

Results of the 2023 school audits

February 2025

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Schools at a glance



2468 schools

There are 2468 schools that require audits (including their subsidiaries and associated trusts).

Audit reports we issued



58% of 2023 audits completed by 31 May 2024 deadline.

88% of 2023 audits completed by 31 October 2024.



88 schools received modified audit opinions.

7 schools were considered to be in serious financial difficulty.

\$9.6 billion in
Government funding
went to schools in 2023.



Summary

When auditing the financial statements for schools' 2023 year, we provided most with a standard, unmodified, audit report. This means that, in our opinion, the financial statements for those schools fairly reflected their transactions for the year and their financial position at the end of the year.

Of the audits completed since we last reported, 88 (less than 4%) contained modified opinions. This means that we either:

- did not get enough audit evidence from the school to be entirely satisfied that the financial statements were a fair reflection of the school's use of public money; or
- disagreed with the school about an aspect of the information it included in its financial statements.

Although a small proportion of all school audit results, it is the highest number in the last five years.

The most common reason for a modified opinion was inadequate or inaccurate information about school maintenance costs. Schools are required to have 10-year plans to maintain the Ministry of Education's buildings and have provided for a regular cycle of maintenance. Many schools did not have adequate provisions for cyclical maintenance or lacked enough evidence to show that their provisions were a sensible amount to set aside, and some had no provision for maintenance at all.

Consider the future of schools' financial reporting

After we reported on the school audits in 2021, the Ministry of Education agreed to set up and run a project that we would support. The project objectives are to:

- simplify financial reporting processes for schools, while ensuring that schools complied with accounting standards and provided transparency for school communities;
- consider the needs of different users of school financial information, including the Ministry of Education and the communities to which schools are accountable; and
- explore what form of assurance is needed over a school's financial information and how that assurance can be provided in a cost-effective and timely manner.

Although the Ministry has committed to the project, it has not yet allocated resources to complete it. In our view, given how some schools struggle with the current financial reporting processes, this project is increasingly important.

Recommendation 1

We recommend that the Ministry of Education prioritise carrying out its project on the future of schools' financial reporting.

Improve school payroll processes and controls

Many payroll transactions are initiated by schools, making it essential that schools have a strong control environment. Many schools do not.

Recommendation 2

We recommend that the Ministry of Education and Education Payroll Limited review the adequacy of current payroll reports and update the guidance on school payroll controls, so that schools can easily implement and operate the expected payroll controls.

Make sure that schools have up-to-date cyclical maintenance plans

We issued a significant number of qualified audit opinions because schools had not included adequate provisions for their cyclical maintenance (the regular and recurring costs of maintaining the school property and buildings).

For the 2023 audits, 14% of schools lacked reliable plans or other necessary evidence to fully support their cyclical maintenance provisions.

Schools are required to have 10-year property plans prepared by property consultants and approved by the Ministry of Education. These plans should include detailed maintenance schedules and cost estimates. Despite the requirement, many schools did not have up-to-date maintenance plans.

Given how many schools struggle with this requirement, we consider that the Ministry needs to support schools with reviewing and updating these plans.

Recommendation 3

We recommend the Ministry of Education evaluate whether all schools' 10-year property plans include adequate information to calculate the cyclical maintenance provision, and consider how it can help schools with reviewing plans and updating cyclical maintenance provisions.

Help schools better control sensitive expenditure

Sensitive expenditure is any spending that could give private benefit to staff in addition to any benefit to the school.

In our 2023 audits, we found incidences where schools had used funding for principals' professional coaching and well-being support in ways that did not have any educational benefit for the school.

We also noted incidences where the educational benefit of gifts provided and overseas travel were not well defined.

Recommendation 4

We recommend that the Ministry of Education determine appropriate actions to take when school spending on professional coaching and well-being support funding was inconsistent with the purpose of the funding or inconsistent with Ministry guidance.

Support schools to prepare full budgets

Some schools did not prepare complete budgets, and this has a negative effect on the school's financial management. It also means the school cannot provide all the required information in the financial statements that we audit.

Recommendation 5

We recommend that the Ministry of Education support the schools we have identified as not preparing full budgets to ensure that their budgets for the next school year are complete.

Review the accountability requirements for closed schools

When a school closes, it must prepare a final set of financial statements up to the date of closure and a liquidation statement detailing how any remaining assets have been distributed. These statements are required to be audited to ensure accountability and transparency.

The Ministry of Education appoints a Residual Agent to manage the closure process, settle liabilities, and disperse assets. If the auditor does not receive all the information required to audit the final set of financial statements and the liquidation statement, the audit cannot be completed.

There have been significant delays in completing audits for closed schools and some incomplete audits date back to 2014. These delays reduce the value of accountability and the audited information becomes less useful.

Recommendation 6

We recommend that the Ministry of Education complete its review of the requirements of Residual Agents and make appropriate changes to ensure timely accountability of closed schools.

1

Completing school audits

- 1.1 In this Part, we:
- describe why we consider it important that the Ministry of Education reconsider aspects of schools' financial reporting; and
 - report how many audits have been completed in the year since we last reported. Most of the audits we discuss relate to 2023, but some were audits completed from previous years. Our discussion includes the audits of organisations that are financially connected to schools.

Consider the future of schools' financial reporting

- 1.2 School audits have become more complex, mainly due to increased financial reporting and auditing requirements. The number of audit firms has reduced. As a result, appointing auditors for more than 2400 schools has become increasingly difficult.
- 1.3 The resourcing pressures that intensified during and after the Covid-19 pandemic have added to the challenges and resulted in the delays in completing some school audits.
- 1.4 Auditors, like other professions, are experiencing significant cost pressures, which puts pressure on audit fees. It also means audit firms are less willing to do audits that are difficult or less profitable.
- 1.5 Given these challenges and the importance of schools' accountability for spending public money, we noted in 2021 the need to consider the future of school audits. Schools need to remain accountable but that accountability could be more efficient and cost-effective. We agreed to support the Ministry of Education with a project on the future of schools' financial reporting and auditing.
- 1.6 The Ministry has continued to confirm its commitment to carrying out the project but has not yet allocated resources to the project.
- 1.7 The project would consider the needs of the different users of schools' financial information (mainly the Ministry of Education and the communities to which schools are accountable). The project would also consider what form of assurance is needed over a school's financial information and how that assurance could be carried out in a more cost-effective and timely manner.

Recommendation 1

We recommend that the Ministry of Education prioritise carrying out its project on the future of schools' financial reporting.

Progress in completing school audits

- 1.8 About 93% of schools provided draft financial statements for audit by the statutory deadline of 31 March 2024.
- 1.9 We completed 1423 (58%) of the 2023 audits by the statutory deadline of 31 May 2024. This was more than the 55% of 2022 and more than the 57% completed by the statutory deadline in 2021.
- 1.10 All school audits are carried out by auditor service providers on the Auditor-General's behalf. The ongoing shortage of auditors described above has resulted in auditors not being available at the time they are needed to complete school audits.
- 1.11 Auditors have made steady progress in completing school audits since 31 May 2024. As at 31 October 2024, they had completed 2166 audits (88%). This too was better than the 82% of 2022 schools audits completed at 31 October 2023.
- 1.12 Before Covid-19, about 100 (4%) of the previous year's audits would be unfinished by 31 October. For the 2023 school audits, 302 (12%) were not completed by 31 October 2024. Figure 1 shows the number of unfinished school audits as at 31 October for the last three years.
- 1.13 There were 190 previous-year audits (for 120 schools) unfinished as at 31 October 2024. Figure 1 also shows the years to which these audits relate – most were for 2022, but some audits have been unfinished since before 2018.

Figure 1
Unfinished audits as at 31 October, 2022 to 2024

Financial year	As at 31 October 2022		As at 31 October 2023		As at 31 October 2024	
	Number	%	Number	%	Number	%
2023	-	-	-	-	302	61.4
2022	-	-	453	77.2	110	22.4
2021	392	79.8	83	14.1	50	10.2
2020	51	10.4	28	4.8	13	2.6
2019	23	4.7	8	1.4	5	1.0
2018	10	2.0	6	1.0	5	1.0
Before 2018	15	3.1	9	1.5	7	1.4
Total	491	100	587	100	492	100

Note: Some schools have several years of unfinished audits – the 492 unfinished audits are for 314 schools. Of the 23 audits unfinished for 2019 and earlier, seven are audits of schools that have closed. A closed school must prepare financial statements to the date of closure and a liquidation statement, and the Ministry of Education requires both to be audited. However, information can be difficult to access once a school has closed (see Part 3).

- 1.14 Some schools have many years of audits that remain unfinished - 11 schools have 54 unfinished audits. For many of these schools, the auditor was last able to complete an audit four years ago. One school, Te Kura Kaupapa Māori o Te Kotuku, has not been audited for nine years.
- 1.15 We liaise with the Ministry of Education about schools that need its support to complete previous-year financial statements, and we support auditors to complete the previous-year audits once all the relevant information is available.
- 1.16 We have talked with the Ministry about it funding the significant audit fee increases needed for the 2024 to 2026 school audits. To help improve timeliness, the Ministry will provide increased funding to each school only after the audit has been completed and the audit report issued.
- 1.17 We will provide training and support to auditors and work with the Ministry of Education to ensure that all auditors receive the resources they need to carry out their audits in a timely manner.
- 1.18 We will also continue to work with the Ministry of Education on opportunities to make the financial reporting process more efficient for both schools and auditors. This is an integral part of the project on the future of schools' financial reporting.

The opinions we issued in our audit reports

2

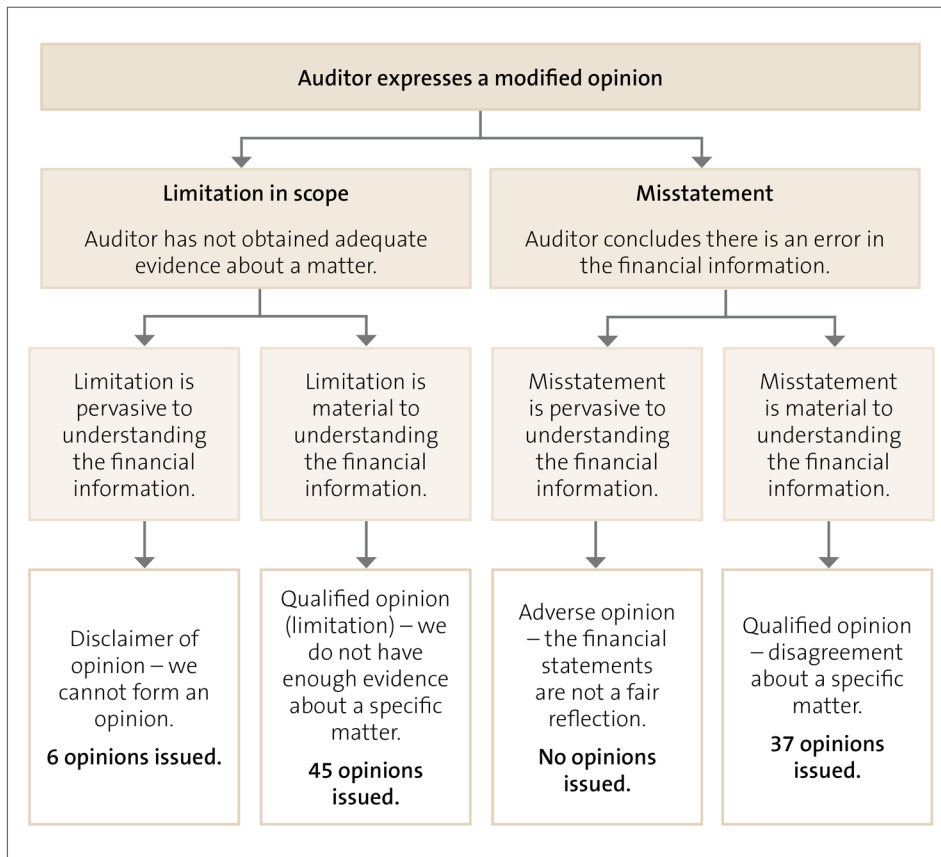
- 2.1 In this Part, we set out the results of the school audits completed between 1 November 2023 and 31 October 2024. Most were audits of schools' 2023 financial year but some were audits for previous years, completed since our last report.¹
- 2.2 We issued a standard, unmodified, audit report for most schools. This means that, in our opinion, the financial statements for those schools fairly reflect their transactions for the year and their financial position at the end of the year.
- 2.3 Some of our non-standard audit reports include modified audit opinions and some of them include paragraphs drawing the readers' attention to important matters. We explain these further below.

Modified audit opinions

- 2.4 We issue modified audit opinions if we cannot get enough evidence about a matter or if we conclude that there is an error in the financial information that is significant enough to change a reader's view of the financial statements.
- 2.5 Figure 2 explains the different types of modified audit opinions and why we issue them. It also notes the number of different types of modified audit opinions we have issued since our report on the results of the 2022 schools audits.

¹ Our *Results of 2022 school audits* report was published in December 2023.

Figure 2
Explanation of the types of modified opinions that can be included in an audit report



- 2.6 Of the audits completed since we last reported, 88 (less than 4%) had a modified audit opinion. Of the 88 audit reports we issued, 25 related to previous-year audits.²
- 2.7 We explain the types of modified opinions that we issued below.³

Disclaimers of opinion – an overall lack of evidence

- 2.8 We issue a disclaimer of opinion when we cannot get enough audit evidence to express an opinion. This is serious because we cannot confirm that the school's financial statements are a fair reflection of its transactions and balances. We issued disclaimers of opinion on the financial statements of six audits for four schools.

² This includes four audit reports that refer to a qualification on the previous year's figures.

³ These audit reports are for 2023 unless noted otherwise.

2.9 Figure 3 sets out the schools for which we issued a disclaimer of opinion and the years to which the disclaimer of opinion relates.

Figure 3
Schools with prior audit reports that included a disclaimer of opinion

School	Financial year	Notes
Te Kura O Waikaremoana	2016 and 2017	The audits of the 2018 to 2023 financial statements have not been completed. We have yet to receive from the school financial statements for 31 December 2018 that are sufficiently complete for audit.
Harrisville School	2017 and 2018	Harrisville school was issued a qualified opinion for 2019 and an unmodified opinion for 2020.
Te Kura Kaupapa Maori O Manurewa	2020	The financial statements were prepared on a disestablishment basis because the kura was combined with another as at 2 October 2020 (see below).
Combined Board of Te Wharekura O Manurewa and Te Kura Kaupapa Maori O Manurewa	2020	Te Wharekura o Manurewa and Te Kura Kaupapa Maori o Manurewa were both disestablished on 1 October 2020, and the Minister of Education established a combined board from 2 October 2020. The first audit of the combined board was completed for the period 2 October 2020 to 31 December 2020. The audits of the 2021 to 2023 financial statements have not been completed.

2.10 We issued disclaimers of opinion for Te Kura O Waikaremoana for 2016 and 2017 because of instances of fraud. After an investigation by the New Zealand Police, the perpetrator was prosecuted and found guilty. School funds had been stolen and used to make personal payments, masked by creating fictitious invoices. We were unable to determine the full extent of the fraudulent records.

2.11 We also issued disclaimers of opinion for Harrisville School for 2017 and 2018 because of fraud. This matter was also investigated, and the perpetrator found guilty. We were unable to verify numerous transactions in the financial statements because either the school had not kept the supporting documents or the perpetrator had destroyed them. The lack of supporting documents also meant that the school did not comply with the Crown Entities Act 2004, which requires schools, as Crown entities, to keep appropriate accounting records.

- 2.12 We issued a disclaimer of opinion for Te Kura Kaupapa Maori O Manurewa for the period ended 1 October 2020 because it had not kept supporting documents that underpin the financial statements. The school also did not have adequate controls over expenditure, payroll, and the financial reporting process. We could not get enough audit evidence on which to base an opinion.
- 2.13 We issued a disclaimer of opinion for the combined board of Te Kura Kaupapa Maori O Manurewa and Te Wharekura O Manurewa. The issues with Te Kura Kaupapa Maori O Manurewa remained once the school combined with Te Wharekura O Manurewa – insufficient accounting records and supporting documents that underpin the financial statements. We were unable to get enough audit evidence on which to base an opinion for the period from its establishment on 2 October 2020 to 31 December 2020.

Qualified opinions – not enough evidence about aspects of the financial statements

- 2.14 We issue a limitation of scope opinion when we cannot get enough evidence about one or more aspects of a school's financial statements. The audit report explains the aspect of a school's financial statements for which we could not get enough audit evidence. We explain the types of limitations of scope that applied to 45 audit opinions we issued.

Not enough evidence about cyclical maintenance

- 2.15 Schools are required to maintain the buildings provided by the Ministry of Education or their proprietor (if they are a state-integrated school). Schools receive funding to maintain the property as part of their operations grant.
- 2.16 Certain types of maintenance, such as painting the exterior of school buildings, are needed only periodically. Schools must recognise the amount of their obligation to carry out this maintenance as a provision for cyclical maintenance in their financial statements.
- 2.17 The boards of schools are responsible for reviewing their cyclical maintenance provision and ensuring that it is based on the best information available. Auditing standards require our auditors to understand the method, assumptions, and data the school board used to estimate the provision.
- 2.18 We issued 26 audit opinions where there was a limitation in the scope of our audit because there was not enough evidence for auditors to form an opinion about cyclical maintenance. The absence of evidence means it is possible the provision for cyclical maintenance could be materially misstated. We reported 30 such limitations in our report on the 2022 school audit results and 26 in the report for the 2021 school audits.

- 2.19 A school can be uncertain about whether it needs to maintain its buildings because it has significant building works planned. Because of this, the school might not be able to estimate its future obligations for cyclical maintenance. In these cases, we expect the school to explain why it does not have a cyclical maintenance provision in its financial statements. Therefore, we do not issue limitation of scope opinions but draw attention to these disclosures in our audit report because we consider them to be useful information for readers.
- 2.20 We comment on schools where this was the case in paragraphs 2.37.

Locally raised funds

- 2.21 If a school receives funds from its community (locally raised funds, donations, or canteen revenue), it is important that it has appropriate controls to correctly record all the money it receives.
- 2.22 We were unable to rely on the controls for recording locally raised revenue in nine schools and related organisations. We could not otherwise get enough evidence to make sure that the revenue from locally raised funds was fairly stated.

Other types of limitations of scope

- 2.23 There were 11 schools and related organisations where the scope of our audit was limited for one or more of these reasons:
- not having enough evidence about payments to relief teachers;
 - not being able to confirm the payment of staff salaries;
 - not having an accurate record of the Resource Teacher Learning and Behaviour income and expenditure in the financial statements;⁴
 - not being able to determine the fair value of a building with weathertightness issues;
 - not being able to determine the fair value of shares in another organisation; and
 - not having assurance over comparative information reported in their financial statements.

Qualified opinions – disagreement about aspects of the financial statements

- 2.24 If a school has not prepared its financial statements in keeping with accounting standards or we consider the financial statements include a significant error, we issue an opinion that sets out where we disagree with the school.

4 The Resource Teachers: Learning and Behaviour service provides specialist teacher support for tamariki in Years 1 to 10.

- 2.25 As noted earlier, schools have an obligation to the Ministry of Education to keep the buildings in good order and repair. Some of the funding schools receive from the Ministry is to be used for that purpose.
- 2.26 There were 32 schools that did not record an adequate provision for the cyclical maintenance obligation they have to the Ministry. Of these, 25 are part of a Ministry-run programme to rebuild schools in Christchurch. Not all had the information needed to prepare a 10-year property plan and this made it difficult to include a reliable provision for cyclical maintenance in their financial statements.
- 2.27 Some of the 32 were for prior year audits. For the 2022 audits, we issued just one qualified opinion because there was no provision for cyclical maintenance. There were none for 2021, and just one for the 2020 audits.
- 2.28 We also disagreed with schools for other reasons.
- 2.29 There were audits of a school for two years where we disagreed with the school for not preparing consolidated (group) financial statements. We considered that group financial statements were required because the school controlled a related trust for financial reporting purposes.
- 2.30 We also disagreed with a school for not including full budgeted figures in its financial statements for three years. Having full budgeted figures is required by section 11(i) of the Education (School Planning and Reporting) Regulations 2023.

Matters that we drew readers' attention to

- 2.31 In certain circumstances, we include comments in our audit reports to either highlight a matter referred to in the financial statements of a school or note a significant matter a school did not disclose.
- 2.32 These comments are designed to highlight matters (such as when schools are experiencing financial difficulties, there is information that is of public interest, or there has been a breach of legislation) to assist readers of the financial statements. They are not modifications of our audit opinion – the school has still received a “clean” audit opinion.
- 2.33 There were 65 comments in the audit reports we issued. We set out below the details of the matters that we highlighted.

Sensitive expenditure

- 2.34 Sensitive expenditure is any spending that could be seen as giving a private benefit to staff in addition to the business benefit. The principles that underpin decision-making about sensitive expenditure include that the spending has a justifiable business purpose, and that all such decisions will be subject to appropriate policies, authorisation, and controls. For schools, spending needs to contribute to educational outcomes for students and be made transparently and with proper authority.
- 2.35 We highlighted that Bream Bay College spent \$24,426 on hospitality and gifts in 2023. This spending included \$10,671 for the previous principal's farewell (\$5,610 of which was spent on jackets for the staff for school photos), \$2,033 on gifts for the principal, and \$5,611 for a new building opening. Although the expenditure was approved by the school board, we considered it relatively high for a school.
- 2.36 We highlighted that Owairoa School did not get prior approval from the Ministry of Education for some private use by the principal of a school-leased vehicle. The Ministry's agreement is required if there is anything other than incidental personal benefit.

Uncertainty over maintenance requirements

- 2.37 We highlighted disclosures about uncertainties with cyclical maintenance provisions for four schools. One school was undergoing major capital works; one was part of a Ministry weathertightness project; and the other two schools were being relocated.

Reporting on whether schools followed laws and regulations

- 2.38 As part of our audits, we consider whether schools have complied with certain laws and regulations. This includes whether they have complied with financial reporting requirements, and some other specific obligations they have as public organisations.
- 2.39 The Education and Training Act 2020 and the Crown Entities Act 2004 are the main pieces of legislation that set out the accountability and financial management requirements of schools.
- 2.40 If a school fails to comply with aspects of the Education and Training Act and the Crown Entities Act, they usually disclose it in their financial statements. If a school does not disclose the non-compliance, or it is of particular significance, we highlight it in our audit report.

- 2.41 In the past year, we highlighted that eight schools failed to disclose that they had submitted the 2023 audited financial statements after the statutory deadline. Also, for 16 schools, we highlighted that they failed to disclose submitting previous years' financial statements after the statutory deadline.
- 2.42 We highlighted that two schools breached legislation by meeting the costs of an international student through a scholarship. Legislation requires schools to charge fees for international students that at least cover the estimated costs of providing tuition and capital facilities.
- 2.43 We highlighted that a school had board members who did not comply with rules in sections 9 and 10 of Schedule 23 of the Education and Training Act about conflicts of interest. One board member who declared a conflict entered into a contract for more than \$25,000 without the required approval of the Secretary for Education.
- 2.44 We highlighted that a school both borrowed more money than regulation 12 of the Crown Entities (Financial powers) Regulations 2005 allows, and breached the Education and Training Act 2020 by having an investment without the approval of the Ministers of Education and Finance.
- 2.45 We highlighted that a school did not have enough board meetings, did not complete an analysis of variance report, did not include its annual budget in the financial statements, and it had too many staff members on the board.

Schools in financial difficulty

- 2.46 Most schools are financially sound. However, each year we identify some schools that we consider could be in, or are at risk of, financial difficulty.
- 2.47 When we issue our audit report, we are required to consider whether the school has enough resources to operate for at least the next 12 months from the date of the audit report.
- 2.48 When carrying out our assessment, we look for indicators of financial difficulty. One such indicator is when a school has a working capital deficit. This means that, at that point in time, the school needs to pay out more funds in the next 12 months than it has immediately available. Although a school will receive further funding in that period, it might find it difficult to pay bills as they fall due, depending on the timing of that funding.

- 2.49 A school that goes into overdraft or has low levels of available cash is another sign of potential financial difficulty. Because we are considering the 12 months after the audit report is signed, we will also consider the performance of the school and any relevant matters in the period since the end of the financial year.
- 2.50 When considering the seriousness of any financial difficulty, we usually look at the size of a school's working capital deficit against its operations grant. Although many schools receive additional revenue, this is often through donations, fundraising, or other locally sourced revenue. Therefore, it varies from year to year. For most schools, the operations grant is their only consistent source of income.
- 2.51 Not all schools with a working capital deficit at the balance date are in financial difficulty. When making this assessment, our auditors will consider other factors, including the financial performance since the end of the financial year.
- 2.52 When we have assessed that a school is in financial difficulty, we ask the Ministry of Education whether it will continue to support that school. If the Ministry confirms that it will continue to do so, the school can complete its financial statements on the basis that it will continue to operate.
- 2.53 If we consider a school to be in serious financial difficulty, we highlight this in the audit report. Figure 4 lists seven schools that received letters confirming the Ministry of Education's support and shows whether they received such letters in the previous two years. In 2022, the same number of schools received a letter confirming the Ministry's support.
- 2.54 Auditors raised concerns about potential financial difficulties in letters to 35 school boards. This was usually because continuing deficits were eroding the working capital they held.

Figure 4
Schools that needed letters of support to confirm they were a going concern

School	Reason
Cambridge East School	The school had a working capital deficit of \$270,000 for the year, which represents 31% of its operating grant, and an operating deficit of \$45,260.
Matipo Road School	The school had a working capital deficit of \$266,141 which represents 28% of its operating grant, and an operating deficit of \$120,291 for the year. A letter of support was also needed in 2021 and 2022.
Ngakonui Valley School	The school had a working capital deficit of \$24,884 for the year which represents 5% of its operating grant, an operating deficit of \$30,772 and negative equity of \$24,864. A letter of support was also needed in 2022.
Pouto School	The school had a working capital deficit of \$41,462 for the year which represents 22% of its operating grant, and an operating deficit of \$78,480.
Taumarunui Primary School	The school had a working capital deficit of \$92,931 for the year which represents 10% of its operating grant, and an operating deficit of \$167,313.
Wallacetown School	The school had negative net assets of \$13,458 due to ongoing deficits and working capital surplus of \$22,852.
Te Kura o Ōmanaia	The school had a working capital deficit of \$64,645 for the year which represents 16% of its operating grant, and an operating deficit of \$41,537.

Going concern

- 2.55 We highlighted disclosures in a school and in an organisation related to a school about uncertainties over their future financial sustainability.

Cash not banked in a timely manner

- 2.56 Although the amounts were not significant, we highlighted that a school did not bank cash received during 2021 to 2023 in a timely manner or investigate discrepancies between cash received and banked throughout this period.

Closed schools

- 2.57 When a school closes, or is due to close, its financial statements are prepared on a disestablishment basis. In seven audit reports we highlighted disclosures outlining that the financial statements were, appropriately, prepared using the disestablishment basis. The schools either stopped operating or were combined with another to form a new school.

Where improvements are most needed

- 3.1 In this Part, we comment on the more significant matters identified during the 2023 school audits:
- the Ministry needs to help schools improve their payroll processes and controls;
 - schools need to have up-to-date cyclical maintenance plans;
 - schools need better control of sensitive expenditure;
 - schools need to prepare full budgets;
 - schools need to publish their annual reports; and
 - the Ministry needs to review the audit requirements for closed schools.

Payroll processes and controls

- 3.2 Salary costs are the largest operational cost for schools, so payroll information is a significant part of the financial statements. The Ministry of Education funded about \$7.1 billion (2022: \$6.4 billion) of salary and employee-related costs for 2023. Education Payroll Limited administers the school payroll on behalf of the Ministry for about 97,000 teachers and support staff every fortnight.
- 3.3 Schools require certain payroll reports to complete their financial statements. The appointed auditor of the Ministry of Education carries out testing centrally before these reports are distributed to schools and their auditors. This is supplemented by testing locally at schools by the individual school auditors on those aspects that cannot be tested centrally.

Centralised audit work on payroll

- 3.4 The appointed auditor for the Ministry of Education carries out analyses of the payroll data to identify anomalies or unusual transactions. The analytics reports cover payroll errors, overpayments, and funding code errors.
- 3.5 We write separately to the Ministry of Education every year setting out our findings from this work, with a view to improving the accuracy and reliability of the payroll data.
- 3.6 There continue to be improvements in the underlying processes operated by Education Payroll Limited, which is evidenced by the reduction in the number of anomalies and unusual transactions. Our school auditors follow up any transactions that cannot be resolved centrally by the Ministry of Education or Education Payroll Limited, because the necessary information is held by the school.
- 3.7 The total value and number of overpayments during 2023 has decreased compared to 2022 (from about \$4.5 million in overpayments to \$3.7 million). The largest cause of overpayments is late notification of changes by schools to

Education Payroll Limited, and the second largest cause is inaccurate data entry by Education Payroll Limited. These causes are consistent with the reasons for overpayments in prior years.

- 3.8 Funding code errors result in payroll payments being incorrectly funded by either the board or the Ministry (through teachers' salary funding) and affect the board's discretionary funding. The value of funding code errors has been about \$0.2 million for the last four years.

Audit of payroll at individual schools

- 3.9 School auditors carry out audit work on payroll at each school. This is because many payroll transactions are initiated by the schools, and schools are responsible for inputting pay information into the EdPay system. It is therefore important that there is a strong control environment at individual schools.
- 3.10 Where possible, auditors seek to rely on school's controls because this reduces the amount of other audit testing required.
- 3.11 The introduction of the EdPay system in 2021 affected how schools review payroll changes. The guidance provided to schools at that stage explained that reports were being prepared to show changes to pay data. Changes were made to the reports, but the guidance to schools was not updated to reflect those changes. Because of this, many schools have not implemented satisfactory controls for pay changes. Auditors have had to perform other procedures to obtain sufficient evidence to support the payroll expenditure.
- 3.12 Our auditors have reported that many schools did not independently review key changes (such as bank accounts, allowances, and set up changes to non-teaching staff).⁵ Also, fortnightly payroll reports are difficult to review because they are large and contain a lot of detail. Many schools told us they would like to receive a summary of changes (commonly known as an exceptions report) to help with the effectiveness and efficiency of their review.

Recommendation 2

We recommend that the Ministry of Education and Education Payroll Limited review the adequacy of current payroll reports and update the guidance on school payroll controls, so that schools can easily implement and operate the expected payroll controls.

⁵ Separation of duties (more than one person being involved in a task, to prevent fraud or error) is a key control in financial systems. The expectation is that all changes to an employee's pay or personal information should be reviewed and approved by a second independent person.

Non-compliance with the Holidays Act 2003

- 3.13 Non-compliance with the Holidays Act 2003 has been an issue for several years. The Ministry of Education has identified that this non-compliance includes school employees, both teachers and support staff.
- 3.14 The Ministry of Education's 2024 annual report acknowledges a non-departmental Holidays Act provision of \$456m (2022/23: \$403m). The amount is an estimate of the payments required to current and former individuals paid through the schools' payroll where they have not been paid in keeping with the Holiday Act. The ultimate amount could be significantly different to the estimated amount provided at 30 June 2024. The work is ongoing. Partial payments of \$8m were made during 2023/24 (2022/23 \$38.4m).
- 3.15 These payments were made to employees by the Ministry of Education because it decided to meet the liability on behalf of school boards, so there has been no cost to individual schools.
- 3.16 The value of the provision is significant. Boards, as the employer, continue to have the legal obligation for future Holidays Act remediation. Therefore, in 2023, school boards continued to disclose a contingent liability for further potential payments, the amount of which could not be reliably estimated. Such disclosures will continue in schools' financial statements until all Holidays Act remediation payments are made.
- 3.17 We encourage the Ministry to progress paying what is owed to teachers and support staff to comply with the Holidays Act, and keep schools informed of the progress.

Cyclical maintenance plans

- 3.18 The Ministry of Education (or a proprietor for state-integrated schools) provides schools' property. Schools must keep their property in a good state of repair. Schools receive funding for this as part of their operations grant.
- 3.19 A cyclical maintenance provision is included in the financial statements of schools to account for their obligation to maintain the property. Schools need to plan and provide for future significant maintenance, such as painting their buildings.
- 3.20 Auditing the cyclical maintenance provision has always been challenging. We have reported on this aspect of the financial statements many times. Some schools do not fully understand the cyclical maintenance provision and do not have all the necessary information to calculate it accurately.

- 3.21 The 10-year property plans of schools, which are now prepared by property consultants and approved by the Ministry of Education,⁶ should include maintenance plans for schools to maintain their buildings for the next 10 years. Schools typically use the property plans to calculate their cyclical maintenance provisions.
- 3.22 For the 2023 audits, there were 58 modified audit reports relating to cyclical maintenance (26 due to a limitation of scope, and 32 where we disagreed with the school about the accounting treatment for cyclical maintenance).
- 3.23 We continue to find that many schools do not have good supporting evidence for their cyclical maintenance provisions. For the 2023 audits, 14% of schools did not have a reliable plan and other evidence was needed to support the cyclical maintenance provision. This finding is consistent with 2022.
- 3.24 A lack of evidence for cyclical maintenance provisions is the reason for most of our qualified audit opinions this year. A qualified opinion is issued only when the cyclical maintenance provision recorded by the school is, or could be, materially wrong
- 3.25 When appropriate evidence is not readily available, this usually requires significantly more time and effort for both the school and the auditor, and can delay the audit.
- 3.26 If a school has a maintenance plan prepared by a Ministry-appointed property consultant and approved by the Ministry, auditors can expect the plan to have been prepared in keeping with the Ministry's requirements. This reduces the amount of audit work required. However, our auditors find that maintenance plans are not always prepared.
- 3.27 For the 2023 school audits, there were 298 schools where auditors had concerns about the appropriateness of the underlying information used to estimate the provision. Of this, there were 150 schools where their property plan did not include maintenance estimates.
- 3.28 Since our report on the results of the 2021 school audits, we have recommended that the Ministry ensure that schools comply with their property planning requirements by having up-to-date cyclical maintenance plans. We are yet to see improvements.
- 3.29 We note a new *Maintenance Guide For Schools* was published in February 2024 in collaboration with the Building Research Association of New Zealand. We also note that Ministry staff have raised awareness of the cyclical maintenance requirements as part of annual property visits to schools.

⁶ This requirement came in on 1 July 2019. Schools update their 10-year property plan every five years so each year about 20% will be updating their plan.

- 3.30 We understand that, as part of the review by the Ministry, a check is done that the 10-year property plans include a maintenance plan. This control does not appear to be working effectively for some schools. We note that there is no consequence from the Ministry for a school when it does not prepare a cyclical maintenance provision.
- 3.31 If a school does not have a maintenance plan, it needs to source other information to calculate a reasonable cyclical maintenance provision. This can be time-consuming for schools and auditors.
- 3.32 The Ministry requires the school each year to review the appropriateness of the plan and the provision. We continue to find this is not performed or not performed well. This becomes more of a problem where plans are older and property changes have occurred at the school.⁷

Recommendation 3

We recommend the Ministry of Education evaluate whether all schools' 10-year property plans include adequate information to calculate the cyclical maintenance provision, and consider how it can help schools with reviewing plans and updating cyclical maintenance provisions.

Sensitive expenditure

- 3.33 Sensitive expenditure is any spending that could give private benefit to staff in addition to the benefit to the school. Problems can arise with expenditure related to travel, accommodation, and hospitality, and particular care needs to be taken with these. Problems can also arise from expenditure that is unusual or is not closely related to an organisation's purpose or functions.
- 3.34 School boards are responsible for deciding whether sensitive expenditure is appropriate and for ensuring sensitive expenditure policies, procedures, and decisions are fit for purpose and will withstand parliamentary and public scrutiny.
- 3.35 During the past year, auditors brought to our attention many items of sensitive expenditure. Some sensitive expenditure was referred to in audit reports (see paragraphs 2.34 to 2.36). If the amount of expenditure is not significant, or the matter relates to policies and procedures underlying sensitive expenditure decisions, auditors raise any concerns in a report to the board of trustees rather than in the audit report.
- 3.36 Our *Controlling sensitive expenditure: Guide for public organisations* is the framework we use for assessing schools' sensitive expenditure.

⁷ The Ministry requirement is that 10-year property plans are updated every five years.

Funding for principals' professional coaching and well-being

- 3.37 In 2022, the Ministry of Education provided well-being support funding of \$12,000 to school boards where the principals had fewer than three years' experience. About \$6.3 million was paid to 524 schools. This one-off payment was made to support the well-being of the principals and staff after the disruptions and difficulties from Covid-19. Guidance was provided to the schools on how these funds should be used.
- 3.38 In our *Results of the 2022 school audits*, we questioned the appropriateness of some of the expenditure incurred with this funding and the lack of clarity about the types of expenditure that were reasonable.
- 3.39 Professional coaching and well-being funding became part of the collective agreements for all principals rather than only those with fewer than three years' experience. For both 2023 and 2024, all principals can access funding of up to \$6,000 each year for ongoing professional development and well-being support that assists with their leadership capability. The \$6,000 is paid through the school's operational funding but itemised to be spent for the purposes of professional coaching and support for principals.
- 3.40 The Ministry of Education guidance issued to schools on the use of this funding required the funds to be used in a way that improves the principal's professional well-being and/or supports the well-being of staff and/or the wider community. The guidance was clear that the school should be mindful of its financial obligations for school expenditure and consider whether the school's policies were adequate to cover this form of spending. It provided links to our guidance on sensitive expenditure and the Ministry of Education's policies on sensitive expenditure and principal concurrence (getting approval from the Ministry for an additional payment or benefit to the principal).⁸
- 3.41 Our auditors raised concerns about some of the expenditure incurred with the professional coaching and well-being support funding. We considered examples of the expenditure and issued guidance in May 2024 to help auditors in their audit of that expenditure. Figure 5 summarises the guidance.

8 "Concurrence" is agreement by the Secretary for Education to a board making an "additional payment or benefit" (a payment additional to the base salary and allowances outlined in the principal's collective agreement or Ministry-promulgated Individual Employment Agreement (IEA)). See *Circular 2020/10: Principal Concurrence – Education in New Zealand*.

Figure 5
Summary of guidance provided to auditors about schools' spending on professional coaching and well-being

Category	Examples	Audit response	Rationale
Expenditure clearly for school purposes	<p>Funding used for:</p> <ul style="list-style-type: none"> professional development courses or conferences (including overseas) linked to the principal's role and consistent with policies a staff member's development (relevant to staff member's role at the school) usual school activities (i.e. spent for school purpose) 	No response required.	The expenditure is related to school purposes. While expenditure is itemised to be spent on professional coaching and support for principals (including wellbeing) the funding can be used for broader school purposes.
Expenditure for professional development or wellbeing that is 'sensitive,' i.e. payments that provide or could provide a personal benefit	<p>Funding used for:</p> <ul style="list-style-type: none"> Koru Club Membership Electronic equipment (e.g. Mobile phone, air pods) Other equipment (e.g. backpack) Sports membership (e.g. gym, golf club, soccer club) Hobbies (e.g. piano lessons, ski passes, pilates) Health related services (e.g. massages, vitamins and supplements, GPs, chiropractors). 	Report the matter to the Board because the expenditure confers some personal benefit, and the school should have requested concurrence from the Ministry. The school would also need to consider tax implications.	The Ministry's guidance allows expenditure on wellbeing and the interpretation of this can depend on the individual involved. However, any expenditure that provides, or has the potential to provide, a personal benefit requires concurrence from the Ministry. It would also be important to understand whether the expenditure is consistent with the school's policies.

Category	Examples	Audit response	Rationale
Expenditure inconsistent with the purpose of the funding or not an appropriate use of public money	Funding used for: <ul style="list-style-type: none"> • A lump sum payment made to the principal • Personal travel, including paid personal stopovers for overseas travel for school purposes • Travel for family members. 	Draw attention to the matter in the audit report and report the matter to the Board	Whether we refer to these matters in the audit report depends on the amounts involved and the process followed.

3.42 There were 54 schools where auditors reported to boards about sensitive expenditure that provided a personal benefit to the principal (such as gym memberships, pilates classes, sports events, nutritionist consultations, nutrient products, adventure tourism, guided walks, and overseas family travel). In each case, the school did not seek agreement from the Ministry.

3.43 This type of expenditure might also have occurred during 2024 without the Ministry's agreement. In our view, the Ministry could consider why schools do not seek the necessary agreement and, given the history of issues with this type of funding, consider the effectiveness of this funding approach.

Recommendation 4

We recommend that the Ministry of Education determine appropriate actions to take when school spending on professional coaching and well-being support funding was inconsistent with the purpose of the funding or inconsistent with Ministry guidance.

Other sensitive expenditure matters

3.44 The matters that auditors raised with boards in the past year were similar to previous years. They included:

- five schools that did not have sensitive expenditure policies, including for gifts, or policies were not updated regularly;
- in 10 schools, gifts to staff that either did not have board approval, were excessive, or were inconsistent with the school's gift policy;
- in four schools, hospitality and entertainment expenses that seemed excessive; and
- the provision of gifts and travel expenditure (see paragraphs 3.50-3.51).

- 3.45 Most of the concerns related to poor controls over the approval of principals' expenses or credit card expenditure. The trend in the number of incidences has not improved. The main matters raised were:
- in 23 schools, principals approving their own expenses or having it approved by someone subordinate;
 - in 32 schools, no approval of credit card expenditure or having it approved by someone subordinate; and
 - in nine schools, inadequate or no documentation to support expenditure.
- 3.46 As we have previously reported, credit cards are susceptible to error and fraud or being used for inappropriate expenditure, such as personal expenditure. Money is spent before any approval is given, which is outside the normal control procedures for spending public money. This also applies to fuel cards or store cards.⁹
- 3.47 Schools should use a "one-up" principle when approving expenses, including credit card spending. This means that the presiding member (the chairperson) of a board would need to approve a principal's expenses. It is also important that credit card users provide supporting receipts for the approver and an explanation for the spending.
- 3.48 We include guidance about using credit cards in our good practice guide *Controlling sensitive expenditure*.¹⁰ This provides guidance on making decisions on sensitive expenditure, guidance on policies and procedures, and examples of sensitive expenditure.
- 3.49 We also have other information on sensitive expenditure in the "Good practice" section of our website (oag.parliament.nz).

Provision of gifts

- 3.50 Some schools spent significant amounts on gifts. Auditors reported these instances to each school's board. They included:
- the purchase of \$10,000 of gift vouchers to thank people involved with school lunches;
 - the purchase of about \$20,000 of premium IT laptops and notebooks for the school prize giving;
 - a \$1,500 gift voucher to a board member to recognise eight years of service; and
 - the payment of about \$40,000 to staff (including the principal) to show appreciation for the hard work during the Covid-19 period.

⁹ Auditors identified four schools where staff had personal expenditure funded by the school that was later reimbursed. There was also an instance of school staff obtaining cash advances from a credit card and not accounting for what the cash had been spent on.

¹⁰ Controller and Auditor-General (2020), *Controlling sensitive expenditure: Guide for public organisations*, at oag.parliament.nz.

Overseas travel

- 3.51 There were instances of overseas travel without a clear educational rationale. Auditors reported on these instances to each school's board. They included:
- travel to Europe for international student recruitment, where the board approved \$20,000 but actual expenditure exceeded \$40,000;
 - overseas travel for the principal that was not approved by the board;
 - meeting a \$30,000 shortfall in funding for a tournament trip paid for by the school; and
 - a \$10,000 contribution for a cultural excursion to Hawaii for 25 students, which was approved by the board but did not contain an assessment of why the expenditure was appropriate.
- 3.52 The Ministry has guidance for schools in its *Financial Information School Handbook* for this type of expenditure. The guidance requires boards to be clear about the expected educational benefits to the school from the expenditure and to approve the expenditure before the travel occurs.

Integrity in the public sector

- 3.53 Our work continues to focus on ethics and integrity in the public sector. For schools, managing conflicts of interest is particularly important.
- 3.54 Many schools are in small communities, where the risk of conflicts of interest is high. There is a particular risk of conflicts of interest occurring when appointing new employees and contractors and purchasing goods and services. This is because a school board might have few options in a small community.
- 3.55 Having a conflict of interest does not mean a person has done anything wrong. It is important that conflicts are known so that schools can properly manage them and do it transparently.
- 3.56 In schools, the principal is also charged with governance as part of the board. All boards have a staff representative and sometimes a student representative. Integrated boards also include representatives of their proprietor.
- 3.57 Boards need to properly manage decisions that they make on matters for which a member or members have an interest. A board member should be excluded from participating in any board discussion or decision on a matter for which the member has an interest. However, the member can attend the meeting to give evidence, make submissions, or answer questions.¹¹

- 3.58 A good way of ensuring that there is awareness of all potential conflicts is to maintain an interests register and a formal process for declaring any interests at the start of board meetings.
- 3.59 We have good practice guidance on our website, including *Managing conflicts of interest: A guide for the public sector* and an interactive quiz that covers a range of scenarios where a conflict of interest might occur.
- 3.60 We have also published guidance on integrity, *Putting integrity at the core of how public organisations operate*. This includes an integrity framework that aims to help organisations achieve the culture of integrity in the workplace.
- 3.61 Other resources on our website that may be of interest to school boards include guides on:
- good governance;
 - discouraging fraud;
 - procurement; and
 - severance payments.

Full budgets

- 3.62 In past years, we have reported that many schools do not prepare budgets in sufficient detail to meet legislative requirements. Section 11(i) of the Education (School Planning and Reporting) Regulations 2023 requires each school to disclose budgeted figures for its statements of revenue and expenses, assets and liabilities, and cash flows. Schools' financial statements are required to include those budgeted figures, which should have been approved at the beginning of the school year.
- 3.63 Auditors check that the budget numbers in the financial statements are from the approved budget. However, many schools do not prepare a budgeted balance sheet or cash flow statement. Our auditors identified 492 schools (2022: 343, 2021: 485) that were not preparing full budgets.
- 3.64 Having a full budget, including a balance sheet and statement of cash flows, is important for good financial management, including managing cash flows so that schools meet their financial obligations when they are due. If schools do not manage this properly, they can get into financial difficulty.
- 3.65 We understand the Ministry has developed budgeting tools for schools and kura to use. It has been working with schools that have not previously prepared full budgets and with schools' financial service providers.

- 3.66 We have repeated our recommendation that the Ministry work with schools to support them to complete full budgets.

Recommendation 5

We recommend that the Ministry of Education support the schools we have identified as not preparing full budgets to ensure that their budgets for the next school year are complete.

Published annual reports

- 3.67 Schools are required to publish their annual reports online.¹² The annual report consists of a statement of variance,¹³ statement of compliance with employment policy, financial statements (including the statement of responsibility and audit report), and a statement of KiwiSport funding.¹⁴
- 3.68 The number of schools that publish their annual reports online has remained consistent since 2021. At the time of the 2023 audits, 88% of schools had published their 2022 annual report online (2021: 88% had published their 2020 annual report online).
- 3.69 Although the level of compliance is consistent, there are at least 225 schools that are not publishing their annual reports online. Parents and other members of a community should be able to access the school's annual report online.
- 3.70 It is important that schools publish their annual report soon after their audit is completed. This ensures that they are accountable to their community and comply with legislation. If a school does not have a website, the Ministry of Education can publish the annual report on its Education Counts website.

Information on closed schools

- 3.71 The Ministry of Education has determined that closed schools need to prepare both a final set of financial statements at the date of closure and a liquidation statement, setting out how any remaining assets have been distributed. The Ministry requires both statements to be audited.

¹² See section 136 of the Education and Training Act.

¹³ A statement of variance is a statement where a school board provides an evaluation of the progress it has made in achieving the aims and targets set out in its Charter.

¹⁴ From 2023, boards will be required to include an evaluation of the schools' students' progress and achievement and a statement explaining how they have given effect to te Tiriti o Waitangi.

- 3.72 On closure, a Residual Agent is appointed to settle the liabilities of the school and disperse the assets as agreed with the Ministry of Education. We have raised concerns in the past about the delays in auditors receiving these statements for audit. We also find that there is a lack of underlying information needed to complete the audits once the school has closed.
- 3.73 Despite guidance to Residual Agents being updated a few years ago, we have not seen an improvement in information being provided for the audits of closed schools. There are currently seven closed schools with unfinished audits, the oldest one dating back to 2014 (see Figure 6). As the value of accountability reduces over time, it is likely the audited information will no longer be useful.

Figure 6**Seven schools closed prior to 2020 that still have unfinished audits**

School name	Number of incomplete audits	Last audit year completed	Year of closure
Flagswamp School	2	2018	2020
Inangahua Junction School	1	2017	2018
Isla Bank School	1	2017	2018
Morven School	1	2015	2016
Wainoni School	1	2015	2016
Putaruru Education Services Trust	1	2014	2015
Tareha School	1	2013	2014

- 3.74 We understand the Ministry is reconsidering the need for a final audit to be completed when a school or kura closes, particularly where this would not be required under current legislation. We also understand that the Ministry is considering how to ensure that final audits are completed in a timely manner.

Recommendation 6

We recommend that the Ministry of Education complete its review of the requirements of Residual Agents and make appropriate changes to ensure timely accountability of closed schools.

Appendix

Update from the Ministry on progress with previous recommendations

The Ministry of Education has provided an update on its progress with the recommendations in our 2023 report, *Results of the 2022 school audits*.

Recommendations from 2023

Future of schools financial reporting: We recommend that the Ministry of Education prioritise completing its project on the future of school financial reporting.

The Ministry of Education's current progress	Our comment
<p>The current change process that the Ministry is experiencing, and its constrained resourcing, has further delayed this project. The Ministry has prepared a project plan and will consider how to resource it once the current change process is completed. The Ministry anticipates the project will start in early 2025.</p> <p>In the interim, each year the Ministry considers whether the reporting requirements can be simplified, while complying with accounting standards and being transparent to school and kura communities.</p>	<p>We have repeated this recommendation.</p> <p>Slow progress is delaying potential changes that would streamline the accountability of schools, both financial reporting and auditing.</p>

School payroll: We recommend that the Ministry of Education follow up with Education Payroll Limited to ensure that additional functions are developed and communicated to schools as indicated in the current guidance on school payroll processes and controls, so that schools can check and approve all transactions.

The Ministry of Education's current progress	Our comment
<p>The Ministry continues to work with Education Payroll Limited to improve the quality of guidance available to schools and kura.</p> <p>Updated guidance on internal control processes and how EdPay reporting supports this has been delayed due to change processes within both the Ministry and Education Payroll Limited.</p> <p>Schools and kura can perform control checks over all pay-impacting changes and have been able to do so since April 2022.</p>	<p>We have repeated this recommendation.</p> <p>We note that some schools' payroll controls are not effective and updated guidance would assist a school in implementing effective payroll controls.</p>

Clear communications about funding: We recommend that the Ministry of Education communicate more effectively with schools, including putting controls in place to prevent draft guidance from being sent to schools before it is finalised and approved.

The Ministry of Education's current progress	Our comment
<p>The Ministry communicates key information and guidance to Boards and Principals through school bulletins. The guidance is tested with experienced principals or with representative bodies before publication.</p> <p>The Ministry also seeks to clarify any issues with the schools when visiting schools.</p>	<p>We have closed this recommendation.</p> <p>We have made new recommendations to the Ministry about being clear with schools the intended purpose for specific funding, such as principals professional coaching and well-being support.</p>

Closed schools: We recommend that the Ministry of Education reviews the requirements of Residual Agents to ensure that the financial statements of closed schools can be audited in a timely manner.

The Ministry of Education's current progress	Our comment
<p>The Ministry will review guidance on the requirements of Residual Agents to ensure that final audits are completed in a timely manner.</p> <p>Further consideration is being given to the need for a final audit to be completed when a school or kura closes, where that audit would be in addition to current legislative auditing requirements.</p>	<p>We have repeated this recommendation.</p>

Recommendations from 2021 (repeated in our 2022 report)

Cyclical maintenance plans: We recommend that the Ministry of Education 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.

The Ministry of Education’s current progress	Our comment
<p>From 1 July 2023, property consultants at the Ministry of Education have been instructed to use the updated cyclical maintenance calculator as part of the 10YPP preparations process.</p> <p>The Ministry has been following up with schools and property consultants where no cyclical maintenance plan has been included in their 10YPP documentation and completing updates as required to address this issue.</p> <p>The Ministry acknowledge that this part of the financial statements has a significant level of judgement and estimation, and the Ministry continues to improve support available to schools and kura.</p> <p>A new Maintenance Guide For Schools was published in February 2024 in collaboration with the Building Research Association of New Zealand.</p> <p>As part of the Property Annual School Visit the Ministry discusses cyclical maintenance requirements with schools, including the requirement to have cyclical maintenance plans updated annually and how to use the cyclical maintenance calculator.</p> <p>The Ministry also reinforces Boards’ obligations to maintain school property at sector and school meetings and trainings.</p> <p>Ministry Property Advisors ensure painting is carried out at schools through the Annual School Visit maintenance check and discuss the importance of schools putting aside adequate funding for painting (or discuss whether it can be considered in the 10 Year Property Plan if appropriate).</p>	<p>We have repeated this recommendation.</p> <p>We did not see improvements in our 2023 audits. However, we hope to see improvements when completing the 2024 audits due to the changes the Ministry has made during 2024.</p>

School budgets: We recommend that the Ministry of Education 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.

The Ministry of Education's current progress	Our comment
<p>The Ministry has been engaging with schools and kura where required during the 2023 budget season, and supporting schools in the preparation of their 2024 budgets.</p> <p>The Ministry has also developed a set of budgeting support tools that can be used to support discussions with schools about the importance and need to prepare "full" budgets.</p> <p>During 2024, the Ministry's Financial Advice team has been working with schools and service providers where full budgets have not previously been prepared.</p> <p>It developed in-house budgeting tools to support schools to complete full budgets.</p> <p>The need for and importance of "full" budgets were also discussed as part of Financial Advice team school visits.*</p>	<p>We have repeated this recommendation.</p>

* The "full budget" is often prepared in two parts by schools. The operational side is prepared in the year prior or by early February and the balance sheet and cash flow budgets are often prepared after the completion of the audit, so the final 31 December position is known to base these budgets from. Delays in the audit process can significantly delay a school's ability to accurately prepare a full budget.