

**Deloitte.**



**Dalefield School**  
Report to the Board of Trustees  
for the year ended 31 December 2023

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6 August 2024

The Board of Trustees  
Dalefield School  
Dalefield Road RD 1  
Carterton  
5791

Dear Trustees

## **Report to the Board of Trustees for the year ended 31 December 2023**

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the School's financial statements for the year ended 31 December 2023 which we consider appropriate for the attention of the Board of Trustees ("the Board"). These matters have been discussed with management and their comments have been included, where appropriate.

We look forward to the opportunity to discuss these at a Board meeting should you wish to discuss this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

This report is intended for the Board only and should not be distributed further.

We would like to take this opportunity to extend our appreciation to management Education Services for their assistance and cooperation during the course of our audit.

If you would like to discuss any matters raised in this report, please do not hesitate to contact us.

Yours faithfully  
**DELOITTE LIMITED**



Hamish Anton  
**Appointed Auditor**  
On behalf of the Auditor-General

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## 1. Purpose of report and responsibility statement

This report has been prepared for the Board and is part of our ongoing discussions as auditor in accordance with our engagement letter and as required by the Office of the Auditor General requirements, which include New Zealand auditing standards.

This report is intended for the Board and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Board. The ultimate responsibility for the preparation of the financial statements rests with the Board.

We are responsible for conducting an audit of the School for the year ended 31 December 2023 in accordance with New Zealand auditing standards issued by the New Zealand Auditing and Assurance Standards Board. Our audit is performed pursuant to the requirements of the Education and Training Act 2020 with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Board. The audit of the financial statements does not relieve management or the Board of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of the School's controls, but we will provide you with any recommendations on controls that we might have identified during the course of our audit work.

## 2. Status of the audit and outstanding matters

Our audit of the financial statements is substantially complete, subject to the completion of the following matters:

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### Items outstanding

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- Appropriate procedures relating to subsequent events up to the date of our audit opinion;
  - Receipt of the signed management representation letter;
  - Adoption of the financial statements and signing of the directors' report by the directors;
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We understand that these may be approved by the Board under delegation to specified Trustees.

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## Area of focus

## Audit Response

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### 2.1 Provision for Cyclical Maintenance

The provision for cyclical maintenance balance requires a significant level of management judgement, and the balance is often material to the financial statements. These judgements are made through the 10-year property plan (10YPP). To audit the provision for cyclical maintenance, the Board should:

- Ensure that your 10YPP has been professionally reviewed in the past three years, or more recently if there has been changes in the properties since the last review; and
- Ensure that the 10YPP aligns with your provision for cyclical maintenance calculation.

We have examined the School's 10YPP and calculation of the cyclical maintenance provision and confirmed that:

- the 10YPP has been subject to necessary levels of professional review;
- the calculation of the cyclical maintenance provision is reasonable and accurate; and
- disclosures included in the financial statements are materially in line with the underlying calculation and with financial reporting requirements.

You are reminded that it is important to ensure sufficient funds can be set aside each year to manage the impact these costs will have on the School's cashflow during the period where works are undertaken.

Please refer to Section 4.3 for further information.

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### 2.2 Office of the Auditor-General ("OAG") audit brief matters

As you are aware our audit is completed under contract from the OAG and annually, we are asked to specifically consider certain potential matters of interest. Schools are required to publish its Annual Report online. We have been asked to remind you of this requirement. These areas of focus remain similar to previous years including:

- classification of associated entities such as fundraising trusts;
- overseas travel;
- sensitive expenditure;
- financial difficulty risk factors; and
- legislative compliance.

Our audit procedures considered these matters as relevant and in accordance with OAG expectations.

No specific concerns or findings were noted.

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### 2.3 Statement of compliance with employment policy

Section 597 of the Education and Training Act 2020 requires the Board to have an employment policy that complies with the principle of being a good employer. The Board must make the policy available to employees, ensure its compliance with the policy, and report on the extent of that compliance in its annual report. The annual report is the information that is attached to the financial statements.

Our audit procedures considered these matters as relevant and in accordance with OAG expectations.

No specific concerns or findings were noted.

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## 3. Assessment of internal controls

Our audit approach requires us to obtain an understanding of the School’s internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements.

We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the School, although we have reported to management any recommendations on controls that we identified during the course of our audit work. Any of our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

We have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion.

### 3.1 Segregation of duties

As is the case for most Schools, the number of people involved in the administration and accounting functions is very limited, meaning that there is an increased inherent risk that errors and omissions may occur and go undetected.

The number of people involved in the School’s administration and accounting functions also imposes limitations on the controls and processes Schools have in place to monitor and approve changes made to information technology (“IT”) systems responsible for processing transactions. These systems include but are not limited to the Edpay system, creditor processes and bank payment systems. The absence of controls to monitor and approve changes within these systems increases the risk of assets being misappropriated.

It is important that you are aware of these risks as it is your responsibility to ensure the School’s internal controls operate effectively and that the resultant financial statements are accurate. You should ensure that sufficient financial oversight is exercised by the Board or a delegated nominee on a regular basis to reduce the likelihood of error or omission to a level that the Board is comfortable with.

This oversight should include consideration of payment approval and bank authorisation monitoring. As a simple example, we encourage all Boards to specifically review the electronic banking system authorities and levels as part of their consideration of the delegated authority considerations. Our experience is that the frauds being perpetrated are often arising from changes to bank account details after invoice approval. The historical lack of oversight in this area should be specifically considered by the Board as part of its regular financial monitoring.

### 3.2 Update on matters raised in the prior year

We have made enquiries and observations about the remedial action taken on last year’s management letter observations and report as follows:

Issue raised in the prior year	Current year update
Cyclical Maintenance is not based on the 10 Year Property Plan	<b>Finding remains open</b> , refer 4.3 below.
No approval of timesheets	<b>Finding remains open</b> refer 4.5 below.
Receipts not maintained	Process has improved since prior year; however, other instances of missing receipts have been identified. <b>Finding remains open</b> refer 4.5 below.
Period review of payroll master file	<b>Finding remains open.</b> Refer 4.1 below.

## 4. Accounting matters arising

### 4.1 Payroll controls

We consider the main risk to the accuracy of payroll payments is transactions being incorrectly processed, because of either 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 has been that Schools had the following key controls:

- effective access controls to EdPay, limiting access to “authorised users”;
- changes to 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 Novopay Online transactions report for accuracy; and
- review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay.

Since 2021, sufficient reporting was not available in EdPay for Schools to provide evidence that all transactions had been appropriately reviewed.

We do not consider that the review of the SUE report on its own is a strong enough control for Schools to rely on to detect fraud or error, because it does not include details of changes to pay, or masterfile changes. The lack of a complete masterfile change report could also potentially provide an opportunity for a fraud to go undetected.

At the beginning of the 2024 financial year, 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. We understand that guidance on how to use this report to review masterfile changes has yet to be communicated to Schools and this may mean that Schools have not begun checking using this report.

#### **Masterfile changes report in EdPay**

#### **No report in EdPay to check and approve masterfile changes during the 2023 financial year**

The online activity history for masterfile changes, such as bank account and other changes to personal details within EdPay is now available for use. The 2022 payroll guidance provided interim procedures to assist Schools while this report was completed. However, as this could not provide a list of all changes made, this remained an area susceptible to fraud for the 2023 audit.

#### **Recommendation**

We recommend that the Board ask management for assurance that appropriate controls are in place at the School over payroll transactions, consistent with the updated guidance. This should include the adoption and use of the updated transaction history reports to ensure any changes to pay or personal details are valid for the 2024 financial year.

### 4.2 Sensitive expenditure – Wellbeing support payment

In 2023 and 2024, Principals can access funding of up to \$6,000 each year for professional coaching and support for their leadership role. This funding is similar to the \$12,500 wellbeing support payment paid to newly appointed Principals in 2022. This wellbeing support payment was paid to all Principals who have signed the new collective agreements during the 2023 financial year for professional coaching and well-being support.

#### **Guidance on the wellbeing support payment is available**

Guidance on the payment was circulated when the payment was made during the 2023 financial year and is available on the Ministry of Education's website. This outlines the intended purpose of the payment and expected actions required by the Board and Principal of each School. The Ministry recommends:

- The funding is intended to be for the purposes of professional coaching and support for Principals
- Each School's use of the funding should be in accordance with its policies relating to professional development and sensitive expenditure
- Where possible, Schools engage providers that are appropriately qualified and accredited; and
- Use of the fund focuses on supporting Principal's development in their capacity as the chief executive of the School in terms of management and control
- The funding is a minimum entitlement and does not prevent Principals and their Boards agreeing to additional coaching and support in excess of \$6,000
- Principals will be required to make an annual declaration to their Boards regarding their uptake and use of the funding
- As with all spending, Principals and their Boards should have regard to Government Procurement Rules, follow best practice, seek to achieve public value for money, and avoid any conflicts of interest when choosing how to use their funding.

## **Recommendation**

We recommend the Board work with the Principal to ensure the uptake of the \$6,000 for the 2024 financial year follows the guidelines set out by the Ministry of Education. At a minimum, this would include:

- Appropriate one up approval of all expenditure
- Ensuring spending is in line with the School's sensitive expenditure policy; and
- Obtaining an annual declaration from the Principal on how the funds have been utilised.

## **4.3 Provision for Cyclical Maintenance**

### **Observation**

The Provision included in the annual accounts is based on a 10-year maintenance plan that is likely to be impacted by the outcome of current discussions with the Ministry regarding remediation and/or rebuilding of the School buildings.

We note there is no evidence the current Cyclical Maintenance plan was signed off by a Ministry Engaged Consultant.

### **Implication**

The Provision may not be an accurate assessment of the amount the School will need to carry out the cyclical maintenance required under its Occupancy Agreement. We would assume the Provision may be overstated, but without a new plan based on the outcome of your discussion, we have no basis of quantifying our assumption. We have therefore accepted the amount provided for the purposes of inclusion in the 31 December 2022 annual accounts, though have suggested a Note to the Accounts detailing the issue.

### **Recommendation**

We recommend the School's Cyclical Maintenance is reviewed by a Ministry Engaged to ensure it is accurate to the School's needs.

#### 4.4 Sign-off of timesheets

##### Observation

We note that individual timesheets are not completed and signed off by employees prior to disbursement. The current process is performed on a more ad hoc basis, where the principal will notify Lisa of individual's that will be working extra hours that week.

##### Implication

There is a risk that inaccurate hours are recorded for individuals performing extra hours or relief work, which are not detected or corrected prior to disbursement.

##### Recommendation

We recommend that individuals working extra hours or performing relief work complete and sign off individual timesheets, which are subsequently entered and reviewed by the appropriate personnel.

#### 4.5 Missing receipts

##### Observation

During our testing of sensitive expenditure, we identified instances where expenditure did not have a receipt.

##### Implication

Without proof of purchase, inappropriate expenditure could be being made without sufficient challenge.

##### Recommendation

We recommend that staff collect receipts for all expenditure incurred by the School.

#### 4.6 Documentation of Board Minutes

##### Observation

During our review of the Board minutes, we noticed the Board minutes do not record the attendance of the meetings and the activities of the Board in sufficient detail.

##### Implication

There is a risk that those interested in the Board minutes do not have enough information about the activities and actions of the Board.

##### Recommendation

We recommend that Board minutes are documented with more detail and context so that interest parties can have greater understanding of activities of the Board.

## 5. Summary of financial statement matters arising

In performing our audit for the year ended 31 December 2023 we have not identified any uncorrected misstatements or omitted disclosures that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2023.

## 6. Other professional communications

The following matters relevant to our audit for the year ended 31 December 2023 are communicated in accordance with the requirements of New Zealand auditing standards.

Matter to be communicated	Response
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Accounting policies and financial reporting	There were no changes in accounting policies during the year ended 31 December 2023.  We have not become aware of any significant qualitative aspects of the School's accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Board, other than those already communicated in this report.
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, need to be communicated to the Board.
Other information	We have read the other information (the financial and non-financial information other than the financial statements) contained within the annual report to consider whether there are material inconsistencies with the financial statements.

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