



GATE PA SCHOOL

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2021



30 May 2022

Laurel Briggs
Chairperson
Gate Pa School
900 Cameron Road
Tauranga South
Tauranga 3112

cc: Rochelle Jensen
Principal

Dear Board Members

We have pleasure in presenting our Audit Completion Report for our audit of Gate Pa School's financial statements for the year ended 31 December 2021.

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

We take this opportunity to express our appreciation for the assistance and co-operation provided by the School's staff during the audit. We have received full and frank cooperation. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Tauranga



Donna Taylor
Partner
Audit & Assurance Services

Email: Donna.Taylor@bdo.co.nz

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	1
2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS	3
3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS	5
4. REQUIRED COMMUNICATIONS WITH GOVERNANCE	10
APPENDIX 1 - ADJUSTED AND UNADJUSTED DIFFERENCES	14
APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR.....	15

1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Tauranga ('BDO') is the Appointed Audit Firm of Gate Pa School (the "School").

BDO's responsibilities include a requirement to express an opinion on the School's financial statements arising from our audit conducted in accordance with the Auditor-General's Auditing Standards which incorporate International Standards on Auditing (NZ).

This report details the processes, findings and recommendations from our audit of the School in accordance with the Auditor General's Auditing Standards, and the terms of our engagement as set out in our audit engagement letter.

Our audit of the School's financial statements for the year ended 31 December 2021 is now complete and we have issued an unqualified audit opinion.

We welcome your feedback on the effectiveness of the audit process and are available to discuss our performance.

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements give a true and fair view, and
- report to Management about control environment issues that should be addressed by the school.

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

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

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks in your business, their potential impact on the financial statements and the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Locally raised funds
- Payroll not approved or checked
- Cyclical maintenance provision
- Management Override

We were able to obtain sufficient and appropriate audit evidence in respect to these items and have no significant findings to bring to your attention. Refer to Section 2 for our comments in respect to each significant risk and area of audit emphasis.

SUMMARY OF UNCORRECTED MISSTATEMENTS

A summary of errors left uncorrected at the conclusion of our audit is provided in the Appendix to this report.

INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of an entity's internal controls in order to identify and assess the risk of material misstatement of the financial statements whether due to fraud or error but is not designed to provide assurance over the overall effectiveness of controls operating within the School.

We have included in Section 3 of this report, a summary of our findings and recommendations arising as a result of our audit procedures.

GOVERNANCE AND ACCOUNTABILITY

Good governance and accountability need and support each other and, if done well, enhance the public's trust in our public sector. Good governance encourages and can result in good accountability. In turn, accountability is a vital element of good governance.

The Auditor-General has published a report, Reflections from our audits: Governance and accountability. This report reflects on common issues, and highlights examples of good and emerging practise, which public entities can use to help improve their governance and accountability arrangements. It also identifies eight elements of good governance and looks at some trends that present new challenges and opportunities for enhancing accountability.

We encourage you to use the findings and examples in this report to consider the School's governance and accountability arrangements. This report is available on the OAG website at www.oag.govt.nz/2016/reflections

2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS

Our audit procedures were focused on those areas of the School’s activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through the audit arrangements letter at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes.

Locally Raised Funds

Area of Audit Emphasis	Conclusion/Response
Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income.	From our audit work performed we found no issues regarding locally raised funds income or expense balances in the financial statements.

Payroll not approved or checked

Area of Audit Emphasis	Conclusion/Response
Payroll is processed by Novopay. The accuracy of payroll processing is dependent on appropriate approval of payroll changes and checking of the fortnightly SUE report.	From our audit work performed we found no issues regarding payroll balances included in the financial statements.

Cyclical Maintenance Provision

Area of Audit Emphasis	Conclusion/Response
Cyclical Maintenance is an area of judgment and could lead to material misstatement in the financial statements. For Schools to be able to calculate the appropriate cyclical maintenance provision a 10 Year Property Plan (10YPP) needs to be prepared and/or reviewed by an expert.	From our audit work performed, we are satisfied that the provision for Cyclical Maintenance in the Financial Statements is not materially misstated.

Management Override

Area of Audit Emphasis

Conclusion/Response

There is a presumption under the International Auditing Standards that there is a risk of management override.

We have assessed the segregation of duties and risk of management override as part of our planning process, and concluded that the risk of fraud from management override of controls is primarily through the processing of manual journals.

We have used a risk based approach to testing manual journals, and focused on any areas where a risk of judgement, estimation or cut-off risk exists with management override in mind. No issues with management override we noted.

3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key internal control findings we have identified during the course of the audit and highlights control deficiencies requiring management attention. Our work has been limited to those controls relevant to the audit of your statutory financial statements. The purpose of our audit work on controls is not to provide assurance in its own right on the internal controls and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

The findings and recommendations have been discussed and agreed with the School's Management.

Payroll Control	
Finding	Recommendation
<p>We consider the main risk to the accuracy of payroll payments is transactions being incorrectly processed, because of either fraud or error. The EdPay system relies on schools checking the accuracy of the payroll transactions processed by the school, as this information is not checked centrally.</p> <p>To ensure the accuracy of payroll payments, our expectation has been that schools had the following key controls:</p> <ul style="list-style-type: none">• effective access controls to EdPay, limiting access to “authorised users”;• changes to Masterfile data - such as bank account changes, new starters, or payments to non-salaried staff (such as relievers) - have appropriate supporting documentation and are appropriately authorised;• checking of the fortnightly draft payroll (SUE) report and Novopay Online transactions report for accuracy; and• review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay. <p>During the year, the Novopay Online transaction report was discontinued (in October 2021), and from about mid-2021 had not been a complete record of all transactions.</p> <p>We do not consider that the review of the SUE report on its own is a strong enough control for schools to</p>	<p>We recommend that the Board ask management for assurance that appropriate controls are in place at the school over payroll transactions, consistent with the updated guidance.</p>

rely on to detect fraud or error, because it does not include details of changes to pay, or Masterfile changes. The lack of a complete Masterfile change report could also potentially provide an opportunity for a fraud to go undetected.

Our audit did not place reliance on payroll controls

Because the Novopay Online transaction report has not been available throughout the year we have been unable to rely on payroll controls as part of our audit work. This has meant we have had to carry out additional audit work on payroll. These additional procedures have provided the necessary assurance over the payroll amounts in your financial statements.

Updated guidance on payroll controls is now available

Updated guidance on the controls within EdPay that should be operating at schools has recently been published on the EdPay website. The main change is that the Novopay Online transaction report has been replaced by several reports. To review and approve pay changes the following transaction histories should be saved, checked, and signed, ideally after transactions have been processed and prior to payment:

- timesheet history
- leave history
- activity history.

To ensure controls are effective schools also need to ensure that:

- there is segregation of duties between the processing and approval of payroll transactions;
- access to EdPay is controlled;
- payroll transactions are approved in line with delegations; and
- approvals are appropriately documented.

The guidance and resources on payroll controls for schools are available on the [training page](#) of the EdPay website. They consist of:

- A checklist of best practice payroll controls - [School internal processes and controls - payroll](#).
 - A video - [How to use EdPay transaction histories \(for checking and approving transactions\)](#).
-

-
- A printable ‘how to’ guide showing the transaction checking process - [Checking transactions using the activity history and timesheet and leave histories](#).

No current report in EdPay to check and approve Masterfile changes

The online activity history for Masterfile changes, such as bank account and other changes to personal details within EdPay is still in development. The updated payroll guidance (referred to above) does suggest some interim procedures, consisting of taking screen shots of changes and having those approved. However, as this will not provide a list of all changes made, the Board needs to consider how it gets comfort that all changes are made with appropriate authorisation. Without a list of all Masterfile changes that can be approved by a second person (as segregation of duties is required for an effective control), this remains an area susceptible to fraud.

Management comment:

Budgeted Statement of Cash Flows

Finding

Schools are required by section 87(3)(i) of the Education Act 1989 to report budgeted figures for the Statement of Cash Flows. We note that your school’s current year budget does not include figures for this statement. It is important to consider the budgeted cash flows of the school to ensure that the Board can effectively manage its working capital as well as possible legislative requirements, such as borrowing limits. It is also required to disclose the budgeted amounts for this statement in its financial statements.

Recommendation

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

Management comment:

The BOT do product a balance sheet and cashflow falls out of this in operating budget. In future, we will do this in a different format.

Deficit Budget

Finding

The Board has prepared and approved a deficit budget for the coming year.
We are concerned that continued deficit budgeting, if achieved, will reduce your school's equity. Although deficit budgeting may appear to be warranted when preparing the budget for a particular year, we urge caution in using this approach because it is unlikely to be sustainable.
It is vital that you continue to look for ways to improve the actual results against the budgeted deficit during the upcoming school year and ensure that spending does not exceed the amounts approved by the Board.

Recommendation

We recommend that the Board try to avoid deficit budgeting wherever possible, so the school budgets reflect the ability for it to live within its means.

Management comment:

BOT fully aware. Deficit deliberate to support required resourcing. Mid-year budget review will endeavour to rectify this.

Cyclical Maintenance Plan

Finding

From our review of the cyclical maintenance plan, there are some blocks in the provision with no expected cost. This is either due to weathertightness issues which require capital works to rectify, or the painting will be completed by the caretaker.

Where painting work is expected to be undertaken by the caretaker, the cost of the paint should still be included in the cyclical maintenance provision calculation.

Recommendation

We recommend the school reviews the requirement for a maintenance provision for the blocks affected by weathertightness issues carefully going forward so that appropriate provision can be made as it is required.

We also recommend that the provision is updated to include the expected cost of the paint for blocks where the caretaker is expected to do the painting work.

Management comment:

Noted.

Revised plan was completed early 2021 based on actual quotes.

Timesheets Not Approved

Finding

We note from the testing of timesheets for the school that timesheets were not always signed and approved as evidence that the employees time and pay was a true and accurate representation of actual events. This makes it difficult for us as auditors to distinguish on the existence or factious pay of employees.

Where timesheets have not been signed or approved, this leaves us to believe that all of this pay has the potential to be materially misstated and therefore no assurance can be taken over these timesheets. Please ensure clear accountability of all timesheets before payment has been made.

We reiterate that all timesheets should be checked and approved, ideally after transactions have been processed and prior to payment.

Recommendation

We recommend to the Board to ensure all timesheets are signed and approved by the appropriate personal and one-up authorisation is used where required. This allows assurance that timesheets are correct and true representation of employees' time.

Please seek approval from authorised personal before these timesheets are entered and paid.

Management comment:

System has been updated. Timesheets are now approved by senior management.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	<p>We are responsible for completing an audit in accordance with generally accepted auditing standards in New Zealand. The detailed terms of which are set out in our audit engagement letter.</p>
Confirmation of Audit Independence	<p>In conducting our audit, we are required to comply with the independence requirements of PES-1 Code of Ethics for Assurance Practitioners issued by the External Reporting Board and the additional OAG independence requirements of AG PES 1.</p> <p>Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.</p> <p>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none"> • No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner. • All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by our firm for the financial year.</p>
Management Judgements and Estimates	<p>Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall, we note that the judgements and estimates by management in preparing the results for the year ended 31 December 2021 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.</p>

Matter	How the matter was addressed
Matters requiring Board of Trustee input	<p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> • Minutes of the Board meetings; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Review and approval of management accounts; • Review and approval of annual budget; • Review and approval of 10 Year Property Plan • Notification of fraud; and • Review and approval of the financial statements.
Accounting policies	<p>Auditing standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. We reviewed the financial statements of the School against the Kiwi Park Model and noted no material departures from the requirements.</p>
Materiality and adjusted/unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>During the course of our audit, we identified misstatements which have been corrected in the financial statements these have been detailed in Appendix 1 of this report.</p> <p>There were no errors left uncorrected at the conclusion of the audit.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>
Going concern	<p>We have undertaken a review of management and those charged with governance’ assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that lead us to conclude the going concern assumption cannot be relied upon.</p>

Matter	How the matter was addressed
Fraud	During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.
Compliance with laws and regulations	We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.
Significant findings from the audit	Other than those documented in the executive summary and sections 2 and 3 of this report, there were no significant matters arising from the audit.
Disagreements with management	There have been no disagreements with management over matters of significance to the audit.
Difficulties encountered during the audit	There have been no significant difficulties encountered during the audit.
Consultations with other accountants and consultants	We have considered the need for other accounting specialists during our work and determined, due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.
Management representation letter	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
Probity, waste and performance	We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance.

Matter	How the matter was addressed
<p>Publishing Annual Report on the School's Website</p>	<p>The Education and Training Act 2020 requires you to publish your Annual Report on-line. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of trustees and KiwiSport statement.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time. We note that you did publish your 2020 Annual Report on your website.</p>

APPENDIX 1 - ADJUSTED AND UNADJUSTED DIFFERENCES

AUDIT ADJUSTMENTS

The following misstatements have been identified during the course of our audit, and have been adjusted:

	Debit	Credit
Teachers Salaries Grants		11,009
Accounts Receivable	11,009	
Record TAPESA wash up adjustment		

UNADJUSTED DIFFERENCES

We confirm there are no unadjusted differences for the year ending 31 December 2021.

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

Segregations in Duties

Finding

Segregation of duties associated with the recording and reporting of financial transactions is a fundamental control designed to mitigate the risk of misappropriation of funds, human data input error, or unrecorded transactions. The importance of this control is further heightened in environments where income streams are cash based. In the context of a school, finance departments are generally limited to a few individuals and the handling of cash is commonplace. Segregating duties as far as possible is therefore extremely important to ensure the heavy burden of trust is not borne by one individual.

During the course of our audit work, we have observed instances where duties have been seen to be appropriately segregated and we wish to note that nothing has come to our attention which would lead us in any way to question the integrity of any of your employees, however we have not reviewed all of the school's systems in detail.

Update

Issue to remain for the 2021 year as a reminder to management and the board the importance of segregations in duties.

Recording of Fixed Assets

Finding

From our review of the fixed asset register we note that the school records bulk purchases as one line item. While this is technically acceptable, we note that OAG have stressed a preference for assets to be listed individually. We would therefore expect the school to have appropriate records of any bulk listed assets, including serial numbers, if applicable. This is particularly important where assets are portable and desirable, such as iPads, so the assets can be adequately safeguarded and insured.

Update

No issues noted in 2021 year.

Cyclical Maintenance Provision

Finding

From our work on the cyclical maintenance provision, we note that the provision was updated during the audit to take account of recent quotes and the cost of painting actually done. Some of the actual painting costs and quoted painting costs were significantly different from the previously estimated costs suggested by the property expert.

Recommendation

No issues noted in 2021 year.