



# Summary

## *Results of the 2021 school audits*

### Completing the school audits

It was another challenging year for our school audits. A global shortage of auditors and the Omicron outbreak in early 2022 (which resulted in higher levels of staff illness in both our audit teams and at the schools we audit) affected our ability to complete audits on time.

Changes to our audit approach also resulted in many school audits taking longer than planned. These changes included having to carry out additional audit testing due to changes to the school payroll system by Education Payroll Limited and additional payments made centrally by the Ministry for Ka Ora, Ka Ako (Healthy Lunches Programme). We also needed to refine our audit of cyclical maintenance provisions in response to changes to international auditing standards, which added to the audit work required.

We completed 1400 (57%) of the 2021 audits by the statutory deadline of 31 May 2022.

However, we have made steady progress completing outstanding school audits since then. As at 31 December 2022, we had completed 2231 (91%) of the 2021 school audits.

### Observations from our audits

#### Financial health of schools

We carried out some analysis of the schools' financial information. We found that schools had more cash available and increased working capital, but there were more schools that recorded a deficit. Overall, there were about the same number of schools in financial difficulty this year compared to last year.

If we consider a school to be in financial difficulty, we ask the Ministry of Education to provide a letter confirming that it will continue to support the school. For the 2021 audits, we identified only 19 schools that needed a letter of support.

#### Budgeting

We continue to see many schools not preparing and reporting full budgets (485 schools in 2021). Having a full budget, including a balance sheet and statement of cash flows, is a legislative requirement and important for good financial management. The shift to the Equity Index system at the start of this year means that schools will receive different amounts



of funding from previous years. Therefore, having a full budget in place will be particularly important as schools go through these funding changes.

### **Non-compliance with the Holidays Act 2003**

Non-compliance with the Holidays Act 2003 has been ongoing for several years. The impact on thousands of current and former school employees who might have been incorrectly paid over many years is concerning. Progressing the remediation payments needs to be a high priority.

### **Other matters**

We also draw attention to a range of other matters identified during our audits, including sensitive expenditure and schools that claimed money through the Covid-19 Wage Subsidy Scheme.

## **Our recommendations**

We have made three recommendations to the Ministry of Education to:

1. ensure that schools are complying with their property planning requirements by having up-to-date cyclical maintenance plans. This includes reviewing those plans to assess whether they are reasonable and consistent with schools' asset condition assessments and planned capital works;
2. engage with the schools we have identified as not preparing full budgets and provide them with the necessary support to ensure that their budgets for the next school year are complete; and
3. continue to simplify the level of financial reporting required in the Kiwi Park model financial statements – in particular, reconsidering what information the Ministry of Education specifically requires in addition to what is required by financial reporting standards.