



Naenae School

FINAL REPORT TO THE BOARD
for the year ended 31 December 2024





12 June 2025

The Board of Trustees
Wheatley Street
Naenae 5011
New Zealand

Dear Board Members

Naenae School Board Report

We have recently completed the audit of your financial statements for the year ended 31 December 2024. I have attached our Board Report in connection with the audit.

We would like to emphasize that our audit work involves the review of only those systems and controls in your organization 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 Naenae School for the cooperation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Yours faithfully
PKF KENDONS CHARTERED ACCOUNTANTS LIMITED

A handwritten signature in black ink, appearing to read 'Michael Stewart'.

Michael Stewart
Director

Email: Michael.stewart@pkfkendons.co.nz



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EXECUTIVE SUMMARY

This report details the processes, findings, and recommendations from our audit of Naenae School (the “School”) under International Standards on Auditing (NZ) and the terms of our engagement as set out in our audit engagement letter.

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 for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

Overall, we are satisfied that the School has presented its results for the year ended 31 December 2024 to a good level of compliance with applicable financial reporting standards, with no major adjustments made as a result of our audit and no significant unadjusted differences.

We would like to thank Murray Bootten, Nicole Espinosa and the staff of Naenae School for their cooperation extended to PKF Kendons Chartered Accountant Limited, during the course of the audit. We have received full and frank co-operation. There is nothing we wish to raise solely with the Board.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of the New Zealand Institute of Chartered Accountants and External Reporting Board.

Our own internal policies and procedures are put in place to identify any threats to our independence and to appropriately deal with and, if relevant, mitigate those risks.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any other PKF office without the express approval of the audit engagement director.
- All services performed by any PKF office in New Zealand will be reported to the governing body.

We have not provided any non-audit services to the School. We confirm the independence of PKF Kendons Chartered Accountant Limited and its staff in relation to your audit.

KEY FINANCIAL STATEMENT AUDIT RISKS

We have set out our findings below in areas we identified as significant or high risks. We request that you review these outcomes on the significant accounting and audit matters identified to ensure that there are no further residual considerations or matters that could impact these issues, that you concur with the resolution of the identified risks and that there are no additional issues you may be aware of that should be considered.

1. Locally Raised Funds

Identified audit risks

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.

Planned audit response

Our audit procedures include discussions with the Presiding Member and Principal, to assess the control environment around local funds. We completed Analytic procedures, including a margin analysis, and test of detail to supporting documentation for significant amounts.

Conclusion

Based on the procedures above, no significant issues were noted.

2. Cyclical Maintenance Provision

Identified audit risks

Cyclical Maintenance is an area of judgment and could lead to material misstatements 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.

Planned audit response

We obtained and reviewed the school's 10YPP and cyclical maintenance plan and assessed whether the provision at the balance date is materially correct.

Conclusion

Based on the procedures above, no significant issues were noted.

3. Management Override

Identified audit risks

A key audit risk is in relation to Management Override. There is a rebuttable presumption under Auditing Standards that there is a risk of fraud about Management Override.

Planned audit response

Our audit procedures include reviewing the monthly management accounts and journals during the year and after year-end to ensure there is no evidence of potential management override.

Conclusion

Based on the procedures above, no significant issues were noted.

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 judgments. Overall we note that the judgments and estimates by management in preparing the results for the year ended 31 December 2024 appear reasonable.

The most significant areas of judgment, assumptions, and estimates applied by management related to:

- Provision for Cyclical Maintenance and Cyclical Maintenance Expenses
- Depreciation rates to ensure that fixed assets are written off over their estimated useful lives
- Classification of leases between finance leases or operating leases
- Recognition of grants to be consistent with the accounting policies

We are not aware of any other sensitive accounting estimates, assumptions, or valuation judgments made by the School.

MATTERS REQUIRING BOARD INPUT

We have placed reliance on the School's review and approval of the following matters:

- Minutes of the Board meetings up to the date that we sign the audit report;
- 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 2024 and 2025 budget;
- Notification of fraud; and
- Review and approval of the financial statements.

ACCOUNTING POLICIES

Auditing standards require us to discuss the qualitative aspects of the School's accounting practices and financial reporting with you. There were no new accounting standards that had a significant effect on the School's financial statements for the year ending 31 December 2024.

MATERIALITY AND ADJUSTED/ UNADJUSTED DIFFERENCES

Materiality means, in the context of an audit, if financial information is omitted, misstated, or not disclosed, it can potentially affect the decisions of users of the financial statements. Materiality is used by auditors in making judgments on the amount of work to be performed, which balances require work, and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During our audit, we identified no material misstatements.

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.

GOING CONCERN

We have undertaken a review of Management's 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.

The assumption of going concern was concluded as appropriate given the School's funding sources and its operating budget for the following financial period.

FRAUD

During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made inquiries in relation to non-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.

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.

OVERALL RESULT

There are no significant weaknesses arising from our audit.

Our audit work is complete. We have issued an unmodified audit report on the financial statements of the School for the year ended 31 December 2024.

To enable management to set priorities on their action plans we have assessed our findings below.

These findings and recommendations are discussed and agreed with the School's management and those charged with governance.

KEY AREAS FOR BOARD CONSIDERATION

1. Increasing Trend of Cyber-Attacks Incident

Observation

The rise of remote work during COVID-19, driven by cloud-based technology, has exposed a heightened vulnerability in Information Technology (IT) security. Entities lacking proactive risk mitigation face an increased risk of cyber-attacks.

In December 2022, New Zealand health sector agencies experienced sophisticated cyber-attacks targeting sensitive records. The trend continued into Q1 2023, with a 66% rise in cybercrime reported by the New Zealand Computer Emergency Response Team (CERT), resulting in substantial financial losses. This underscores the urgent need for improved cybersecurity.

Information technology is a crucial component of the School's operations, with stakeholders relying on the IT infrastructure, equipment, and software applications. The following essential IT settings are accessed daily by stakeholders:

- Student Management System
- Curriculum software application
- Financial & Accounting System
- Payroll and Human Resources Related Systems
- Local public drives among employees

Recognising the significance of these systems, it is imperative to acknowledge the potential threat of cyber-attacks. Possible risks include financial repercussions stemming from phishing emails requesting payments, personal information theft, and other malicious activities. Vigilance and robust cybersecurity measures are essential to safeguard the School's IT environment and protect against such threats.

Recommendation

We recommend the board strengthen its cybersecurity by reviewing the current IT security, conducting annual training for users, and enforcing regular password changes. Below here are useful tips and guidance on this matter recommended by Auditor General:

- <https://elearning.tki.org.nz/Teaching/Digital-citizenship>
- <https://www.education.govt.nz/school/digital-technology/ict-incidents/digital-technology-guide-for-schools/>
- <https://www.business.govt.nz/risks-and-operations/it-risk-and-avoiding-scams/avoiding-scams-and-fraud/>
- <https://www.cert.govt.nz/business/>

2. Payroll Masterfile Changes

Observation

We have been made aware that Masterfile changes (those made to personal details, except for address changes) are now included in the activity history report available in EdPay. This change has been in place throughout 2022. However, schools have not been informed of this change or received any guidance on how to use this report to review Masterfile changes.

This report can be used to track any changes made to the details of staff in the Edpay system. This means that it will be easier to spot any potential errors or fraudulent activity such as the entering of a fictitious employee into the system. These changes may be missed if the Board only reviews the SUE report.

Recommendation

We recommend that the Board Chair or Board Member delegated to supervise this matter reviews the activity history report each month along with the SUE report to ensure that all changes made are accurate and correctly reflects the details of the staff employed at the school.

SUMMARY OF FINDINGS

1. Disposal of Supporting Documentation
Current Year Observation
During the onsite audit visit, we noted that some physical cash books had already been disposed of. While this did not impact our audit testing for the current period, the early disposal of source documentation may affect future audits or reviews.
Implication
Disposing of financial records prematurely may result in the school being unable to provide adequate supporting evidence for financial transactions. This could pose challenges for audit verification, compliance with record retention requirements, and responses to potential inquiries from regulatory bodies.
Recommendation
We recommend that the school retain all financial and supporting documentation, including physical cash books, in accordance with the Ministry of Education's record retention guidelines. Retaining appropriate documentation ensures transparency and provides verifiable evidence that transactions were valid and appropriately authorised.

2. Completeness of Board minutes

Current Year Observation

During the interim audit visit, we noted that details recorded in the minutes of the Board meetings were frequently brief and, at times, inconclusive.

Implication

Insufficient detail in Board minutes may result in a lack of transparency and accountability, and may make it difficult to confirm that proper governance procedures were followed. This can lead to misunderstandings about decisions made, limit the Board's ability to track progress on key actions, and increase the risk of non-compliance with public sector reporting expectations and good governance practices.

Recommendation

We recommend that the Board ensure that your minutes, as a public document, represent a clear and concise record of your meetings. Interested parties need to be able to understand the decisions made and actions taken.

It is important that your Board follows formal meeting procedures, including recording the details of resolutions proposed, seconded and carried.

3. Lack of Documented Board Approval for Principal's Wellbeing Funding

Current Year Observation

During our interim audit visit, we noted that the use of the Principal's wellbeing funding to attend an overseas conference was discussed. However, there was no clear evidence in the Board minutes that formal approval had been given for this expenditure.

A similar point was also raised by previous auditor in the management letter for the year ended 31 December 2023.

Implication

The absence of formally documented approval for sensitive expenditure may result in a lack of transparency and could lead to non-compliance with the Ministry of Education's guidelines on the use of Principal wellbeing and professional development funds. It also reduces accountability and increases the risk of perceived or actual misuse of public funds.

Recommendation

We recommend that all use of the Principal's wellbeing and professional development funding, particularly for overseas travel or high-value activities, be clearly approved by the Board and recorded in the official minutes. This ensures compliance with good governance practices and demonstrates appropriate oversight of sensitive expenditure.

4. Absence of Insurance Policy

Current Year Observation

During the audit, we noted that the school does not hold a copy of the insurance policy under the Ministry of Education's Risk Management Scheme. While we acknowledge that the Ministry manages and pays for the school's insurance centrally, no documentation was available at the school to confirm the scope of cover.

Implication

Without access to a copy of the insurance policy or summary of cover, the school may be unaware of what assets, events, or risks are insured. This could lead to uncertainty in the event of a claim or emergency and may delay appropriate action or communication.

Recommendation

We recommend that the school obtain and retain a copy of the current insurance policy or cover summary from the Ministry of Education. Having this information on file will ensure school management is aware of the insurance coverage in place and can respond appropriately to any incidents requiring a claim.

5. Non-Compliance with Retention Money Requirements under the Construction Contracts Act 2002

Current Year Observation

During our audit we identified that the school board is not holding retention monies for \$783,808 in a separate bank account.

Implication

Section 18D of the Construction Contracts Act 2002 requires retention money for a commercial construction contract (where the contract allows one party to withhold payment of an amount that would otherwise be payable to another party as security for the performance of that party's obligations under the contract), to be held in a separate bank account. There are also specific reporting obligations for retention monies.

Section 18DA of the Construction Contracts Act 2002 states that it is an offence not to comply with section 18D which could attract a fine of up to \$200,000.

Recommendation

We understand that the school board was not aware of the requirement to hold retention monies separately on trust. This was a result of the Construction Contracts (Retention Money) Amendment Act 2023, and applies to all retention monies for contracts entered into or renewed after 5 October 2023. The Ministry of Education provide guidance on this on their website.

We usually request that a school disclose a breach of legislation in the notes to its financial statements. If it does not do so in a clear and transparent manner, or there is a persistent breach, we might then report on the matter in our audit report. However, because this requirement has resulted from a recent change in the law, we have not asked the school board to disclose this breach of legislation in its financial statements.

We recommend that the School Board immediately take corrective action to ensure full compliance with the Act by:

- Establishing a separate bank account specifically for the holding of retention monies;
- Ensuring that all current and future retention amounts are transferred to and maintained in that account until legally due for release;
- Reviewing existing contract management and financial policies to ensure they align with statutory requirements under the Construction Contracts Act 2002.

We also recommend that legal or compliance advice be sought to assess whether any retrospective action is required for the current balance of \$783,808.

6. Bank Confirmation Address Requires Update

Current Year Observation

During the audit, we noted that the bank confirmation was addressed to Deloitte rather than to PKF Kendons. As a result, the confirmation was not sent directly to us, potentially delaying the audit process.

Implication

If bank confirmations are not addressed to the appointed auditor, it may compromise the integrity of the confirmation process and delay audit timelines. Direct receipt by the auditor is a key control to ensure the independence and reliability of third-party confirmations.

Recommendation

We recommend that the school update the bank's records to reflect PKF Kendon's details so that future bank confirmations are sent directly to us. This will help ensure timely and secure receipt of audit evidence in accordance with professional standards.

7. Absence of Annual Review of the Cyclical Maintenance Plan by the Board of Trustees

Current Year Observation

From our review of the Board of Trustees' (BoT) meeting minutes, we noted that no specific annual review of the Cyclical Maintenance (CM) Plan is conducted. The plan appears to be reviewed and approved only at the time it is initially prepared or updated, rather than on an ongoing, annual basis.

Implication

The lack of a regular review process may result in the CM Plan becoming outdated or misaligned with the school's current maintenance requirements and financial planning. This could lead to inaccurate provisioning for future maintenance, potential deferral of necessary work, and weaker governance over property maintenance responsibilities.

Recommendation

We recommend that the BoT implements a process to formally review the CM Plan annually, even in years where no major updates are made. This review should be documented in the BoT meeting minutes and include consideration of:

- Progress against previously planned maintenance activities;
- Any emerging property issues or changes in condition;
- Updates to projected costs and timelines;
- Consistency with the school's long-term financial and asset management plans.

An annual review would support better oversight and help ensure the plan remains accurate and relevant.

8. Publishing annual report on-line

Current Year Observation

We noted that while the school has uploaded prior year annual accounts to its website, the documents were not publicly accessible or viewable at the time of our review.

Implication

Section 136 of the Education and Training Act 2020 requires the board to publish their annual report on the school's website. <If the school does not have a website, the Ministry can publish the annual report on its Education Counts website instead>

Your annual report should consist of your audited financial statements, Statement of Variance, evaluation of the school's students' progress and achievement, report on how the school has given effect to Te Tiriti o Waitangi, a statement of compliance with employment policy, and a Kiwisport statement.

Making your annual report accessible to the school community is important for transparency and accountability. The expectation is that your annual report is published as soon as possible after your audit is complete and you have submitted your annual report to the Ministry of Education.

Recommendation

We recommend that the school review its website settings and ensure that all uploaded financial statements are accessible to the public. The school should periodically test accessibility of publicly required documents to ensure ongoing compliance and transparency.

APPENDIX 1 – UNADJUSTED DIFFERENCES

Uncorrected Misstatements

		Code	Description	Amount
1			To recognise Bulk Grant amount in Payable per SAAR at the year end.	
	Dr	2370	Employee benefits - salaries	\$35,114
	Cr	5222	Employee Benefits Payable - Salaries	\$35,114