance. Although the school has a 10-year property plan, it was not possible to ascertain the amount of the provision because of limited information and explanations.
Matauri Bay School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Northland College	2018	Securities	Yes	We highlighted that the Board of Trustees had breached the law because it had failed to get permission from the Ministers of Education and Finance before it acquired securities.
Omanaia School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

Otago

School	Year	Type	Audit report	Description
Bathgate Park School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Blue Mountain College	2018	Limitation – overseas travel	Yes	Our audit was limited because we were unable to obtain sufficient appropriate evidence to explain \$52,200 of the \$306,113 that was spent on an overseas trip.
Clinton School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Green Island School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Halfway Bush School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Kings High School	2018	Payment of fundraiser	Yes	We drew attention to the fact that the school made payments to cover the costs of contracted fundraising activities for an independent entity, the Kings High School Charitable Trust, which is not a public entity. It is not appropriate for the school to use public money to pay the costs of contracted fundraising activities to raise funds for a private entity.

School	Year	Type	Audit report	Description
Lawrence Area School	2018	Uncertainty about cyclical maintenance	Yes	We drew attention to disclosures outlining the uncertainties in valuing the provision for cyclical maintenance because it is not clear what property maintenance the school is required to carry out, because it is part of the Christchurch Schools Rebuild Programme.
Maniototo Area School	2018	Uncertainty about cyclical maintenance	Yes	We drew attention to disclosures outlining the uncertainties in valuing the provision for cyclical maintenance because it is not clear what property maintenance the school is required to carry out, because it is part of the Christchurch Schools Rebuild Programme.
Pine Hill School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Tokomairiro High School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Waitaki Boys' High School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

Southland

School	Year	Type	Audit report	Description
Hillside Primary School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Myross Bush School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.

Taranaki

School	Year	Type	Audit report	Description
Devon Intermediate	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Kakaramea School	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Stratford School	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.

School	Year	Type	Audit report	Description
Te Kura Kaupapa Māori o Tamarongo School	2015	Disclaimer Failure to keep proper accounting records Missed statutory deadlines	Yes	We could not form an opinion because we were unable to obtain enough evidence about a significant number of transactions. The financial records had been intentionally destroyed to cover up a fraud, which was investigated by the New Zealand Police. We also drew attention to a number of breaches of legislation, including the failure to keep appropriate accounting records, the failure to submit financial statements for audit by 31 March 2016, and the failure to submit audited financial statements to the Ministry of Education by 31 May 2016.
	2016	Limitation – opening balances Poor accounting records Missed statutory deadlines	Yes	Our audit was limited because we were unable to obtain sufficient appropriate audit evidence regarding the opening balances for the 2016 year. This is because a significant amount of records relating to the 2015 year were intentionally destroyed to cover a fraud. We also drew attention to a number of breaches of legislation, including the failure to keep appropriate accounting records, the failure to submit financial statements for audit by 31 March 2017, and the failure to submit audited financial statements to the Ministry of Education by 31 May 2017.
Waitara Central School	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

Tasman

School	Year	Type	Audit report	Description
Golden Bay High School	2018	Limitation – cyclical maintenance Financial difficulty	Yes	Our audit was limited because we were unable to obtain enough appropriate evidence to determine whether the provision for cyclical maintenance was complete. Due to the absence of evidence, it is possible that this provision could be materially misstated. We also drew attention to the fact that the school is experiencing financial difficulties, and is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Te Kura Kaupapa Māori o Tuia Te Matangi	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements. This limitation arose because the Board of Trustees failed to prepare and annually review a 10-year property maintenance plan.

Waikato

School	Year	Type	Audit report	Description
Berkley Normal Middle School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.

School	Year	Type	Audit report	Description
Hillcrest School (Pahiatua)	2018	Disestablishment	Yes	We drew attention to about the fact that the Board of Trustees used a disestablishment basis of accounting to prepare its financial statements because the school closed on 27 January 2019.
Kerepehi School	2017	Missed statutory deadlines	Yes	We highlighted that the Board of Trustees breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2018.
Paeroa College	2018	Conflicts of interest	No	The school has breached section 103A of the Education Act 1989. This section requires the Board of Trustees to obtain approval from the Secretary for Education for any Board member who enters into contracts with the school in any one financial year that are in excess of \$25,000.
Pukenui School (Te Kuiti)	2018	Loans to staff	Yes	We highlighted that the school failed to comply with the law because it paid advances to its employees without from the approval of the Minister of Education.
Saint Francis School (Thames)	2017	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the value of the provision for cyclical maintenance that had been recognised in the financial statements.
Taumarunui High School Community Trust	2018	Limitation – locally raised funds	Yes	Our audit was limited because we could not get enough assurance about revenue. The Board of Trustees had limited controls over that revenue.
Taupo Intermediate	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant for the year.
Te Wharekura o Te Kaokaoroa o Patetere	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements.

School	Year	Type	Audit report	Description
Waihi College	2018	Securities	No	The Board of Trustees had breached the law because it had failed to get permission from the Ministers of Education and Finance before it acquired securities.
Waipahihi School	2018	Financial difficulty	Yes	We drew attention to the serious financial difficulties facing the school. The school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.

Wellington

School	Year	Type	Audit report	Description
Berhampore School	2017	Financial difficulty	Yes	We drew attention to the fact that the school is experiencing financial difficulties. As a result, the school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Martinborough School	2018	Borrowing	No	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Mount Cook School (Wellington)	2018	Limitation – cyclical maintenance	Yes	Our audit was limited because we were unable to obtain enough evidence to support the provision for cyclical maintenance that had been recognised in the financial statements. There are uncertainties because the school's 10-year plan does not include several buildings that were constructed after the date of the last plan, for which the Ministry of Education has yet to decide on the required maintenance work.

School	Year	Type	Audit report	Description
Rathkeale College	2018	Borrowing	Yes	The school failed to comply with the Education Act 1989. The school did not get permission from the Ministers of Education and Finance before it borrowed money, which, in aggregate, involves repayments of more than 10% of the school's operations grant.
Solway School	2018	Financial difficulty	Yes	We drew attention to the fact that the school is experiencing serious financial difficulties. As a result, the school is reliant on the continued support of the Ministry of Education to meet its obligations as they fall due.
Tinui School	2018	Disagreement – tree cutting rights	Yes	We disagreed with the Board of Trustees not recognising tree cutting rights, which were granted by the Masterton District Council, as an asset in its financial statements. This is a departure from generally accepted accounting practice, which requires biological assets, such as trees in a forestry block, to be recognised at their fair value.
Waterloo School	2017	Missed statutory deadlines	Yes	We highlighted that the Board of Trustees breached the law by failing to submit its audited financial statements to the Ministry of Education by 31 May 2018.