



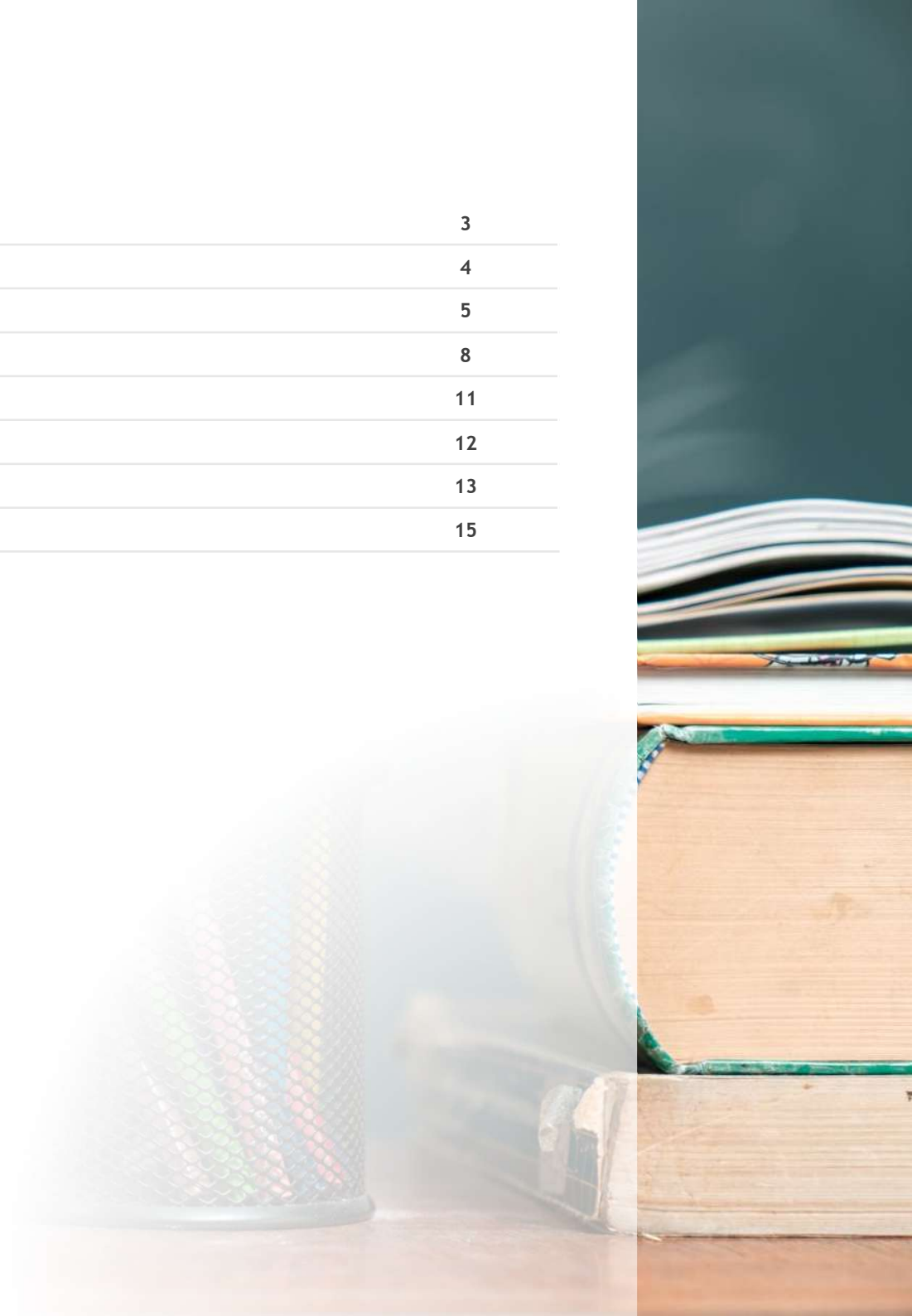
# Rai Valley Area School

## AUDIT COMPLETION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

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# Letter From the Engagement Partner

4 June 2026

Jamie Knight  
The Presiding Member  
Rai Valley Area School

cc. Maree Furness

Dear Jamie,

It is our pleasure to present our Audit Completion Report for our audit of Rai Valley Area School's Financial Statements for the year ended 31 December 2025.

We would like to emphasise that our audit work involves the review of only those systems and controls in your School 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.

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

Yours faithfully,  
BDO Christchurch Audit Limited



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Partner  
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# Audit Completion Dashboard

## AUDIT OBJECTIVE AND APPROACH

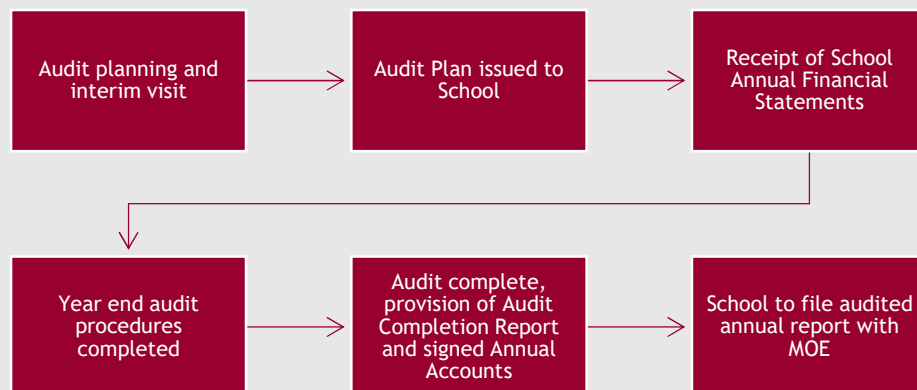
BDO Christchurch Audit Limited ('BDO') is the appointed audit firm of the School.

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), and the terms set out in our engagement letter.

Our audit objectives are to:

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

## AUDIT PROCESS



## AUDIT FOCUS AREAS

Our audit focused on the areas of the School's activities that pose the greatest risk, as identified during our risk assessment and outlined in the Audit Plan shared with you at the planning stage.

On receipt of the School's draft financial statements, we revisited and concluded on these areas to ensure our audit plans remain responsive, evidence-based, and appropriately targeted:

### *Management override of controls*

- A required area of significant risk per the auditing standards because, regardless of how well designed controls are, management has the ability to circumvent or manipulate them, increasing the risk of material misstatement due to fraud

### *Payroll not checked or approved*

- The Edpay system requires each individual School to have sufficient processes and controls in regard to the input of School specific information

### *Cyclical maintenance*

- This balance is determined through the application of a number of estimates

### *Revenue recognition, specifically locally raised funds*

- The School receives a range of different receipts which make up locally raised funds. Accounting Standards dictate differing requirements in regard to when these are recorded as revenue, dependent on the nature of the receipt

### *Sensitive expenditure*

- As a public entity, the School is required to ensure its expenditure directly reflects its overall purpose, being delivery of education

### *Capital works*

- Some property projects are completed by the School, with funding provided specifically by the Ministry of Education.

## 2. Key Audit Risks & Areas of Audit Emphasis

Below is a summary of the final identified key areas of risk, 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.

MANAGEMENT OVERRIDE	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.</p>	<p>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.</p> <p>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.</p> <p>We also refer you to Appendix 2 Management Override - Review of Journals Advisory point.</p>

PAYROLL NOT APPROVED OR CHECKED	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>Payroll is processed by EdPay, however this is dependent on accurate inputting of information and checking by each School.</p> <p>As a result, a level of assurance is obtained through work completed over the EdPay system via central assurance procedures, however detailed testing is also required by the appointed auditor at an individual School level.</p>	<p>We obtained an understanding of the processes and controls in place at the School with respect to payroll.</p> <p>We reviewed the School's SAAR report and completed analytics reviews, a reconciliation between the SAAR and the financial ledger, as well as employee existence testing.</p> <p>No issues were identified from the testing performed.</p>

## 2. Key Audit Risks & Areas of Audit Emphasis

CYCLICAL MAINTENANCE PROVISION	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>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.</p> <p>For Schools to be able to calculate the appropriate cyclical maintenance provision, a School Property Plan (SPP/10YPP) and cyclical maintenance calculation need to be prepared by a suitably qualified person and reviewed annually by the Board.</p>	<p>We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.</p>
REVENUE RECOGNITION AND COMPLETENESS - LOCALLY RAISED FUNDS	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>The School receives a wide range of receipts which are classified as locally raised funds for annual financial reporting purposes. These can include donations from the likes of parents and community organisations, contributions to extra-curricular activities and receipts from sales of uniform or stationary.</p>	<p>We obtained an understanding of the processes and controls in place at the School in regard to collection of these funds and recognition in the Schools accounting system.</p> <p>Where these amounts were considered significant we completed analytic procedures and reviewed supporting documentation for significant amounts. We also considered whether the revenue recognition treatment was appropriate.</p> <p>No issues were identified from the testing performed.</p>
SENSITIVE EXPENDITURE	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>As public entities, expenses incurred by the Board are subject to standards of probity and financial prudence and should be able to withstand Parliamentary and public scrutiny. Schools should treat expenditure financed from locally raised funds in the same way as expenditure funded by the Crown.</p> <p>Schools should have a sensitive expenditure policy in place, and all spending should align with the requirements of the policy.</p>	<p>We obtained the School's sensitive expenditure and gifting policies, and selected a sample of expenditure transactions for testing. Each transaction was agreed to support and assessed for appropriateness.</p> <p>No issues were identified from the testing performed.</p>

# 2. Key Audit Risks & Areas of Audit Emphasis

CAPITAL WORKS	
AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
<p>Many Schools facilitate the completion of Ministry of Education (“MOE”) funded capital works projects. This involves accounting for both receipts from the MOE and directly incurring the expenditure for the project.</p> <p>In some cases, Schools agree with the Ministry to make contributions towards the projects. These can take the form of both donations (contribution to MOE) or investments (results in a School asset).</p> <p>Some such projects contain retention components and therefore are subject to the Construction Contracts (Retention Money) Amendment Act 2023.</p>	<p>We reconciled the amount reported in the Schools financial statements, including notes to the accounts, to the School ledger and an extract of capital works projects provided by the MOE.</p> <p>We obtained confirmation from the MOE as to the amount paid to the School for capital works during the period.</p> <p>A sample of expenditure transactions were agreed to supporting documentation.</p> <p>We also considered where relevant, any board contributions and any contracts that contained retention amounts.</p>

# 3. 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. This report should be read in conjunction with the Interim Audit Plan that we issued at the conclusion of our interim audit procedures

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 the final year end audit procedures. We also refer you to Section 4: Update on Prior Year Audit Findings

## BUDGET FOR THE STATEMENT OF CASH FLOWS

FINDING	CONCLUSION / RECOMMENDATION
<p>Schools are required by section 135 of the Education and Training Act 2020 to report budgeted figures for the Statement of Cash Flows.</p> <p>It is important to consider the budgeted cash flows of the school to ensure that the Board can effectively manage its working capital as well as possible legislative requirements, such as borrowing limits. It is also required to disclose the budgeted amounts for these statements in its financial statements.</p> <p>Further, the auditor was not provided with a copy of the final approved 2026 budget.</p>	<p>Please refer to the Full Budget Preparation Advisory Point in Appendix 2.</p> <p>We recommend that the Board produce a budgeted 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.</p>

# 4. Update on Findings from Prior Reports

The following findings were reported in previous reports issued by BDO Christchurch Audit Limited and an update from our most recent work is provided below.

## REVIEW OF PAYROLL CHANGES AND EDPAY TRANSACTION REPORTS

FINDING	RECOMMENDATION	2025 UPDATE
<p>The school has not yet implemented the use of EdPay’s new transaction reports (activity history, timesheet, and leave histories reports), which detail all changes made to the payroll. These reports should be reviewed each pay period, prior to payment, to ensure all payroll transactions processed match authorised changes.</p>	<p>We continue to recommend that the advice from Edpay for payroll checking be followed:</p> <p><i>“The transactions recorded in the activity, timesheet and leave histories should be checked each pay period, prior to payment, to ensure they match authorisations”</i></p> <p><a href="https://www.edpay.govt.nz/Site/Training/authorisation/checking-transactions-using-the-activity-history.aspx">https://www.edpay.govt.nz/Site/Training/authorisation/checking-transactions-using-the-activity-history.aspx</a></p>	<p>The transaction reports are not being signed off alongside the fortnightly SUEr.</p> <p>We continue to recommend that the checked and approved transaction reports be appended to the fortnightly SUE reports as this will provide a complete audit trail of approved changes</p>

## OPERATING DEFICIT BUDGET

FINDING	RECOMMENDATION	2025 UPDATE
<p>For the year 31 December 2024 the school recorded an operating deficit of \$80,496 as compared to a budgeted loss of \$97,730.</p> <p>For the year 31 December 2025 the school recorded an operating deficit of \$50,745 as compared to a budgeted loss of \$67,074.</p>	<p>We continue to recommend that the Board try to avoid deficit budgeting wherever possible.</p>	<p>The 2026 budget shows a budgeted deficit of \$85,919.</p> <p>We continue to recommend that the Board try to avoid deficit budgeting wherever possible.</p>

# 4. Update on Findings from Prior Reports

The following findings were reported in previous reports issued by BDO Christchurch Audit Limited and an update from our most recent work is provided below.

## REQUIREMENT FOR NON-FINANCIAL REPORTS IN THE ANNUAL REPORT

FINDING	RECOMMENDATION	2025 UPDATE
<p>In addition to the audited financial statements, the Ministry of Education lists following reports as being required as part of the Annual Report:</p> <ul style="list-style-type: none"><li>• Statement of variance.</li><li>• Evaluation of the school’s students’ progress and achievement.</li><li>• Statement of compliance with employment policy.</li><li>• Statement of Kiwisport funding</li></ul>	<p>We recommend that all reports be submitted to the auditor as part of the annual audit process in 2025.</p>	<p>The School did not provide copies of the required reports.</p> <p>We recommend that all reports be submitted to the auditor as part of the annual audit process in 2026..</p>
<p>The following reports are listed as being optional:</p> <ul style="list-style-type: none"><li>• Presiding member/principal’s report [OPTIONAL].</li><li>• List of all school board members [OPTIONAL].</li><li>• Other reports on special and contestable funding [MAY BE NECESSARY].</li></ul>		
<p>Refer to School Annual Report requirements here: <a href="https://www.education.govt.nz/education-professionals/schools-year-0-13/administration-and-management/school-annual-reports">https://www.education.govt.nz/education-professionals/schools-year-0-13/administration-and-management/school-annual-reports</a></p>		

# Appendices

# Adjusted and Unadjusted Differences

## SIGNIFICANT ADJUSTMENTS

The following misstatements have been identified and adjusted during the course of our audit.

	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
Correction of prepaid expense	3,206	-	-	(3,206)
Correction to align Cyclical Maintenance Provision for a new plan	-	(1,100)	-	1,100
Recognition of the pay equity washup	3,680	-	-	(3,680)
<b>TOTAL ADJUSTED DIFFERENCES</b>	<b>6,886</b>	<b>(1,100)</b>	<b>-</b>	<b>(5,786)</b>

## UNADJUSTED DIFFERENCES

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

	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
There are no unadjusted audit differences.	-	-	-	-
<b>TOTAL UNADJUSTED DIFFERENCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Advisory Points

We include the following points as general advisory points. These are points which are relevant to majority of Schools.

## MANAGEMENT OVERRIDE - REVIEW OF JOURNALS ADVISORY

Many School finance administrators have access to record journals in the School's general ledger. A common audit finding, however, is that there is no independent review of the journals posted.

The Ministry of Education (MOE), in their publication "Internal Control Checklist" notes that a good control includes an appropriate segregation of duties. This is the concept of having more than one person required in the process to complete a task, which reduces the risk of error and fraud because it requires more than one person to participate in the error or fraud. This control applies to manual journal entries recorded in the School's general ledger.

The key internal controls recommended for financial reporting are:

1. The board review monthly management accounts prepared by management or service provider
2. The review of monthly management accounts includes a review of actual income or expenditure against the approved budget, with an explanation of variances
3. The board review the draft financial statements prepared by management or service provider before providing to the auditors, before the statutory deadline of 31 March each year
4. The listing of manual journals is included in the monthly financial report and reviewed by the board

The MOE Internal Control Checklist is located here:

<https://www.education.govt.nz/education-professionals/Schools-year-0-13/funding-and-financials/day-day-financial-management#protecting-your-School-from-fraud-1>

## CONSTRUCTION CONTRACTS (RETENTION MONEY) AMENDMENT ACT 2023

The Construction Contracts (Retention Money) Amendment Act 2023 (2023 Amendment Act) ("the "Act"), which applies to all contracts entered into or renewed from 5 October 2023.

The Act introduces new requirements for retention money held. Schools that hold retentions on their construction projects will have to comply with the new requirements from 5 October 2023. This includes holding retention money in a separate bank account and reporting obligations. It is important to note that the Act introduces harsh penalties for entities that do not comply.

For Schools that hold retention money for capital works projects, we recommend that you discuss the requirements with your Accounting Service Provider. If applicable, you need to establish systems to ensure compliance.

For advice on how to set up bank accounts for this purpose, you can get in touch with your Ministry School Finance Advisor.

# Advisory Points

## FULL BUDGET PREPARATION

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

The budgeted amounts disclosed in the annual financial statements should be from the Board approved budget at the start of the year.

If your School does not already prepare a budgeted Statement of Financial Position and Statement of Cash flows at the start of each year as part of the budget setting routine, we recommend this be done for the next financial year.

It is important to consider the budgeted financial position of the School and its future cash flows to ensure that Boards can effectively manage their Schools working capital and cash flows, as well as possible legislative requirements, such as borrowing limits.

# Required Communications

## 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

In conducting our audit, we are required to comply with the independence requirements of AG PES-1 Code of Ethics for Assurance Practitioners issued by the 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 BDO office without the express approval of the audit engagement partner or the OAG.
- All services performed by any national BDO office will be reported to the governing body.

There were no other services provided by BDO Christchurch during the year.

## 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 2025 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.

## ACCOUNTING POLICIES

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.

## MATTERS REQUIRING BOARD OF TRUSTEE INPUT

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

- Minutes of the Board meetings;
- Implementation of such controls as is needed to ensure that financial statements are presented fairly;
- Management accounts;
- Annual budget;
- School Property Plan (SPP)/maintenance plan;
- Notification of fraud; and
- Financial statements.

## MATERIALITY AND ADJUSTED / UNADJUSTED DIFFERENCES

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.

During the course of our audit we identified a number of misstatements. Adjustments made as a result of our audit and unadjusted differences (none of which we consider material, either individually or in aggregate) have been detailed in Appendix 1 of this report.

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 identified such misstatements we will not communicate these to you.

# Required Communications

## GOING CONCERN

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.

We identified no issues or concerns that led us to conclude the going concern assumption could not be relied upon.

## 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.

## COMPLIANCE WITH LAWS AND REGULATIONS

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.

## SIGNIFICANT FINDINGS FROM THE AUDIT

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.

## DISAGREEMENTS WITH MANAGEMENT

There have been no disagreements with management over matters of significance to the audit.

## DIFFICULTIES ENCOUNTERED DURING THE AUDIT

There have been no significant difficulties encountered during the audit.

## CONSULTATIONS WITH OTHER ACCOUNTANTS AND CONSULTANTS

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.

## 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

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, list of board members, Statement of Responsibility, Statement of Variance, Evaluation of the School's student's progress and achievement, and statement of compliance with employment policies.

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.

We note that you have published your prior year Annual Report on the School's website.

## CONTACT

For more information please contact the BDO Christchurch Audit Limited School Team

e: [chc.schools@bdo.co.nz](mailto:chc.schools@bdo.co.nz)

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We have prepared this report solely for the use of Rai Valley Area School. This report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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