Summary

Results of the 2019 school audits

Our report sets out the results of the school audits for 2019. This year our school audits were significantly disrupted by Covid-19. Of the 2451 school audits for 2019, we completed 1451 (59%) by the statutory deadline of 31 May 2020.

Although Covid-19 affected timeliness of reporting, we continue to see improvements in school financial reporting and the Ministry of Education (the Ministry) has continued to make progress on the recommendations we raised in earlier reports.

What we found from our audits

We have not identified any significant issues for most of the schools we audit. We issued 16 "modified" opinions since our last report. These are opinions where we cannot get enough evidence about a matter, or conclude there is an error in the financial statements. We issued a number of audit opinions where we could not get enough evidence about the amounts recorded in school financial statements for locally raised funds, expenditure, inventory, or the cyclical maintenance provision.

Auditors still raise concerns with schools in their management letters about gifts, hospitality, and travel. Most concerns raised this year related to principals' expenses not being approved, particularly for spending using credit or debit cards. For the 2019 audits we did not raise any sensitive expenditure matters in schools' audit reports.

Financial health of schools

We usually identify about 40 schools each year that need letters of support. For 2019, we identified 38 schools that were in financial difficulty. We considered significant events in 2020 when carrying out our audits. The potential effects of Covid-19 did not result in significantly more schools being considered to be in financial difficulty. However, this might be different when we complete our 2020 school audits.

Based on the financial information collected by the Ministry by mid-October, schools received $499 million of locally raised funds in 2019, and 511 schools received $153 million of revenue from international students. Of those schools, we identified that the revenue for 46 schools was equivalent to more than 20% of their expenditure (excluding teachers' salaries and notional rents that are funded directly by the Ministry), with the highest being 49%.

Schools might find that they are not able to rely on the funding sources that they have in the past. How well schools manage a steep reduction in revenue will depend on the strength of their financial position and good governance. The analysis in our report identified that many schools have sound cash and investment balances, although some of those funds might be being held for a particular purpose. It is important that schools budget carefully in the coming years and take action to reduce spending if they need to.

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake