

# Report to the Board

**Boulcott School**

**For the year ended 31 December 2023**



9 September 2024

Rachael Sole  
Principal  
Boulcott School  
Boulcott Street, Lower Hutt  
5010

Dear Rachael

REPORT TO THE BOARD: YEAR ENDED 31 DECEMBER 2023

We have completed the audit of your School's financial statements for the year ended 31 December 2023.

Please find attached our Report to the Board in connection with the audit.

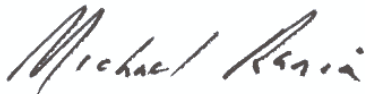
We would like to emphasise that our audit work involves the review of only those systems of internal controls in your School upon which we rely on for audit purposes. Our examination may not have identified and should not be relied upon to identify all internal control weaknesses that may exist.

We take this opportunity to thank the staff of your School for the co-operation provided to us during the course of the audit.

If we can be of further assistance, please advise.

Kind regards

**Moore Markhams Wellington Audit**



Michael Rania  
Partner / Appointed Auditor  
michael.rania@mooremarkhams.nz

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# Introduction

## Report purpose

This report details the processes, findings and recommendations from our audit of Boulcott School's (the School's) financial statements in accordance with International Standards on Auditing (NZ) ("ISA (NZ)") and the terms of our engagement as set out in our audit engagement letter.

We would like to thank the Principal and the staff of the School for their cooperation extended to us during the course of the audit.

## Audit opinion

We have issued an unqualified audit opinion on the financial statements of the School for the year ended 31 December 2023.

## Audit scope and responsibilities

As auditors of the School we are responsible for forming and expressing an opinion on the financial statements prepared by management with the oversight of governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities in relation to its preparation.

Overall, we are satisfied that the School has presented its results at the reporting date to an adequate level of compliance with applicable financial reporting standards.

We would like to 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 exist.

## Confirmation of audit independence

In conducting our audit, we are required to comply with the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any Moore Markhams office without the express approval of the audit engagement partner
- All services performed by any national Moore Markhams office will be reported to the those charged with governance.

We have no other relationship with, or interests in, the School.

## Risk assessment conclusions

We have set out below our findings in areas we have identified as key audit risks. We request that you review these outcomes on the significant accounting and audit matters identified to ensure that there are no further residual considerations or matters that could impact these issues, and that you concur with the resolution of the identified risks

Risk identified	Background	Conclusion from work performed
<b>Management override of controls</b>	<p>There is a risk that controls can be circumvented by those in positions of management or governance, with a view to manipulating accounting records.</p> <p>Under ISA (NZ) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', management override of controls is a presumed significant risk, upon which material misstatement could occur within the financial statements.</p>	<p>We found no evidence of management override of controls giving rise to material misstatement.</p> <p>Any deficiencies in internal controls that we have identified have been reported in the overall result section within this report.</p>
<b>Revenue recognition: Material misstatement due to fraud or error</b>	<p>Under ISA (NZ) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', misstatement of revenue due to fraud or error is a rebuttable presumed significant risk upon which material misstatement could occur within the financial statements.</p>	<p>We documented and tested those financial statements areas where there might be the motivation or opportunity for misstatement of revenue due to fraud and or error. We considered whether there was any indication of such activity.</p> <p>Nothing untoward was identified from our work performed.</p>
<b>Locally Raised Funds income</b>	<p>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.</p>	<p>From our audit procedures performed, which include analytic review incorporating margin analysis, and reviewing supporting documentation, we found no exceptions regarding locally raised funds income and the related expenses in the financial statements.</p>

<p><b>Edpay and Payroll</b></p>	<p>The Ministry of Education (the Ministry) is unable to place sufficient reliance over Edpay at this time and requires specific additional assurances at a school level over the processing of payroll nationally using Edpay. There is residual risk of material misstatement.</p>	<p>In accordance with our instructions from the OAG we have performed additional audit testing at a local level on Payroll in response to the risk of material misstatement.</p> <p>Our analytic review and detailed testing did not reveal any material exceptions, and we were able to take assurance over the completeness, existence and accuracy of payroll expenses.</p>
<p><b>Cyclical Maintenance Provision</b></p>	<p>Cyclical Maintenance is an area of judgment and complexity that 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 and updated by an expert at timely intervals.</p>	<p>From our audit procedures performed we have not identified material misstatement in the provision for cyclical maintenance disclosed within the financial statements.</p>

## Other reporting matters

### Management judgements and estimates

Under ISA (NZ) we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting policies, estimates, assumptions or valuation judgements.

The most significant areas of judgement, assumptions and estimates applied by management relate to:

- Provision for cyclical maintenance, and cyclical maintenance expense

We are not aware of any other sensitive accounting estimates, assumptions or valuation judgements made in the preparation of your School's financial statements.

### Matters requiring input by those charged with governance

We have placed reliance on the governing body's review and approval of the following matters:

- Minutes of Board meetings;
- Management accounts;
- Implementation of such controls as is needed to ensure that the financial statements are presented fairly;
- Notification of fraud;
- 2023 and 2024 budgets
- The 10 Year Property Plan (Cyclical Maintenance Plan); and
- The financial statements.

### Materiality and adjusted and unadjusted differences

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 statements. 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.

For any material misstatements which we may have identified and requested adjustment of within the financial statements, please refer to Appendix 1: Adjusted and Unadjusted differences.

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.

### Going concern

Management and governance are required to make a formal assessment on going concern. Under Auditing Standards, we are required to review this assessment for appropriateness.

Paragraph 15 of ISA (NZ) 570 (Revised) states:

15. *The auditor shall enquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.*

The assumption of going concern was concluded as appropriate.

## Fraud

During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention in respect of the School. It should be noted that our audit is not designed to detect fraud however, should any instance of fraud come to our attention, we will report this 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.

## 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.

## Payroll

We appreciate the issues created for the School by the introduction of the Novopay pay system in 2012. While this has created many issues at an administration level, for audit purposes we are required to be able to conclude the payroll expense recognised in the financial statements is materially correct.

The auditor of the Ministry of Education has reviewed your staff annual accrual report (SAAR) and concluded that we may be able to rely on it for the purposes of our audit. In addition the Principal and Presiding Member have reviewed this report and while acknowledging it may not be perfect, in substance it was found to be materially correct.

While we have relied on the work of the Ministry's auditor in conjunction with the Principal's and Presiding Member's assertions we have performed other procedures to gain the assurance we need that payroll is not materially misstated. We had performed:

- review of internal control procedures around the fortnightly payroll reports
- a reconciliation of the payroll per the general ledger and the financial statements to the Staff Annual Accrual Report (SAAR)
- a review of the schedule "Schools Detailed Leave Liability and Error Schedule Reports" for material items impacting on the financial statements
- existence testing on a sample of employees
- an analytic review by staff member for a sample of employees
- an analytic review of the reasonableness of the expense in aggregate; and
- disclosure checklist review around payroll are consistent with the guidance provided by the OAG.

Given the procedures above we are satisfied the payroll is materially correct for your School.

## Audit readiness- significant difficulties encountered

There were no significant difficulties encountered during the audit process. We have received full and frank cooperation. There is nothing we wish to raise solely with those charged with governance.

The financial statements, supporting accounting work papers and other information were largely supplied to us at the outset of the audit.

To assist in the timely completion of subsequent audits however, please ensure the following documents are also provided at commencement:

- Approved board meetings minutes, up to date.
- Approved subcommittee minutes, up to date.
- Management & Governance initial Representations (signed by Presiding Member & Principal)



- Fraud Risk Assessment (signed by Presiding Member & Principal)
- Accounting System User Listing
- Credit Card Holders and Limits Report (ASB)
- Statement of Variance (previously called Analysis of Variance Report)
- Report on how the school has given effect to Te Tiriti o Waitangi (new)
- Approved Budget
- Operational Grant Funding Notices (Q1 to Q4)



AUDIT FINDINGS – THE  
OVERALL RESULT

## Audit findings – the overall result

### Summary of findings

To enable management to set priorities on their action plans we have assessed our findings on the following basis, namely, urgent, necessary or beneficial based on our assessment of the importance of each finding. Classifications of findings are detailed in Appendix 2: Finding ratings.

These findings and recommendations have been provided to the School's management for comment.

There have not been any other significant matters arising during the audit that were discussed, or subject to correspondence with management, that have not otherwise been set out in this report.

	Urgent	Necessary	Beneficial
Number of findings	-	-	1

Provided below is a summary of key findings:

Item no	Findings and recommendations	Rating
	Nil	

A detailed assessment of each finding is presented in the following pages.

## Appendix 1: adjusted and unadjusted differences

### Adjusted differences

Description	Assets	Liabilities	Equity (Reserves)	Net Surplus / (Deficit)
	\$	\$		\$
Net surplus/(deficit) for the year	751,638	319,006	432,632	110,647
Final net surplus/(deficit) for the year				110,647

We had also identified a small number of presentation differences arising from the audit that have been adjusted in the financial statements at our request.

### Unadjusted differences

We have identified one unadjusted difference at the conclusion of the audit.

Description	Assets	Liabilities	Equity (Reserves)	Net Surplus / (Deficit)
	\$	\$		\$
Net surplus/(deficit) for the year	751,638	319,006	432,632	110,647
Record income in advance portion from PSPA top up funding received				(5,305)
Final net surplus/(deficit) for the year				105,342

This is not material from a financial statements audit perspective.

## Appendix 2: finding ratings

The following framework for ratings has been developed to facilitate discussion with the School's management in order to prioritise issues according to their relative significance.

Rating	Definition
<b>Urgent</b>	Needs to be addressed urgently. These recommendations relate to a significant deficiency that exposes the organisation to significant risk or for any other reason need to be addressed without delay.
<b>Necessary</b>	Address at the earliest reasonable opportunity, generally within six months These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
<b>Beneficial</b>	Address, generally within six to 12 months These recommendations relate to areas where the organisation is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

## Appendix 3: update on findings from previous years

Topic / issue	Description and recommendation	Update	Management's comment
<p><b>Review of 10 Year Property Plan</b></p> <p>2022 Report to the Board</p>	<p>We could not sight evidence of formal discussion by the Board, confirming the reliability and appropriateness of the 10YPP, in the School's Board minutes.</p> <p>It is expected that schools have reliable information (i.e. an up-to-date 10YPP) to support their cyclical maintenance provision, unless there is significant uncertainty about the maintenance programme. 10YPPs usually provide for interior and exterior painting of a school, but can include other maintenance. The plans become less reliable when there are unexpected changes in the nature or timing of the planned work; or estimated costs; or the condition of the buildings, resulting from leaky buildings, earthquake strengthening issues or proposed major capital works as deemed by the MOE.</p> <p>Accordingly, MOE guidance provides that: A new 10YPP must be formally submitted to the MOE every five years; 10YPP must be approved by Board prior to submission to the MOE; and Boards should review the 10YPP, on an annual basis, to assess whether updates to the plans are needed. Given the inherent complexity and judgement involved in a 10YPP, there is a risk of potential misstatement occurring in the financial statements.</p> <p>We recommend that: The Board annually table and review the 10YPP for reliability and appropriateness. This should take place toward the end of the year, with evidence formally recorded in the minutes once approved by the Board. Management take care to ensure the cyclical maintenance calculation correctly reflects the approved 10YPP.</p>	<p>Matter resolved.</p>	
<p><b>Cash Management</b></p> <p>2022 Report to the Board</p>	<p>The School's cheque/current account is in overdraft as at year end indicating cash flow issues with very little funds in savings account.</p> <p>The school's current liabilities may not be able to be settled as they become due and payable until fixed deposits mature.</p> <p>We recommend the school discusses it's cashflow forecasts in board meetings and a monthly review of the school's payables are conducted by the Principal in order to pre-empt any cashflow or liquidity issues arriving.</p>	<p>Matter resolved.</p>	

<p><b>Lack of Segregation of Duties</b></p> <p>2022 Report to the Board</p>	<p>We noted while performing our testing of expenses that the office manager had created, approved them, and readied the invoices for electronic payment.</p> <p>Without systematic independent review of expenses/payables there is a risk that errors whether caused inadvertently or otherwise, could go undetected.</p> <p>Best practice is for the Principal to review and approve expenses on Xero/physically sign approved invoices be uploaded on Xero in a timely manner.</p>	<p>Matter resolved.</p>	
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## CONTACT US

For more information, visit [www.mooremarkhams.nz](http://www.mooremarkhams.nz) to locate your nearest firm.



[www.mooremarkhams.nz](http://www.mooremarkhams.nz)

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