

Hato Paora College

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 DECEMBER 2024





2 December 2025

Kerianna Stirling
Chairperson
Hato Paora College
R D 7
FEILDING

Dear Kerianna

We have pleasure in presenting our Audit Completion Report for our audit of Hato Paora College's financial statements for the year ended 31 December 2024. We wish to sincerely apologise for the huge delay in getting the audit completed this year. This was solely due to a resourcing issue with us, that we have now resolved.

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

We express our appreciation for the assistance and co-operation provided by the School and the School's service provider during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Manawatu Audit Limited

A handwritten signature in blue ink, appearing to read 'Viv Cotton', is written in a cursive style.

Viv Cotton
Partner
Audit & Assurance Services

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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Manawatu Audit Limited ('BDO') is the Appointed Audit Firm of Hato Paora College (the "School").

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

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

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

We have issued an unmodified audit opinion.

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

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

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

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

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

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

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

- Locally raised funds
- Payroll controls
- Cyclical maintenance provision
- Management override of controls
- Inappropriate or wasteful expenditure, and unauthorised sensitive expenditure
- Related Party Disclosures

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

SUMMARY OF UNCORRECTED MISSTATEMENTS

There were no errors left uncorrected at the conclusion of our audit.

INTERNAL CONTROLS

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

We have included in Appendix 1 of this report, a summary of our findings and recommendations arising because 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 our Audit Plan issued to you at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes, unless stated otherwise.

Locally Raised Funds	
Area of Audit Emphasis	Conclusion/Response
Due to the nature of locally raised funds (often being cash, or having limited segregation of duties), there is a risk of material misstatement around the completeness of locally raised funds.	<p>During the audit we performed testing over locally raised funds, assessing actual income against our own expectations.</p> <p>In addition specific testing was completed over Donations, Fundraising, Community Grants and Trading agreeing to underlying documentation.</p> <p>We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.</p>
Payroll not approved or checked	
Area of Audit Emphasis	Conclusion/Response
Payroll is processed centrally for all schools. The accuracy of payroll processing is therefore dependent on appropriate approval of payroll changes and checking of the fortnightly SUE report at the School.	<p>We extensively tested payroll including:-</p> <ul style="list-style-type: none">• Reconciling the Payroll against Edpay reports• Agreeing that all MoE advised adjustments had been recorded including<ul style="list-style-type: none">a) Leave Balances (accrued)b) Errors and overpayments (none)c) Staff Banking (underspend)

We also reviewed and corroborated (where applicable) the exceptions report generated from the MoE's central assurance and assess the payroll disclosures against the legislated requirements.

We identified no issues regarding the payroll balances and disclosures recorded in the financial statements.

We found no issues regarding controls that could affect the payroll balances recorded in the financial statements.

Cyclical Maintenance Provision

Area of Audit Emphasis

Cyclical Maintenance is an area of significant judgment and estimation which could lead to material misstatement in the financial statements if not considered properly by management. For Schools to be able to calculate the appropriate cyclical maintenance provision, a 10 Year Property Plan (10YPP) and cyclical maintenance calculation need to be prepared and/or reviewed by an expert.

Conclusion/Response

We reviewed the latest 10YPP to ensure that the correct cyclical maintenance calculations have been included.

We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.

Related Party Disclosures

Area of Audit Emphasis

There is an inherent risk that Related Party Transactions may have occurred during the year and have not been identified and disclosed appropriately.

Conclusion/Response

All related party transactions have been correctly disclosed

Management Override

Area of Audit Emphasis

There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.

Conclusion/Response

We reviewed manual journals processed during the year and no issues of management override were identified.

We have assessed the segregation of duties and risk of management override as part of our planning process and concluded that the risk of fraud from management override of controls primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation. No issues with management override were identified.

Inappropriate or wasteful expenditure, and unauthorised sensitive expenditure

Area of Audit Emphasis

Inappropriate or wasteful expenditure

As schools are funded by the government, they are required to meet the efficiency, probity and financial prudence requirements set out by the Office of the Auditor General. There is an inherent fraud risk within schools due to the nature of schools and their operations.

During the audit we reviewed a number of payments that may have resulted in a potential area of concern with respect to probity, waste and performance. One specific item related to the painting of the carvings. Quotes were not obtained for this project, and there was no approval for this expenditure in the minutes. It is important that one off unusual items of expenditure follow a robust process of authorisation / approval. We were able to clarify that most of the carvings belonged to the Board of Trustees and as such has a responsibility to maintain them.

Unauthorised sensitive expenditure

There is also a risk that sensitive expenditures may be made without proper Board approval. Expenses incurred by the board are subject to standards of probity and financial prudence and should be able to withstand Parliamentary and public scrutiny.

We did not identify any transactions of a “sensitive” nature that had not been appropriately approved by the Board

Related Party Disclosures

Area of Audit Emphasis

There is an inherent risk that Related Party Transactions may have occurred during the year and have not been identified and disclosed appropriately.

Conclusion/Response

All related party transactions have been correctly disclosed

3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

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

The following key findings were identified during this year's audit:

Revenue Received in Advance	
Finding	Conclusion
Revenue in Advance includes grants received from Te Puawaitanga for current and past students	<p>Upon further investigation it was identified that any unspent funding received from Te Puawaitanga has a 'use or return' condition, and therefore any unspent funding held by the School needs to be returned.</p> <p>We recommend that any revenue held in advance is returned when the student leaves the School, and that a process is implemented to ensure that this occurs on a timely basis.</p> <p>For past students we recommend that the School action these refunds immediately.</p>
Financial Condition of the School	
Finding	Conclusion
As part of the audit process, we are required to assess the ability of the School to continue as a going concern for a period of 12 months post the signing of our audit report.	<p>During the course of the audit, we have noted that the School's Working Capital and Equity over the past 4 years has been declining, with Equity as at 31 December 2024 being \$40,431.</p> <p>We also noted the School has had operating losses for the last three years, with a loss of \$221,260 this year.</p> <p>We understand that the Board has been in contact with the Ministry of Education, and has worked in conjunction with the School's Accountant to remedy this situation. Our review of the financial reports to September 2025 indicate an improved financial result for 2025.</p>

Approval of Reimbursements

Finding

We reviewed a number of reimbursements to “Those Charged with Governance” and the Principal during the audit.

Conclusion

We noted that there was a reimbursement to Principal not signed as approved by BOT Chair.
We recommend that all reimbursements are signed off as approved on a ‘one-up basis’.

Credit Cards

Finding

During the audit we reviewed the Credit Card Statements and supporting receipts/documentation for each transaction.

Conclusion

We noted that not all receipts are being attached to the credit card statement for each transaction, with a narration being written. While the narrations appear reasonable and ‘make sense’, there is a risk that the purchase may have been or ‘something else’.

For purchases made ‘on-line’ there would be an email ‘trail’ for this which could easily be attached to support the transaction.

We recommend that all receipts / invoices are included to support that the expenditure is valid and appropriate for the school.

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 the Code of Ethics issued by the Professional Standards Board of the Chartered Accountants Australia and New Zealand and 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 board. <p>We have not provided any non-audit services to the School. We have no other relationship with or interests in the School and we confirm the independence of BDO and all members of the audit engagement team.</p>
Management Judgements and Estimates	Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions, or valuation judgements. Overall, we note that the judgements and estimates made by management in the preparation of the financial statements for the year ended 31 December 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 current year and next years annual budgets; • 10 Year Property Plan/maintenance 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 adjusted/ unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated, or not disclosed, it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and when evaluating the financial statements. Materiality is initially calculated at the planning stage of our audit and has an influence on the amount of work we do, as well as where we direct our efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>All adjusted and unadjusted differences identified during our audit (if any) have been detailed in Appendix 1 of this report.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements, we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>

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

Matter	How the matter was addressed
Management representation letter	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
Probity, waste and performance	We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any areas 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, analysis of variance, list of trustees and kiwisport statement.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time.</p> <p>We note that you have published your prior year Annual Report on the School's website.</p>

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

Board Minutes

Finding

From our review of the minutes we noted:-

- *Minutes were not signed by the Board Chair*
- *Clear documentation of any conflicts of interest, and the request for any at each meeting existed*
- *Clear documentation of any conflicts of interest, and the request for any at each meeting existed*

Update

During the audit this year we reviewed the minutes, and noted that the minutes of five of the seven meetings held during 2024 were signed.

While this is a significant improvement, it is important that minutes are signed confirming them to be a true and correct record of the meeting.

INDIVIDUAL EMPLOYMENT AGREEMENTS

Finding

During the course of the audit, we requested a copy of an Individual Employment Agreement for a staff member. While there was a Letter of Offer and a copy of an Alteration of Employment on file, there was no Employment Agreement held. It is important to ensure that there are Employment agreements held for all staff

Update

During the course of the audit this year, and from information requested, we did not note the absence of any Employment Agreements.

Loss on Extra Curricular Activities

Finding

During the course of the audit, we reviewed the expenditure for Locally Raised Funds - Extra Curricular Activities and noted that there was a loss for the year of \$95,245. While some of the Activities fall within the acceptable areas, it was also noted that some sports costs in particular perhaps should be on charged to whanau.

Update

For the 2024 financial year there continues to be a loss for the year of \$62,393 for Locally Raised Funds - 'Extra Curricular Activities'.

We understand that for the next financial year, the Board has implemented a change that Students will be charged a set fee to participate in sports.

We recommend that the Board continues to review this area.

Staff Access to KAMAR, XERO and Edpay

Finding

During the course of the audit we noted that past staff continue to have access to the above three systems. It is important that it is reviewed regularly to ensure only current staff have access

Update

During the course of the audit, we noted that access of these systems has been updated during 2024.

We recommend that the Board regularly reviews who has access to all systems, ensuring that only those with delegations and responsibilities in the finance area have access.

Leave Forms

Finding

During the course of the audit, we noted that some Leave forms were not being signed by the Employee or being signed as approved by the Principal

Update

From audit procedures completed this year, and the sample reviewed, we did not note any Leave Forms that were not signed by the Employee or signed as approved by the Principal.

Inter-entity Agreements

Finding

During the course of the audit, we noted that while there are payments being split between the Trust Board and the Board of Trustees, no Inter-entity agreement is in place to formally document the basis for the actual split

Update

During the course of the audit, we noted that while the Inter-entity agreements had been updated, the amounts charged between entities did not agree between the invoice and the agreement.

It is important that the documentation held by both Boards reflects the amount to be paid