

Report to Governance

For the Year ended 31 December 2023

Presiding Member
School Board Members
Te Kura Kaupapa Māori O Tupoho

13 May 2024

Tēnā koe

In accordance with our engagement letter, we confirm we have completed our audit of Te Kura Kaupapa Māori O Tupoho (“the School”) for the year ended 31 December 2023.

This report sets out certain matters which came to our attention during the course of the audit as well as other required communications. These items may include matters of subjectivity and accounting issues.

We have prepared this report solely for the use of the Board Members and Management of the School. This report forms part of a continuing dialogue between us and therefore, it is not intended to include every matter that came to our attention. For this reason, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they may place on it.

We congratulate the Board on its efforts to maintain effective internal controls in the School. We take this opportunity to thank the board members and staff for the co-operation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Ngā mihi nui,
Silks Audit Chartered Accountants



Appointed Auditor / Audit Partner

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Encl: Board Report

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1. EXECUTIVE SUMMARY

This report details the processes, findings and recommendations from our audit of Te Kura Kaupapa Māori O Tupoho (the “School”) in accordance with the Auditor General’s Auditing Standards which incorporate International Standards on Auditing (NZ), and the terms of our engagement as set out in our audit engagement letter. In accordance with our normal practice we enclose our comments on certain areas of the internal control and accounting practices which came to our attention during our recent audit. We also offer recommendations for possible courses of action.

Overall, we are satisfied that the School has presented its results for the year ended 31 December 2023 to a good level of compliance with applicable financial reporting standards. Adjustments made during the audit are noted in Appendix 1.

We have received full and frank co-operation. There is nothing we wish to raise solely with the Board.

2. AUDIT SCOPE AND OBJECTIVES

Appointed auditor 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).

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 Summary Findings section of this report.

Confirmation of audit independence

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of Chartered Accountants Australia and New Zealand and the External Reporting 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 the Board, we note that the following processes assist in maintaining our independence:

No other work is permitted to be undertaken by Silks Audit Chartered Accountants.

We have not provided any non-audit services to the School. We confirm the independence of the Silks Audit engagement team. We are not aware of any relationships between Silks Audit Chartered Accountants and the School that, in our professional judgement, may reasonably be thought to impair our independence.

3. AUDIT APPROACH

The Board Members is responsible for preparing financial statements in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime issued in New Zealand (PBE Standards RDR). These financial statements must reflect the financial position of the School at 31 December 2023 and the results of its operations for the year ended on that date. This responsibility is specified in the Crown Entities Act 2004 and Education and Training Act 2020.

Our responsibilities include expressing an opinion on these statements, and accordingly our audit procedures are tailored to our assessment of risk of material misstatement in the financial statements.

We consider accounting controls at various levels and in overall terms. Obviously, we cannot in practice examine every operating activity or accounting procedure carried out by the School, nor can we substitute for the Board Member's responsibility to maintain adequate controls at all levels of operations.

Our understanding of the internal control environment determines the nature and extent of our substantive tests of detail. Given the level and nature of the activities of the School, our audit approach has been largely substantive in nature.

4. Areas of audit focus

Outlined below are the key risks we have considered for your School. We have identified the potential impact of these risks to your financial statements, and we have tailored our audit approach accordingly.

Risk	Audit Response	Audit findings
Revenue Completeness of revenue, particularly from locally raised funds, is a significant risk.	We have: Updated our understanding of the processes relevant to the recognition of revenue. Designed our audit procedures to respond to the risk of a material misstatement in Revenue with a particular focus on ensuring that all revenue was properly captured in the reporting period.	Our testing around revenue has not identified any issues that management should be aware of.
Risk	Audit Response	Audit findings
Payroll The nature of the Edpay payroll system raises an inherent risk of a material misstatement through internal and/or external processing.	We have: - Assessed the results carried out by Ernst & Young over the central processing of Edpay. - Cleared any unusual transactions identified by this testing at the individual school level.	Our testing around payroll has not identified any issues that management should be aware of.

- Performed analytical review procedures and employee existence testing at the individual school level.

Risk

Probity and Financial Prudence

There is a risk that Crown funds may not be used for school related expenditure.

Audit Response

We have:

- Considered the value, nature of transactions and the risk of fraud.
- Considered the Board Members process for approval and monitoring of expenditure.

Audit findings

Our testing around probity and financial prudence has not identified any issues that management should be aware of.

Risk

Segregation of Duties

The ability of a key person to override or manipulate receipt or recording of school funds through the exercise of control and opportunity.

It is important that no single person has control over, or access to, all aspects of recording and control of school funds.

Not only does this provide opportunity for abuse of the school funds, but also puts a great responsibility and burden of trust on the person who has this control.

Audit Response

The separation of key accounting responsibilities is a critical internal control in any system to prevent misappropriation of funds, error or unrecorded transactions.

We assessed the extent of the segregation of duties in the financial reporting process and our substantive audit approach was designed to respond to the control findings

Audit findings

All schools will have segregation of duties risk but with careful monitoring and oversight by management and the Board this risk can be mitigated.

Risk	Audit Response	Audit findings
Management Override of Controls The ability of management to override controls over the financial reporting process creates a fraud risk.	• Our risk assessment process concluded that the risk of fraud from management override of controls was through processing manual journals. • Our procedures included a risk-based approach to testing manual journals that included assessment of unusual journals. • We assessed the extent of the segregation of duties in the financial reporting process and our substantive audit approach was designed to respond to the control findings.	Our testing around manual journals has not identified any issues that management should be aware of.

Materiality and adjusted / 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 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. During our audit we have identified adjustments. All adjusted differences have been detailed in Appendix 1 of this report.

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 10% or less of our 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.

During the course of our audit we have identified no material misstatements. All unadjusted differences (none of which we consider material, either individually or in aggregate) have been detailed in Appendix 1 of this report.

Paragraph 15 of ISA (NZ) 570 states:

15. The auditor shall enquire of those charged with governance as to their knowledge of events or conditions beyond the period of their 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 given the School's funding sources and its operating budget for following financial period.

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.

Required communication

We are required by Generally Accepted Auditing Standards (GAAS) to report specific matters to you as follows:

Standard	Our Response
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Auditors responsibility under General Accepted Auditing Standards	We are responsible for the completion of an audit in accordance with the International Standard on Auditing (New Zealand). The detailed terms are included in our letter of engagement signed off by the Board at our previous renewal of contract.
Significant accounting policies	We had read the accounting policies and are satisfied that these comply with the relevant accounting standards and Kiwi Park Model disclosure.
Management judgements and accounting estimates	No management judgement or accounting estimate issues identified.
Significant matters	No significant matters identified.
Disagreements with management	No disagreements were had with school management.
Difficulties encountered during the audit	No difficulties were encountered during the audit.
Independence	There were no independence issues identified between the Silks Audit employees and/or spouses of those employees and the Board.
Independence – other services	We can confirm no other services were provided to the entity during the course of the audit
Laws and Regulations	The School have confirmed that the Board have complied with all necessary laws and regulations. We did not identify any significant breaches.
Fraud or Illegal Acts	From our enquiries with management and our audit testing we have not become aware of any significant fraudulent or illegal acts during the period.
Accumulation of unadjusted errors	We can confirm that all audit adjustments identified have been adjusted for in the financial statements. We can confirm that there is no accumulation of unadjusted errors which would impact on the financial statements
Deficiencies in internal control	As reported in the internal control section above.

5. OVERALL RESULT

There are no significant or material weaknesses arising from our audit.

Our audit work is complete. We have issued an unmodified audit report on the financial statements of the School for the year ended 31 December 2023. The audit report contains no matters or items that the Board needs to consider further.

General Comment

Section 136 of the Education and Training Act 2020 requires School Board to publish or make available to the public their Annual Report on the internet which is normally on the School's website. The annual report contains the Audited Financial Statements including our audit opinion, along with the Analysis of Variance, KiwiSport Report, and a List of the Board Members.

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 and after you have submitted your Annual Report to the Ministry of Education.

Payroll General Comment

School payroll controls

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.

Guidance on the controls within EdPay that should be operating at schools is available on the EdPay website ([School internal processes and controls – payroll](#)). 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.

The final fortnightly payroll (SUE) report should also be reviewed to ensure the amounts paid are as expected. We would expect this review to include consideration of whether all those paid in the period were employed by the school, whether the amounts paid are as expected, and where amounts have changed since the previous period, whether those changes are expected and have been authorised.

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.

This means that, while an initial review of the transaction history reports and the fortnightly draft payroll (SUE) report might be carried out by the payroll administrator, to check the accuracy of data entry, the final fortnightly payroll (SUE) report and activity history reports should be reviewed by someone independent of the staff who have access to EdPay.

Refresh of EdPay's guidance on controls

The current guidance to schools on controls (referred to above) notes that the online activity history for Masterfile changes, such as bank account and other changes to personal details within EdPay, is still in development. The guidance does suggest some interim procedures, consisting of taking screen shots of changes and having those approved. However, as this does not provide a list of all changes made, we do not consider this to be an effective control.

We understand from the Ministry that the activity history report now provides details of all Masterfile changes (except changes to employees' addresses). However, this change has not been communicated to schools. EPL and the Ministry are currently refreshing the guidance to schools on payroll controls, and we have been told that this will be available soon.

Recommendation

We recommend that the Board ask management for assurance that appropriate controls are in place at the school over payroll transactions, and that these controls are considered against the updated payroll guidance once it is published by EdPay.

6. Internal control findings

Assessment of internal control

Our audit approach requires us to obtain an understanding of an school's internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the entity, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

Action Taken on Prior Year Management Letter Suggestions

We always appreciate the efforts made by Boards in implementing the recommendations in our previous year's management letter. We acknowledge and say thanks for the proactive manner in which the matters from the previous year's management letter have been addressed by your school.

We are pleased to note the following matters raised in last year's audit management letter have been addressed.

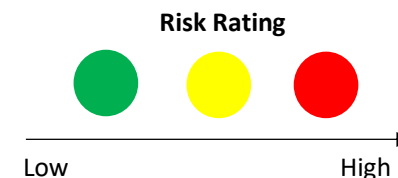
- Internet banking – no review by the Board of Trustees of payments made by internet banking system.
- Payroll – no appropriate review of the fortnightly transaction and draft payroll report
- Fraud policy – no policy implemented
- Staff Banking – no review by the Board of Trustees
- Payroll – adjustments

- Board of Trustee Minutes not provided.
- Internet banking – only one authoriser required.

We note the following matters raised do not appear to have been addressed. Because we feel that they are important to the effective internal controls within your accounting system we repeat them for your due consideration. If you have good reason for not wishing to adopt these matters would you, please advise us in writing of the reasons for your decisions. This written response should be tabled at a BOT meeting and minuted.

- Payroll – non-teaching staff hours documentation
- Payroll – no appropriate review of the fortnightly processed payroll report by a Board member
- Deposits – infrequent
- Purchase of goods and services – no review and authorisation of invoices
- Uniforms and stationery trading accounts
- Probity of expenditure – no appropriate approval of gift card purchases

To enable management to set priorities on their action plans we have assessed our findings on the following basis, based on our assessment of the importance of each finding.



Summary

Finding	Risk Rating
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Purchase of goods and services – no review and authorisation of invoices	
Uniforms and stationery trading accounts	
Probity of expenditure – no appropriate approval of withdrawal	
Purchase of goods and services – inadequate documentation maintained	
Publishing School Annual Report	
Grant Documentation	
Deposits - infrequent	
Payroll – non-teaching staff hours documentation not provided	
Exception report from MOE	

Payroll – no appropriate review of the fortnightly processed payroll report by a Board member



Observations and recommendations

Matter	Observation	Recommendation	Management/ Governance Response						
Purchase of goods and services – no review and authorisation of invoices	We noted on review of the school’s invoice documentation that six of the invoices were not reviewed to ensure appropriate expenditure of the school and had not been signed as evidence of approval. These invoices included the following: <table><tr><th>Date</th><th>Amount (\$)</th><th>Supplier</th></tr><tr><td>31/08/2023</td><td>3,116.29</td><td>Contact Energy Ltd</td></tr></table>	Date	Amount (\$)	Supplier	31/08/2023	3,116.29	Contact Energy Ltd	We recommend that the school implement a policy that when all goods and services are received that they are checked firstly to the packing slip to ensure goods and services expected to be received are received. Variances between packing slip and goods and services received may highlight a shipping error. We recommend that the goods and service received are checked to what was ordered	
Date	Amount (\$)	Supplier							
31/08/2023	3,116.29	Contact Energy Ltd							

28/09/2023	910.76	Flexi Commercial
02/02/2023	106.87	Briscoes
27/03/2023	123.86	Super Cheap Auto
03/04/2023	206.43	KFC
22/09/2023	1,800	Cobb & Co

(invoice). If there is a variance this will determine if goods and services have not been shipped and are on back order or the school has been charged for goods and services that have not been received.

We also recommend that the individual who reviews that the invoice is appropriate expenditure of the school signs the invoice. This should be done by the principal or a member of the Board of Trustees for any amount above \$500.00.

If a supplier statement is received, then all individual invoices should be agreed to the supplier statement and the individual should then sign the supplier statement as evidence of review of the supplier statement. Any variance between the supplier statement should be investigated.

Uniforms and stationery trading accounts

We noted that the uniforms trading account had made a loss of \$2,172 for the year.

While the amount concerned is relatively small, the uniform trading account should be reviewed to ascertain why the loss occurred and procedures should be put in place to rectify the problem. At a minimum we would expect the school to break even. Problems which could have led to this loss would include incorrect stock figures, miscoding, theft, etc.

Probity of expenditure – no appropriate approval of withdrawal

We noted on review of the invoices that there were four withdrawal transactions totalling \$700.00. These included the following:

Date	Amount (\$)	Description
03/03/2023	100	Withdrawal - 51 Abbot St - Bennett Tangi
19/04/2023	250	Withdrawal - Cdown Wanganui
05/10/2023	200	Withdrawal - Koha - Tangihanga Whaea Hine
26/05/2023	150	Withdrawal - Koha - Tangi Rawiri Whanau

There is no evidence of these transactions being authorised by the Board of Trustees or the principal. We raise the concern that it could be questioned if it became public knowledge.

We recommend that the Board of Trustees regularly monitor the nature and level of spending in sensitive expenditure areas as part of their monthly meeting and ensure all purchases of this nature are authorised by a board member.

Purchase of goods and services – inadequate documentation maintained

From our sample testing of payments, we noted that suppliers' invoices were not always available to support invoice payments.

In most circumstances, GST cannot be claimed without a tax invoice. It is also a legal requirement that invoices be kept for seven years. Obtaining and retaining invoices is also essential to ensure adequate control over the funds of the school. We recommend the school ensure all invoices are retained to support the

		appropriateness of payments made and the claiming of GST inputs.
Publishing School Annual Report	The Education Act 1989 requires you to publish your Annual Report online. Your Annual Report contains your audited annual financial statements, including your audit opinion, analysis of variance, list of trustees, and Kiwisport statement. 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.	Please ensure that your 2022 Annual Reports is published on your website. If you do not have a website, you can contact the Ministry of Education at planning.reporting@education.govt.nz, who can publish it on your behalf on the Education Counts website.
Grant Documentation	On the review of funding received, the school could not provide us with adequate supporting documentation for the funding received from Atihua-Whanganui of \$21,000.	All funding decisions should be minuted by the Board/finance sub-committee and recorded against the grant's application register as permanent record of the decision received and to ensure the grant applications which are expected to be received have been correctly recorded in the financial records. This information will be required for audit purposes with the introduction of the new auditing standard on "The Auditors Responsibility to Consider Fraud"

		in an Audit Report (AS 206)". This will require the school to have a formal internal control procedure adopted for grant applications.
Deposits - infrequent	We noted on review of the school's banking process that funds collected during the 2022 audit period were not deposited until July 2023. There were no apparent reasons as to why the deposit was not made sooner.	We recommend that funds should be deposited either immediately or weekly, or the Board of Trustees develop a banking policy which allows for funds to be deposited once a specific amount has been collected. For example, when funds held in the safe exceed \$100 then funds must be deposited immediately.
Payroll – non-teaching staff hours documentation	We note that copies were requested of staff timesheets for non-teaching hours worked and these were not provided for our audit as the school explained that these records were not kept by the school.	We recommend that non-teaching staff hours are recorded to provide evidence of the number of hours worked, and date and time of when they were worked. The following could be used to record these hours: Individual timesheets, summary worksheet of hours for all non – teaching staff, timesheets used when working in addition to standard hours, and sign in or diary system. It is important that the staff member signs that the hours worked are correct and that the principal also approves the hours before entering them into the Edpay system. These documents should be retained for audit and record keeping purposes. We have also noted that the school have implemented the system from 2024 onwards.
Exception report from MOE	The two exception reports identified by the Ministry were sent to the school. (Test 15 & 39), at the time of the audit the response for test 15 were uncertain why the exception occurred.	We recommend that the school investigate these exceptions noted and ensure that the appropriate steps are put in place to prevent it from reoccurring.

Payroll – no appropriate review of the fortnightly processed payroll report by a Board member

We noted on review of the school's payroll documentation that the fortnightly processed payroll report is reviewed by the principal, but a Board member does not review any of the processed payroll reports.

We recommend that a Board of Trustees member should review one processed payroll report per month. The review should include comparing the draft payroll to the processed payroll and note any differences. These differences should be investigated, followed up with Edpay and reported to the Board of Trustees.

APPENDIX 1 – ADJUSTED AND UNADJUSTED DIFFERENCES

Adjusted differences

The following audit adjustments were made to the financial statements:

Accounts details	Statement of Financial Performance		Statement of Financial Position	
	Dr	Cr	Dr	Cr
Future Finance Charges				6,236
Future Finance Charges		8,117		
Future Finance Charges				495
Leased Assets			14,848	
<i>Narration - Reversal of Interest charges on De Lage Landen Ltd Apple Ipads</i>				

Other Revenue	18,261			
Te Kura o Kokohuia			4,316	
Income in advance				22,577
<i>Narration - Create new code Potiki Hononga - National Kapa Haka</i>				
<i>Food in Schools Income</i>		27,862		
<i>Other MOE Debtors</i>			27,862	
<i>Narration - Record Term 4 Healthy School Lunch receivable from MOE</i>				
Teacher Resource Maori	30,000			
Accruals				30,000
<i>RTM not submitted payment for 2023 - Accrual to be raised.</i>				

Unadjusted differences

There are no unadjusted differences as at 31 December 2023.