

# Waikite Valley School

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2022



26 June 2023

Sophia Burton  
Presiding Member  
Waikite Valley School  
1090 Waikite Valley Road  
Waikite Valley  
ROTORUA, 3077

cc: Sue Ratcliffe  
Principal

Dear Sophia,

We have pleasure in presenting our Audit Completion Report for our audit of Waikite Valley School's financial statements for the year ended 31 December 2022.

We emphasise that our audit work involves the review of only those systems and controls in your School 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 express our appreciation for the assistance and co-operation provided by the School and the School's service provider during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,  
**BDO Rotorua**



**Stephen Graham**  
Partner  
Audit & Assurance Services



## 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 .....	8
APPENDIX 1 - ADJUSTED DIFFERENCES.....	12
APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR .....	13

## 1. EXECUTIVE SUMMARY

### STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Rotorua ('BDO') is the Appointed Audit Firm of Waikite Valley 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 2022 is complete.

We have issued an unmodified audit opinion.

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

### AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements presented fairly in all material respects; 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 for the School, and their potential impact on the financial statements, as well as the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Locally raised funds
- Payroll controls
- Cyclical maintenance provision
- Management override of controls

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

## SUMMARY OF UNCORRECTED MISSTATEMENTS

There were no errors left uncorrected at the conclusion of our audit.

## INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of the School's internal controls in order to assess the risk of material misstatement in the financial statements whether due to fraud or error. However, 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 because of our audit procedures.

## 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 our Audit Plan issued to you 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, unless stated otherwise.

### Locally Raised Funds

Area of Audit Emphasis	Conclusion/Response
Due to the nature of locally raised funds (often being cash, or having limited segregation of duties), there is a risk of material misstatement around the completeness of locally raised funds.	We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.

### Payroll not approved or checked

Area of Audit Emphasis	Conclusion/Response
Payroll is processed centrally for all schools. The accuracy of payroll processing is therefore dependent on appropriate approval of payroll changes and checking of the fortnightly SUE report at the School.	We found no issues regarding controls that could affect the payroll balances recorded in the financial statements.

### Cyclical Maintenance Provision

#### Area of Audit Emphasis

Cyclical Maintenance is an area of significant judgment and estimation which could lead to material misstatement in the financial statements if not considered properly by management. For Schools to be able to calculate the appropriate cyclical maintenance provision, a 10 Year Property Plan (10YPP) and cyclical maintenance calculation need to be prepared and/or reviewed by an expert.

#### Conclusion/Response

Though audit work completed, adjustments were raised to align the cyclical maintenance plan with the 10YPP and the planning painting per the School. Refer appendix 1 for corrected misstatements.

### Management Override

#### Area of Audit Emphasis

There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.

#### Conclusion/Response

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 primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation. No issues with management override were identified.

### Inappropriate or Wasteful Expenses

#### Area of Audit Emphasis

There is a risk that expenditure incurred by the school does not meet the efficiency, probity, and financial prudence requirements of AG-3, and is inappropriate or wasteful.

#### Conclusion/Response

We have reviewed a sample of costs incurred by the school, including capital expenditure and costs incurred on credit cards, and noted no instances of significant wasteful expenditure incurred by the school, however we have identified transactions which were incurred by the School which we consider to be personal in nature.



### 3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key findings we identified during the audit and highlights control deficiencies requiring attention from management. Our work has been limited to those controls relevant to the audit of your financial statements. The purpose of our audit work on controls is not to provide assurance 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 following key findings were identified during this year’s audit:

#### GOOD ADMINISTRATION / ACCOUNTING SYSTEMS

##### Finding

We take this opportunity to comment on the efficient and well-controlled nature of your team’s administration and accounting function. This is a credit to the people involved as well as the disciplines put in place by your Board. As your auditors, we appreciate your openness to external advice and congratulate your school for your good efforts in ensuring the efficient and effective operation of this important part of your school.

#### CREDIT CARD RECEIPTS

##### Finding

During our audit procedures, we reviewed credit card receipts for a selection of months throughout the financial period. From our review we noted a few instances where receipts were not attached to the credit card statement reconciliation at month end.

Keeping receipts attached to the credit card statements ensures that all costs are able to be easily substantiated to source records should query arise and also enables an efficient review of costs incurred by the Board.

##### Conclusion

We factored Sue’s onboarding as part of our testing and have split the review across the year for appropriate feedback for the coming 2023 financial year.

We recommended in the prior year that the retention of receipts and invoices and their attachment with the credit card statements was best practice, and we affirm this recommendation going forward.

In instances where supporting documentation is not available, we recommend substitute documentation (e.g., written description of the expense) be supplied to the Board for approval.

## BOARD OF TRUSTEES REIMBURSEMENTS

### Finding

Through our testing of the School's expenditure we noted instances of Board of Trustee reimbursements.

While these incursions have been nominal in most instances, their nature could be considered personal based on the reviews completed throughout the audit.

### Conclusion

While we recognise the Board's ability to reimburse Trustees at its discretion, we advise the School to consider the implications of approving expenditure which has not been incurred in the day to day activities of the School.

We would also recommend in all instances of Trustee's being reimbursed that the Board determines the outcome of the reimbursement, but the claimant abstaining from the decision. This ensures the Board's oversight over such reimbursements and appropriate documentation in the School's minutes.

## DISPOSAL AND ADDITIONS OF LIBRARY BOOKS

### Finding

As noted in prior years there is still a large quantity of library books held on the fixed asset register. We noted that a stock take of the library books and all other assets has been completed.

Although it doesn't have a material impact on the financial statements as a whole it is best practice to ensure that movements in library books are also reflected in the fixed asset movements in the school's financial statements.

### Conclusion

As per guidance from the Office of the Auditor General it is best practice for the School to record lost or damaged books as disposals, and subsequently remove these books from the fixed asset register, as well as include any library book additions/purchases in the fixed asset register.

## REVIEW OF FIXED ASSET REGISTER

### Finding

There is a large number of assets which are fully depreciated (being held by the School at nil value), on the asset register; with an initial cost price totalling \$89,016. With other assets becoming fully depreciated in the 2022 financial year, this cost is likely to increase.

Assets could be reported on the register and in the financial statements which are no longer in use by the School. The larger the asset register the higher degree of risk of error.

### Conclusion

We recommend the School take stock of its fixed asset register and remove fixed assets lost or disused assets from the register and have these written out of the financial statements.

If assets are still in use, their useful lives (depreciation rates) should be considered when they are replaced.

## 4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
<b>Auditors responsibility under generally accepted auditing standards</b>	<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>
<b>Confirmation of Audit Independence</b>	<p>In conducting our audit, we are required to comply with the independence requirements of AG PES-1 <i>Code of Ethics for Assurance Practitioners</i> issued by the External Reporting Board.</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"> <li>• No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner or the OAG.</li> <li>• All services performed by any national BDO office will be reported to the governing body.</li> </ul> <p>There were no other services provided by BDO during the year.</p>
<b>Management Judgements and Estimates</b>	<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 made by management in the preparation of the financial statements for the year ended 31 December 2022 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
<b>Matters requiring Board of Trustee input</b>	<p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> <li>• Minutes of the Board meetings;</li> <li>• Implementation of such controls as is needed to ensure that financial statements are presented fairly;</li> <li>• Management accounts;</li> <li>• Annual budget;</li> <li>• 10 Year Property Plan/maintenance plan;</li> <li>• Notification of fraud; and</li> <li>• Financial statements.</li> </ul>
<b>Accounting policies</b>	<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>
<b>Materiality and adjusted/ unadjusted differences</b>	<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 when evaluating the financial statements. Materiality is initially calculated at the planning stage of our audit and has an influence on the amount of work we do, as well as where we direct our efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>All adjusted and unadjusted differences identified during our audit (if any) have been detailed in Appendix 1 of this report.</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>

Matter	How the matter was addressed
<b>Going concern</b>	<p>We have undertaken a review of the Board and management’s assessment of the ability of the School to continue as a going concern for at least 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 led us to conclude the going concern assumption could not be relied upon.</p>
<b>Fraud</b>	<p>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.</p>
<b>Compliance with laws and regulations</b>	<p>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.</p>
<b>Significant findings from the audit</b>	<p>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.</p>
<b>Disagreements with management</b>	<p>There have been no disagreements with management over matters of significance to the audit.</p>
<b>Difficulties encountered during the audit</b>	<p>There have been no significant difficulties encountered during the audit.</p>
<b>Consultations with other accountants and consultants</b>	<p>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.</p>

Matter	How the matter was addressed
<b>Management representation letter</b>	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
<b>Probity, waste and performance</b>	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.
<b>Publishing Annual Report on the School's Website</b>	<p>The Education and Training Act 2020 requires you to publish your Annual Report online. 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.</p> <p>We note that you have published your prior year Annual Report on the School's website.</p>

## APPENDIX 1 - ADJUSTED DIFFERENCES

### ADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have* been adjusted:

Description	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
Correction to the cyclical maintenance provision to recognise the appropriate maintenance (painting) timeline which the School has established.	-	796	-	(796)
Net Effect of Adjustments made:	-	796	-	(796)



---

## APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

We have concluded on relevant findings from the prior year below:

### CREDIT CARD RECEIPTS AND INVOICES

Finding	Update
<p>We noted that in some instances from our testing of credit card expenditure where receipts were not attached to the credit card statement reconciliation at month end.</p> <p>Keeping receipts attached to the credit card statements ensures that all costs are able to be easily substantiated to source records should query arise and also enables an efficient review of costs incurred.</p>	<p>As noted in our findings above, the systems and controls for the use of credit cards and receipts and invoices being retained remains relevant.</p>