

Paraparaumu Beach School

AUDIT COMPLETION REPORT
FOR THE YEAR ENDED

31 December 2023





19 March 2025

Matt Hudson
Chairperson
Paraparaumu Beach School
BY EMAIL: boardchair@pbs.school.nz

cc: jward@pbs.school.nz
Principal - Jess Ward

Dear Matt,

We have pleasure in presenting our Audit Completion Report for our audit of Paraparaumu Beach School's financial statements for the year ended 31 December 2023.

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 Finance Team during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Manawatu

A handwritten signature in black ink, appearing to read 'Glenn Fan-Robertson', with a stylized flourish at the end.

Glenn Fan-Robertson
Audit & Assurance Services

Email: glenn.fan-robertson@bdo.co.nz

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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Manawatu ('BDO') is the Appointed Audit Firm of Paraparaumu Beach 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 2023 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

Our audit procedures have identified that the presentation of the Property, Plant & Equipment note of the School is misstated. Uncorrected misstatements are documented at Appendix 1 and were included in the letter of representation to confirm that you agree with Management's assertion that they are immaterial to the readers understanding of your financial statements.

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.

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 one issue regarding the completeness of locally raised funds balances recorded in the financial statements. Please refer to section three below for more details.

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 two issues regarding controls that could affect the payroll balances recorded in the financial statements. Please refer to section three below for more details.

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

We found one issue regarding the provision for cyclical maintenance recorded in the financial statements. Please refer to section three below for more details.

Please note - the OAG has advised us that it is their expectation that the 10 year property plan is reviewed by a suitably qualified person every three years. Your current property plan is dated 25 August 2020 and is coming up for a qualified person review.

We would also like to remind the School Board that the plan should be reviewed internally on an annual basis, and this review should be clearly documented in the Board Minutes.

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.

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:

SUE Report Review	
Finding	Conclusion
<p>We noted on review of the school's payroll process that there is no independent review of the staff usage and expenditure (SUE) report.</p> <p>SUE reports are a critical document that lists all personnel paid in each pay run, and represents the School's largest cost. Without review by a person independent of the school payroll system, there is less comfort that only appropriate people are paid, and that the amounts paid are reasonable.</p>	<p>We recommend that SUE reports are signed and dated by a one-up independent authority (such as Board Treasurer or Presiding Member) as evidence of this check.</p> <p>It is important for the School board to review SUE Reports with a specific focus on the Principal's pay as this is not independently reviewed by a one-up authority if the School Board does not formally review and approve SUE Reports.</p>

Budget Preparation

Finding

We note that your school's current year approved budget does not include all the statements required and does not budget for all non-cash transactions. It is important to consider the budgeted financial position of the school and its future cash flows to ensure that the Board can effectively manage its working capital and cash flows, as well as possible legislative requirements, such as borrowing limits. It is also required to disclose the budgeted amounts for these statements in your financial statements.

Conclusion

We recommend that the Board produce a budgeted Statement of Financial Position and 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. We also recommend non-cash transactions such as the Ministry of Education teaching salaries and use of land and buildings are budgeted for. Not having these statements included in your budget and approved as part of your budget setting process is a breach of legislation. Our usual approach to breaches of legislation, related to a school's financial statements, is to ask the school to disclose the breach, otherwise we will report on the breach in our audit report.

Fixed Asset Review

Finding

We noted on discussion with the School, the fixed asset register is the responsibility of the office manager and accounting service provider. We noted during our audit work, the School had not disposed of expired leases at year end requiring an audit recommended adjustment.

Conclusion

We recommend the fixed asset register be reviewed regularly, and that the School perform a yearly stocktake. This involves sighting all assets in the register to ensure they still exist and are in good working order including any ongoing or expired leases - ie that no impairment over the asset needs to be recognised or that it needs to be disposed of.

Library Book

Finding

We noted on review of the School's fixed asset register that no library books were disposed of during the 2023 financial year. On discussion with the School they advised a stocktake is done every two years.

Conclusion

We recommend library book stocktakes are done annually to get an accurate representation of library books lost or disposed of during the financial year.

Policy Review

Finding

We noted on review of the School policies these were last reviewed and updated in 2020. We also noted the Conflict of Interest policy was not signed by the School Board.

Conclusion

We recommend the School implement a review program for School Policies to ensure these are all up-to-date and these review programs are written on the policies themselves. We also recommend all policies are signed by a School Board member to confirm them as adopted.

Receipt of Money through Kindo

Finding

We noted during our interim visit that cash is receipted in bulk in the receipt book and is individually receipted in Kindo. From our discussions we noted that the School does not have a method to reconcile the bulk cash receipt to what cash was entered into Kindo.

Conclusion

We recommend that each cash transaction received by the School is receipted with a unique receipt number to produce an audit trail. We also recommend a reconciliation is prepared when cash is banked to easily identify what receipts make up the funds. This reconciliation should be reviewed by a staff member who is independent from the receipting process.

Journal Review

Finding

We noted on review of a sample of journals posted by the Accounts Manager these were not always signed off as reviewed.

Conclusion

We recommend all journals are printed on a regular occasion and these are reviewed by a one-up independent party from the accounting system.

Timesheet Approval

Finding

We noted on review of relief teacher wages that there is no formal process for time worked by each reliever to be reviewed before this is entered into Edpay.

Conclusion

While we understand the SUE reports are reviewed which include reliever hours, we recommend the School develop a formal review procedure of timesheet hours before these are entered into Edpay. We recommend all timesheet hours are documented and are reviewed with clear evidence of approval by Key Management of the School.

School Trips & Recoveries

Finding

On review of School revenue we identified the request letter for camps that were curriculum based did not clearly advise that the costs were voluntary.

Conclusion

While we understand the School has opted into the donation scheme for the 2023 year, the School is required to meet Section 33 of the Education and Training Act 2020 to provide free education to all students which includes any activity directly relating to the Curriculum. We recommend the School review the Ministry of Education website page 'What a school or kura can charge for' which details guidelines that must be met when requesting fees/donations from parents.

Review of 10YPP and Cyclical Maintenance Plan

Finding

During our review of the 10YPP and cyclical maintenance of the school, we noted the School Board does not have clear evidence of these reports and calculations being reviewed annually.

Conclusion

We recommend that the 10 year property plan and cyclical maintenance is reviewed by the School Board annually and this review is clearly documented in the Board minutes.

We would also like to remind the Board that the plan should be reviewed by a qualified person every three years.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	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.
Confirmation of Audit Independence	<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">• No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner or the OAG.• All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by BDO during the year.</p>
Management Judgements and Estimates	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 2023 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.

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; • Management accounts; • Annual budget; • 10 Year Property Plan/maintenance plan; • Notification of fraud; and • 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 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
Going concern	<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>
Fraud	<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>
Compliance with laws and regulations	<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>
Significant findings from the audit	<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>
Disagreements with management	<p>There have been no disagreements with management over matters of significance to the audit.</p>
Difficulties encountered during the audit	<p>There have been no significant difficulties encountered during the audit.</p>
Consultations with other accountants and consultants	<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
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.
Publishing Annual Report on the School's Website	<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, list of school board members, statement of variance, kiwisport statement, evaluation of the school's students' progress and achievement, report on how the school has given effect to Te Tiriti o Waitangi and, statement of compliance with employment policy.</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 AND UNADJUSTED 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)
	\$	\$	\$	\$
Recognise PSPA back pay relating to 1 Dec 2022 - 30 Nov 2023 ¹	16,210	(16,210)	-	-
Recognise banking staffing ¹	-	(33,175)	-	33,175
Correct incorrect asset recognition for heating project between School and Ministry of Education closing the project.	(16,179)	55,170	-	(38,991)
Net Effect of Adjustments made:	31	5,785	-	(5,816)

¹ Note: Adjustment due to information received subsequent to audit receiving the first draft accounts

UNADJUSTED DIFFERENCES

The disclosure of Property Plant & equipment in note 11 has incorrectly classified information technology assets as leased assets as follows:

	Information technology (understated)	Leased assets (overstated)
Cost	42,505	42,505
Accumulated depreciation	38,260	38,260
Net book value	3,945	3,945

This incorrect disclosure does not impact the Statement of Financial Position or Statement of Comprehensive Revenue and Expense.

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

Conflict of Interests

Finding

On review of School Board minutes, we identified a conflict of interest was declared by Lisa Patterson regarding the boundary fencing issue. We note while the quotes received were discussed it was not clearly minuted that Lisa was excluded from the meeting.

We recommend when any conflict of interests is declared, the Board Member is excluded from the meeting of the board while it discusses, considers, or decides the matter to meet requirements of the Education (School Boards) Regulations 2020 section 15(1). We recommend this exclusion is clearly minuted to show evidence the member is excluded.

Update

No instances of this noted during the 2023 audit period.

Cyclical Maintenance Review

Finding

During our review of the 10YPP we noted that it has not been reviewed by the School Board.

We recommend that the 10 year property plan and cyclical maintenance is reviewed by the School Board annually and this review is clearly documented in the Board minutes.

We would also like to remind the Board that the plan should be reviewed by a qualified person every three years.

[School Comment: 10YPP is checked and signed by Jess who is a Board Member and Lee Ashby \(Property Manager\).](#)

Update

We could not sight clear evidence of the 10 year property plan and cyclical maintenance being reviewed and approved by the School Board.

Purchase Orders

Finding

It was noted during the interim audit that purchase orders prepared are not formally signed as evidence of the request being made or approved.

We recommend that all purchase orders prepared are complete and are physically signed by the preparer to confirm the request is accurate. These order forms should also be formally signed by a one-up authority to approve the purchase.

Update

No instances of this noted during the 2023 audit period.

School Trips & Recoveries

Finding

On review of School revenue we identified recoveries of subject costs (EG: Technology) and School Trips that were curriculum based - but the requests for payment did not clearly advise that the costs were voluntary.

While we understand the School has opted into the donation scheme for the 2023 year, the School is required to meet Section 33 of the Education and Training Act 2020 to provide free education to all students which includes any activity directly relating to the Curriculum. We recommend the School review the Ministry of Education circular 2021/03 which details guidelines that must be met when requesting fees/donations from parents.

Update

Repeated in current year findings as curricular camp requests were not clear.

Kiwipark Coding

Finding

On review of the Financial Statements we identified some Kiwipark expense lines and GL coding that did not accurately reflect the nature of the expenses.

While the errors we identified were not material, we recommend the School review the final Kiwipark coding and ensure transactions are coded to the correct GL code and Kiwipark code before first draft financial statements are issued for audit.

Update

No instances of this noted during the 2023 audit period.

Bank Signatories

Finding

On review of School banking signatories we identified Evelyn McGinley was an authorised signatory.

While we understand Evelyn has not worked at the School for many years, we recommend the School follow up BNZ to review and confirm all signatories on bank accounts are correct.

Update

No instances of this noted during the 2023 audit period.