

Riverview School

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2024



Date: 30 May 2025

Louise Murdoch
Presiding member
Riverview School
PO Box 942
Kerikeri 0245

Tēnā koe Louise,

Riverview School - Board Report

We have recently completed the audit of Riverview School financial statements for the year ended 31 December 2024. Please find attached our Board Report in connection with the audit. The report incorporates the responses from your principal.

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

We take this opportunity to thank the staff of Riverview School for the co-operation afforded to us during the audit.

If we can be of further assistance, please advise.

Yours faithfully
BDO Northland

Signed by:

4F6F26478F15B187

Angela Edwards
Appointed Auditor / Audit Partner

Email: Angela.Edwards@bdo.co.nz

Cc: Eamonn Kelly, Principal, Riverview School
Encl: Board Report

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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

The Auditor-General is the auditor of Riverview School (the “School”). The Auditor-General has appointed Angela Edwards, using the staff and resources of BDO Northland, to carry out the audit of the financial statements of the School on his behalf.

Our responsibilities include a requirement to express an opinion on the School’s financial statements arising from our audit conducted in accordance with the Auditor-General’s Auditing Standards which incorporate International Standards on Auditing (NZ).

This report details the processes, findings and recommendations from our audit of the School in accordance with the Auditor General’s Auditing Standards, and the terms of our engagement as set out in our audit engagement letter.

Our audit of the School’s financial statements for the year ended 31 December 2024 is complete.

We have issued an unqualified audit opinion.

We welcome your feedback on the effectiveness of the audit process and are available to discuss our performance.

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements presented fairly in all material respects; and
- report to Management about control environment issues that should be addressed by the school.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested, and assessed the controls supporting the School’s key transaction streams, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks in your business, their potential impact on the financial statements and the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Locally raised funds
- Cyclical maintenance provision
- Management override
- Payroll costs
- Incorrect or sensitive expenditure

We were able to obtain sufficient and appropriate audit evidence in respect to these items and have no significant findings to bring to your attention. Refer to Section 2 for our comments in respect to each significant risk and area of audit emphasis.

SUMMARY OF UNCORRECTED MISSTATEMENTS

Uncorrected misstatements are documented at Appendix 1 and will be included in the letter of representation that you agree with Management's assertion that they are immaterial to the readers understanding of your financial statements.

INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of an entity's internal controls in order to identify assess the risk of material misstatement of the financial statements whether due to fraud or error but is not designed to provide assurance over the overall effectiveness of controls operating within the School.

We have included in Section 3 of this report, a summary of our findings and recommendations arising as a result of our audit procedures.

2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS

Our audit procedures were focused on those areas of the School's activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through the audit arrangements letter at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes.

Locally Raised Funds

Area of Audit Emphasis	Conclusion/Response
Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income. There is also a risk surrounding locally raised funds revenue recognition, that grant income will not be recognised in the correct period.	From our audit work performed we found no issues regarding locally raised funds income or expense balances in the financial statements.

Cyclical Maintenance Provision

Area of Audit Emphasis	Conclusion/Response
Cyclical Maintenance is an area of judgment and could lead to material misstatement in the financial statements. For Schools to be able to calculate the appropriate cyclical maintenance provision a 10 Year Property Plan (10YPP) needs to be prepared and/or reviewed by an expert.	From our audit work performed, there were no issues regarding the provision for Cyclical Maintenance in the Financial Statements.

Management Override

Area of Audit Emphasis

There is a rebuttable presumption under the International Auditing Standards that there is a risk of management override.

Conclusion/Response

We have assessed the segregation of duties and risk of management override as part of our planning process, and concluded that the risk of fraud from management override of controls is primarily through the processing of manual journals. We have used a risk based approach to testing manual journals, and focused on any areas where a risk of judgement, estimation or cut-off risk exists with management override in mind. No issues with management override were noted.

Payroll Costs

Area of Audit Emphasis

There is a risk that payroll costs might not be recorded or recorded incorrectly, and that payments might be made to employees that don't exist. As salaries are the largest expense in schools, there is a high probability that any misstatement will be material.

Conclusion/Response

From our audit work performed, there were no issues regarding payroll costs in the Financial Statements.

Incorrect or Sensitive Expenditure

Area of Audit Emphasis

There is a risk that expenditure incurred by the school does not meet the efficiency, probity, and financial prudence requirements of OAG-3, and is inappropriate or wasteful. In addition, there is a risk that incorrect payments have been made and that sensitive expenditures are made without proper Board approval.

Conclusion/Response

From our audit work performed, there were no issues regarding incorrect or sensitive expenditure in the Financial Statements.

3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key internal control findings we have identified during the course of the audit and highlights control deficiencies requiring management attention. Our work has been limited to those controls relevant to the audit of your statutory financial statements. The purpose of our audit work on controls is not to provide assurance in its own right on the internal controls and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

The findings and recommendations have been discussed and agreed with the School's Management.

School not producing full budgets

Finding and Conclusion

Section 11(i) of the Education (School Planning and Reporting) Regulations 2023 requires each school to disclose budgeted figures for the statement of its revenue and expenses, the statement of its assets and liabilities (balance sheet), and the statement of its cash flows.

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

We recommend that the Board produce a budgeted Statement of Financial Position and Statement of Cash flows at the start of each year as part of your budget setting routine, to enable this to easily be included in the annual financial statements. Not having these statements included in your budget and approved as part of your budget setting process is a breach of legislation. Our usual approach to breaches of legislation, related to a school's financial statements, is to ask the school to disclose the breach, otherwise we will report on the breach in our audit report.

We also recommend - teachers' salaries and the notional rents be included in the budget.

Management comments and actions

This has been reviewed and communication with Accounting for Schools (the Accountant for the School). Advice sought is being maintained and implemented to ensure requirements are met.

School payroll controls (general comments)

Finding and Conclusion

We consider the main risk to the accuracy of payroll expenditure is transactions being incorrectly processed, either due to 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.

To ensure the accuracy of payroll payments, our expectation is that schools have the following key controls:

- effective access controls to EdPay, limiting access to “authorised users”;
- all transactions processed including changes to payroll and Masterfile data - such as bank account changes, new starters, or payments to non-salaried staff (such as relievers) - have appropriate supporting documentation and are appropriately authorised; checking of the fortnightly draft payroll (SUE) report and EdPay transaction history reports (activity history, timesheet history, and leave history) for accuracy; and
- review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay - 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 the school also needs to ensure that:

- it has segregation of duties between the processing and approval of transactions;
- access to EdPay is controlled, i.e. passwords are kept secure;
- payroll transactions are approved in line with delegations; and
- approvals are appropriately documented.

The guidance and resources for schools on payroll controls are available on the training page of the EdPay website.

They consist of:

A checklist of best practice payroll controls - [School internal processes and controls - payroll](#).

A video - [How to use EdPay transaction histories \(for checking and approving transactions\)](#).

A printable 'how to' guide showing the transaction checking process - [Checking transactions using the activity history and timesheet and leave histories.](#)

The current guidance to schools on controls ([School internal processes and controls - payroll](#) - page 3) 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. However, we understand from the Ministry that the activity history report now provides details of all Masterfile changes (except changes to employees' addresses). There is information about this on page 7 of the guidance, but 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.

Management comments and actions

The Staff Usage and Expenditure Report is now reviewed and signed by:

- The Finance Officer
- The Principal
- The Board Finance Rep (also a Chartered Accountant).

Any inconsistencies and changes are noted on each report and followed up on. At times, errors are made and rectified as soon as identified.

The school follows all guidelines on passwords, segregation of duties and approval of payments/reimbursements.

Manual Journals

Finding and Conclusion

The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor. This is because management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements. While the level of risk of management override varies from entity to entity, the risk is present in all entities.

We assessed segregation of duties and risk of management override of controls as part of our planning procedures and concluded that the risk of fraud from management override of controls primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation.

From our 2024 Audit work undertaken - No issues with management override were noted.

However, in saying this, we did note that management (being the financial administrator) - throughout the course of the school year - posted 155 journals into the accounting system. Nothing from our audit work around journals indicated any issues however we raise this to your attention as currently there is no review or approval of internal journals and there are a significantly large number of them processed over the course of the year.

It is important that underlying financial data can be relied on to ensure accuracy of financial information when presented - such as in your monthly board reports.

We recommend that a 1 up system of review be implemented with internal manual journals being raised in Draft in your accounting system and then approved by a 1 up delegated person.

Management comments and actions

With a new Finance Officer employed in early 2025, the school and Board are reviewing all processes and amending them to ensure they all meet the expected requirements.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	We are responsible for completing an audit in accordance with generally accepted auditing standards in New Zealand. The detailed terms of which are set out in our audit engagement letter.
Confirmation of Audit Independence	<p>In conducting our audit, we are required to comply with the independence requirements of PES-1 Code of Ethics for Assurance Practitioners issued by the External Reporting Board.</p> <p>Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.</p> <p>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none">• No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner.• All services performed by any national BDO office will be reported to the governing body. <p>Audit fees billed for the 2024 audit were \$9,170 (exclusive of GST).</p> <p>There were no other services provided by our firm for the financial year.</p>
Management Judgements and Estimates	Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall we note that the judgements and estimates by management in preparing the results for the year ended 31 December 2024 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.

Matter	How the matter was addressed
Matters requiring Board of Trustee input	<p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> • Minutes of the Board meetings; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Review and approval of management accounts; • Review and approval of annual budget; • Review and approval of 10 Year Property Plan • Notification of fraud; and • Review and approval of the financial statements.
Accounting policies	<p>Auditing standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. We reviewed the financial statements of the School against the Kiwi Park Model and noted no material departures from the requirements.</p>
Materiality and unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and 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.</p> <p>All unadjusted differences (none of which we consider material, either individually or in aggregate) have been detailed in Appendix 1 of this report.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>

Matter	How the matter was addressed
Going concern	<p>We have undertaken a review of management and those charged with governance' assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that lead us to conclude the going concern assumption cannot be relied upon.</p>
Fraud	<p>During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.</p>
Compliance with laws and regulations	<p>We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.</p>
Significant findings from the audit	<p>Other than those documented in the executive summary and sections 2 and 3 of this report, there were no significant matters arising from the audit.</p>
Disagreements with management	<p>There have been no disagreements with management over matters of significance to the audit.</p>
Difficulties encountered during the audit	<p>There have been no significant difficulties encountered during the audit.</p>
Consultations with other accountants and consultants	<p>We have considered the need for other accounting specialists during our work and determined, due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.</p>

Matter	How the matter was addressed
Management representation letter	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
Probity, waste and performance	We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance.
Publishing Annual Report on the School's Website	<p>The Education and Training Act 2020 requires you to publish your Annual Report online. Your Annual Report contains your audited annual financial statements including our audit opinion, & other reports required by the Ministry of Education.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time.</p> <p><i>We note that you have published your prior year Annual Report on the School's website.</i></p>

APPENDIX 1 - UNADJUSTED DIFFERENCES

The following misstatements have been identified during the course of our audit, and have not been adjusted as they were considered by management not to be material:

Description	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
To adjust for over accrued bulk grant payable		19,868		(19,868)
2023 July wash up adjustment		(16,226)		16,226
Net Effect of Adjustments not made:		3,642		(3,642)

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

Credit Card Transactions - verifiable lack of independent authorisation

Finding

From our review of a sample of credit card transactions, we noted that there is no independent review of the credit card expenses that is verifiable. We do note however these are presented to the board however we were unable to verify this due to either the statements not being signed as reviewed or through notation in the meeting minutes to say these were presented or reviewed.

Credit cards can be reasonably easily subject to error and fraud and have led to allegations of inappropriate expenditure for some schools. It is important that you have all appropriate supporting documents and are checking statements thoroughly on a timely basis to prevent errors or unauthorised payments.

We recommend that you apply a “one-up” principle of approving credit card expenditure. We suggest that as all monthly credit card expenses are presented to the board to be approved by the Board or finance sub-committee, if delegated, that a notation to that effect is included in your meeting minutes going forward.

Update

Resolved

Probity and Public Perception of Expenditure - re-raised & reworded.

Finding

Update

When reviewing sensitive expenditure, we found that there were alcohol purchases during the financial year. Although the expenditure was authorised and appeared to be relating to staff events, we raise this with the Board due to public perception relating to the use of government funds. Resolved

As per the Schools sensitive expenditure policy “The board ensures that all expenditure of board funds is clearly linked to the business of the school, and that no individual, or group of individuals (staff or students), gains unreasonable and/or personal benefit from those funds”.

We noted expenses on occasion were outside school hours, not clearly linked to business of school and included personal gain.

The Public Audit Act 2001 reflects Parliament’s concern that public entities should not enter into transactions or activities that are wasteful, or that show a lack of probity or financial prudence. In particular, probity is concerned with whether the expenditure may be justified from a public perspective.

The Board needs to consider the consequences of spending public money on items of a sensitive nature by assessing how this could be perceived by the public. The amounts are not necessarily large, but some members of the public may consider only the nature of the expenditure or interpret the situation incorrectly.

Further, we recommend that the Board or finance sub-committee regularly monitor the nature and level of spending in sensitive expenditure areas as part of their monthly meeting.