



North Shore Principals Association

Finance

29 February 2024





Today's Agenda - Finance

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- ❖ What do we do?
- ❖ Audit 2023
- ❖ Probity / Sensitive Expenditure
- ❖ Board funded Property Projects
- ❖ Staffing for Roll increases



Working with the Sector

Support



Advice & Training

- Building relationships
 - New Principals/Boards
- Finance 101 training
- Budgeting/forecasting
- Monthly Board reporting
- Sector conferences
- Responding to queries
- Identified audit issues

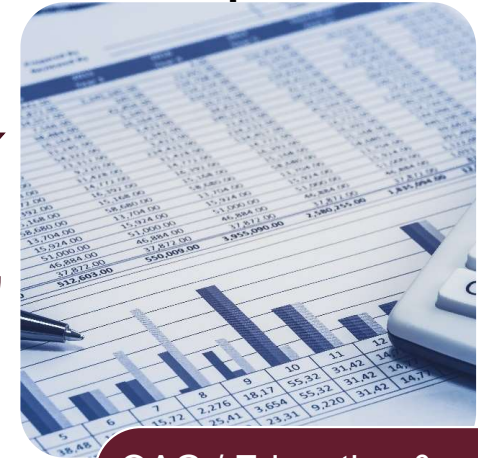
Monitor



Risk Analysis

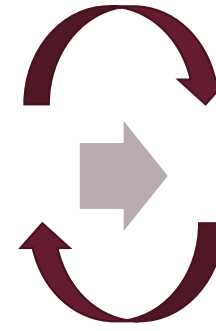
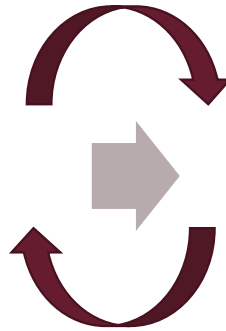
- Financial analysis
 - Risk ratings
 - Recovery action
 - Banking staffing overuse
- Key indicators
- Intervention
- Property projects

Compliance



OAG / Education & Training Act

- Annual accounts
 - Kiwipark model
- Borrowing threshold
- Relationship between school, auditors, OAG
- External finance service providers





Audit 2023



Financial Reporting Compliance



Important annual dates

- ❖ **31 December** – End of the school financial year
- ❖ **By 31 March** – All draft financial statements are to be provided to your Auditor (section 135)
- ❖ **By 31 May** – All audited annual reports are to be provided to the Ministry of Education (section 137)

Preparation of annual accounts

- ❖ All schools must prepare an annual report, under section 134 of the Education & Training Act 2020
- ❖ This includes financial statements, and these must be audited (section 135)
- ❖ Kiwi Park is the name of the model financial statements prepared by the Ministry
- ❖ It is compulsory to prepare your financial statements using the Kiwi Park model (section 134 (4))
- ❖ All annual reports are to be published on the school's website (section 136)
- ❖ A copy of the Kiwi Park model is available on the [Education.govt.nz](https://www.education.govt.nz) website



Audit – Principal’s Responsibilities

- ❖ You are responsible for:
 - ❖ The preparation of the school's annual report
 - ❖ Provision of supporting documentation
 - ❖ Obtaining final sign-offs
 - ❖ Filing the audited accounts with the Ministry of Education and making this available on your school website

You may have a service provider or Business Manager that will do this for you

- ❖ You can control how smooth your audit runs, the key is:
 - ❖ Preparation
 - ❖ Planning
 - ❖ Communication

Agreeing a time frame for your audit is a valuable tool

Getting ready for your audit

Engage with
your auditor
and service
provider early
to:

- ❖ **Agree a timetable** for your audit, which should include:
 - Agreeing dates for the auditor's visits;
 - Agree dates on deliverables - who is going to provide what and by when
- ❖ **Ask for a list of what** workpapers and information **is required** by the auditor for each stage of the audit. Collect this information together in an audit file
- ❖ Would it be advantageous to **provide auditors with** read-only **access to your system**?
- ❖ If you are preparing the annual financial statements yourself, **are you familiar with the model financial statements** and any changes from last year. Do you need help?
- ❖ If in doubt: Your Ministry school finance adviser, service provider and auditor are all available to answer your questions. **Please speak up if you are unsure**

Audit File

Your *audit file* includes all the supporting documentation (invoices*, calculations, reconciliations etc) you have used to prepare the draft financial statements including any judgements made

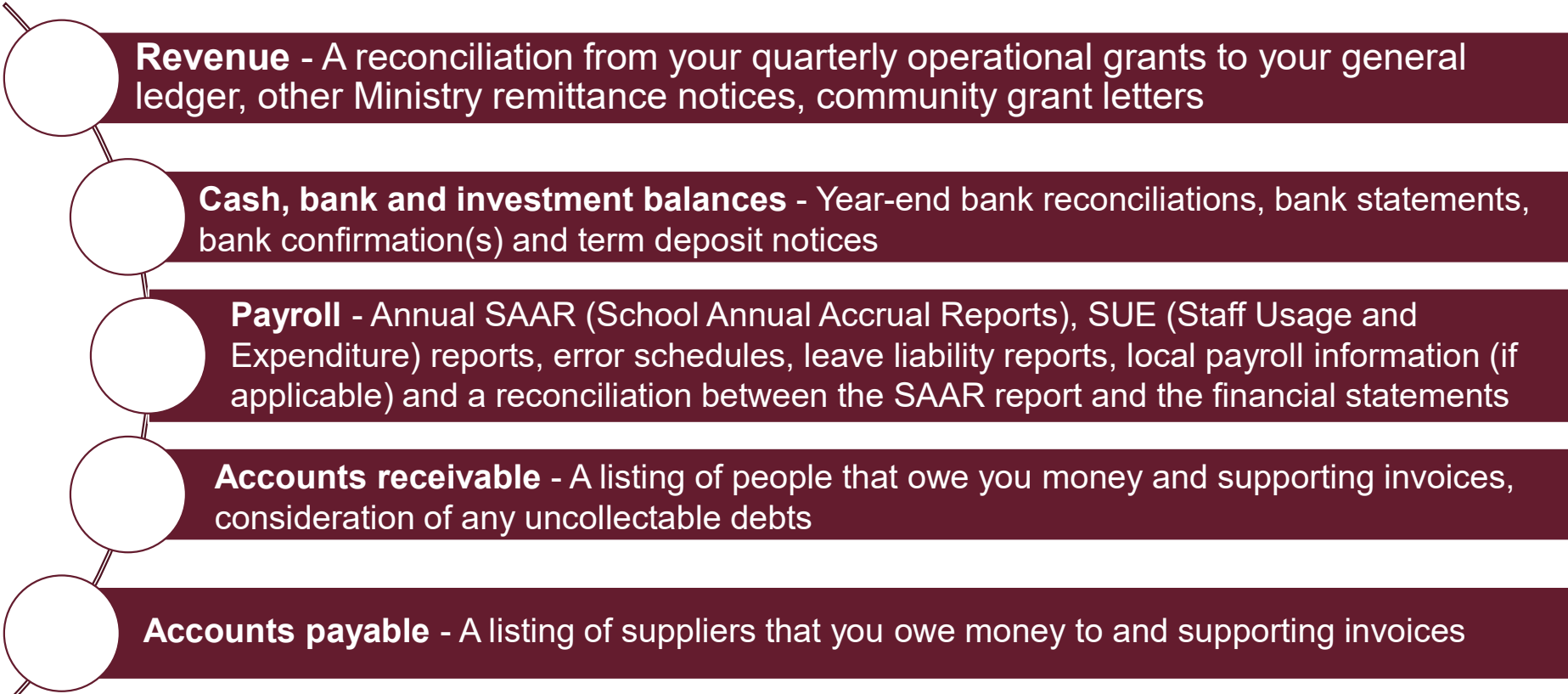
Key Information to include (but not limited to)

- ❖ Draft annual financial statements approved by the Board
- ❖ Board minutes - signed copies of Board and Finance Committee minutes, including any in-committee minutes, for the financial year and as recent as possible
- ❖ General ledger and trial balance and/or read-only access to Cloud based accounting system
- ❖ Approved annual budget
- ❖ Supporting workpapers and documents used to prepare draft financial statements



This documentation is critical to the audit process. It can make the difference between a smooth and successful audit and a difficult prolonged audit.

Supporting Workpapers



Revenue - A reconciliation from your quarterly operational grants to your general ledger, other Ministry remittance notices, community grant letters


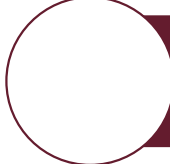


Cash, bank and investment balances - Year-end bank reconciliations, bank statements, bank confirmation(s) and term deposit notices

Payroll - Annual SAAR (School Annual Accrual Reports), SUE (Staff Usage and Expenditure) reports, error schedules, leave liability reports, local payroll information (if applicable) and a reconciliation between the SAAR report and the financial statements

Accounts receivable - A listing of people that owe you money and supporting invoices, consideration of any uncollectable debts

Accounts payable - A listing of suppliers that you owe money to and supporting invoices

Supporting Workpapers

-  **Fixed Assets** - A full listing of all assets that you own. Supporting invoices for assets you have purchased in the year (including new leased asset agreements), assets you have disposed of during the year or assets that are impaired, annual depreciation calculations
-  **Inventory** - A listing of all inventory including value and units held, inventory stocktake count sheets, identification of obsolete inventory and value, considerations of inventory to write off
-  **Cyclical Maintenance provision** - A copy of the cyclical maintenance plan, confirmation of the value basis, confirmation that the Board has reviewed the plan
-  **Other General Ledger (GL) reconciliations** - For other significant account balances provide reconciliations and supporting evidence

Subsequent Events

- ❖ Your auditor is required to undertake a review of events that have happened after Balance Date
 - ❖ Auditing standards ISA (NZ) 560
 - ❖ This review is to determine if something has happened in the new financial year that would change the opinion of the reader at 31 December
- ❖ Fraud Test - classification of transactions around year end and ensuring their correct accounting treatment has been applied
 - ❖ For example, an event requiring significant consideration (fire, flood etc.) could lead to the school being required to use a large portion of reserves for the repairs
- ❖ To complete this, the auditor may ask for:
 - ❖ Copies of Board minutes after year-end
 - ❖ Recent monthly management accounts or financial information
 - ❖ Additional information explaining or supporting the event requiring potential disclosure or adjustment

Auditor's Management Letter

- ❖ This letter is required to be sent to all schools as part of the audit process, it is received at the conclusion of the audit, unless an interim management letter has been sent
- ❖ The letter addresses items of interest noted during the audit, such as:
 - ❖ Internal control weaknesses
 - ❖ Breaches of legislation
 - ❖ Financial position concerns
 - ❖ Sensitive expenditure
- ❖ What should you do with the Auditor's management letter?
 - ❖ Read it, research the points raised and respond to the auditor
 - ❖ Minute the response
- ❖ The comments from the auditor are designed to bring to your attention where improvements to your processes and systems can be made
 - ❖ What are you doing to address the issue(s) and safeguard yourself and your school?

Closing out the Annual Audit Process

- ❖ At the end of the audit process, you will receive two documents:
 - ❖ The Independent Auditor's Report (audit opinion)
 - ❖ **Unmodified opinion** – nothing to see
 - ❖ Modified opinion (with unqualified) – draw attention to
 - ❖ Modified opinion (with qualification) – unable to verify/limitation of scope
 - ❖ Adverse opinion – challenges are pervasive but not material
 - ❖ Disclaimer opinion – no opinion or opinion if material is pervasive
 - ❖ The Auditor's management letter
- ❖ The Office of the Auditor General (OAG) publicly release the key findings from the school audit annually

Statement of Responsibility



Kiwi Park School

Statement of Responsibility

For the year ended 31 December 2022

The Board accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

The management (including the principal and others as directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2022 fairly reflects the financial position and operations of the school.

The School's 2022 financial statements are authorised for issue by the Board.

Full Name of Presiding Member

Full Name of Principal

Signature of Presiding Member

Signature of Principal

Date:

Date:

- ❖ Current Principal & Presiding Member sign the annual report on behalf of the school
- ❖ The Principal & Presiding Member are representatives of the school with the appropriate level of authority
- ❖ Even if you were not the Principal or Presiding Member during that financial year you are still required to sign the annual report
 - ❖ You cannot have a prior officer sign the annual report
 - ❖ You may have to spend some time ensuring that you understand the school's financial position if you were not at the school during the financial year

Statement of Comprehensive Revenue and Expense



Kiwi Park School Statement of Comprehensive Revenue and Expense For the year ended 31 December 2023

	Notes	2023 Actual \$	2023 Budget (Unaudited) \$	2022 Actual \$
Revenue				
Government Grants	2	2,886,878	2,839,000	2,716,166
Locally Raised Funds	3	296,574	193,500	229,575
Use of Proprietor's Land and Buildings		-	-	-
Interest		9,254	5,000	14,482
Gain on Sale of Property, Plant and Equipment		1,000	-	-
Hostel	4	27,000	20,000	21,000
Other Revenue		-	-	-
Total Revenue		3,220,706	3,057,500	2,981,223
Expense				
Locally Raised Funds	3	149,504	112,000	128,053
Hostel	4	27,000	20,000	21,000
Learning Resources	5	2,046,782	2,013,500	1,979,150
Administration	6	233,063	204,500	143,990
Interest		10,665	9,000	1,235
Property	7	727,503	698,000	683,948
Other Expense	8	8,800	500	-
Loss on Disposal of Property, Plant and Equipment		3,257	-	12,460
Total Expense		3,206,574	3,057,500	2,969,836
Net Surplus / (Deficit) for the year		14,132	-	11,387
Other Comprehensive Revenue and Expense		-	-	-
Total Comprehensive Revenue and Expense for the Year		14,132	-	11,387

The above Statement of Comprehensive Revenue and Expense should be read in conjunction with the accompanying notes which form part of these financial statements.

- ❖ Summarises Income and Expenditure for the current and prior financial year
- ❖ The bottom line shows the net operating surplus or deficit
- ❖ It shows how the school has managed its money and it includes all non-cash transactions
- ❖ It compares the result to the budget that was approved at the beginning of the year

Statement of Change in Net Assets/Equity



Kiwi Park School Statement of Changes in Net Assets/Equity For the year ended 31 December 2023

	Notes	2023 Actual \$	2023 Budget (Unaudited) \$	2022 Actual \$
Equity at 1 January		529,279	520,000	517,892
Total comprehensive revenue and expense for the year		14,132	-	11,387
Contributions from / (Distributions to) the Ministry of Education		-	-	-
Contribution - Furniture and Equipment Grant		12,000	-	-
Equity at 31 December		555,411	520,000	529,279
Accumulated comprehensive revenue and expense		555,411	520,000	529,279
Reserves		-	-	-
Equity at 31 December		555,411	520,000	529,279

The above Statement of Changes in Net Assets/Equity should be read in conjunction with the accompanying notes which form part of these financial statements.

- ❖ Total Assets – Total Liabilities = Equity
 - ❖ Net worth of the school

- ❖ The calculation of Equity:
 - ❖ Opening Equity @ 1 January
 - ❖ + Total comprehensive revenue & expenses for the year
 - ❖ + Capital contributions
 - ❖ = Equity @ 31 December

- ❖ Total Equity will equal Net Assets on the Statement of Financial Position



Statement of Financial Position



Kiwi Park School
Statement of Financial Position
 As at 31 December 2023

	Notes	2023 Actual \$	2023 Budget (Unaudited) \$	2022 Actual \$
Current Assets				
Cash and Cash Equivalents	9	220,233	195,000	187,607
Accounts Receivable	10	123,496	124,000	156,917
GST Receivable		12,737	10,000	17,582
Prepayments		9,388	9,000	8,633
Inventories	11	25,881	26,000	19,843
Investments	12	171,884	150,000	137,544
Funds Receivable for Capital Works Projects	22	-	-	4,083
		563,419	514,000	532,209
Current Liabilities				
GST Payable		-	-	-
Accounts Payable	15	159,286	148,000	126,962
Borrowings	16	39,000	42,000	-
Revenue Received in Advance	17	154,005	34,000	4,000
Provision for Cyclical Maintenance		-	-	-
Painting Contract Liability	19	16,754	11,000	16,754
Finance Lease Liability	20	13,918	14,000	14,000
Funds held in Trust	21	25,000	15,000	-
Funds held for Capital Works Projects	22	4,541	4,000	155,424
Funds held on behalf of School Cluster	23	2,000	10,000	-
		414,504	278,000	317,140
Working Capital Surplus/(Deficit)		148,915	236,000	215,069
Non-current Assets				
Investments	12	129,201	60,000	60,000
Property, Plant and Equipment	13	498,579	392,500	398,740
Intangible Assets	14	7,200	5,500	-
		634,980	458,000	458,740
Non-current Liabilities				
Borrowings	16	11,000	10,000	-
Provision for Cyclical Maintenance	18	112,190	90,000	53,750
Painting Contract Liability	19	57,771	45,000	66,780
Finance Lease Liability	20	42,523	24,000	24,000
Funds held in Trust	21	5,000	5,000	-
		228,484	174,000	144,530
Net Assets		555,411	520,000	529,279
Equity		555,411	520,000	529,279

- ❖ Shows the financial position of the school at the end of the financial year – 31 December
- ❖ Shows what the school owns (Assets)
- ❖ Shows what the school owes (Liabilities)
- ❖ Short term = less than 1 year
- ❖ Long term = greater than 1 year

Working Capital is the school's ability to pay the bills:

- ❖ Current Assets less Current Liabilities
- ❖ If the school has good financial health this should be positive
- ❖ OAG – serious financial difficulty if working capital deficit is >20% of operation grant



Statement of Cash Flows

Kiwi Park School Statement of Cash Flows For the year ended 31 December 2023

Note	2023 Actual \$	2023 Budget (Unaudited) \$	2022 Actual \$
Cash flows from Operating Activities			
Government Grants	779,800	735,000	736,000
Locally Raised Funds	254,216	180,500	198,934
Hostel	74,000	30,000	74,000
International Students	60,000	35,000	35,000
Goods and Services Tax (net)	4,845	(10,000)	(10,000)
Payments to Employees	(288,442)	(495,634)	(466,375)
Payments to Suppliers	(510,814)	(425,625)	(519,842)
Interest Paid	(10,665)	(9,000)	(9,000)
Interest Received	12,753	4,000	4,000
Net cash from/(to) Operating Activities	375,693	44,241	42,717
Cash flows from Investing Activities			
Proceeds from Sale of Property Plant & Equipment (and Intangibles)	5,000	-	-
Purchase of Property Plant & Equipment (and Intangibles)	(181,290)	(143,500)	(83,500)
Purchase of Investments	(103,341)	(12,456)	(35,000)
Proceeds from Sale of Investments	-	-	-
Net cash from/(to) Investing Activities	(279,631)	(155,956)	(118,500)
Cash flows from Financing Activities			
Furniture and Equipment Grant	12,000	-	-
Contributions from / (Distributions to) Ministry of Education	-	-	-
Finance Lease Payments	(1,627)	(25,000)	(1,000)
Painting Contract Payments	(9,009)	(5,000)	(6,000)
Loans Received	50,000	52,000	52,000
Repayment of Loans	-	-	-
Funds Administered on Behalf of Other Parties	(114,800)	34,000	31,000
Net cash from/(to) Financing Activities	(63,436)	56,000	76,000
Net increase/(decrease) in cash and cash equivalents	32,626	(55,715)	217
Cash and cash equivalents at the beginning of the year	187,607	250,715	187,390
Cash and cash equivalents at the end of the year	220,233	195,000	187,607

The Statement of Cash Flows records only those cash flows directly within the control of the School. This means centrally funded teachers' salaries, use of land and buildings grant and expense and other notional items have been excluded.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes which form part of these financial statements.

Blue highlights indicate changes for the current year

- ❖ Focused on the flow of **cash** – in and out
- ❖ Useful in determining the short-term viability of a school, particularly its ability to pay bills
- ❖ The cash flow statement is partitioned into three segments:
 - ❖ Operating activities – day-to-day business
 - ❖ Investing activities – long term assets buy and sell
 - ❖ Financing activities – capital and debt transactions



Probity / Sensitive Expenditure

Probity / Sensitive Expenditure

“The Public Audit Act 2001 rises Parliament’s concern that public entities should no enter into transactions or activities that are wasteful, or that show lack of probity or financial prudence. In particular probity is concerned with whether the expenditure may be justified from a public perspective.”

- ❖ All monies received by a school, whatever the source, automatically becomes public funds / crown funds
 - ❖ Locally raised funds and international student income are still public funds
 - ❖ The Board is accountable for the expenditure from these sources
- ❖ When spending funds, it is critical to keep the above comments front of mind
- ❖ A handy thought when determining if expenditure is considered to be ‘sensitive’ is to apply the “Six O'clock News” test
- ❖ One of the biggest components of the audit process is how the school has spent public funds. This is over and above the standard audit process and is a significant part of auditing a crown / public entity

Sensitive Expenditure - examples

- ❖ Some transactions that may be views as wasteful or show a lack of probity or financial prudence include:
 - ❖ Lavish hospitality or entertainment – for example; Christmas parties, morning tea shouts, international recruitment agents or guests to the school
 - ❖ Financial prudence and value for money – failure to obtain competitive tenders for significant capital acquisitions or for large contracts for the supply of goods and services
 - ❖ Discretionary expenditure by the Principal and/or the Board, which does not clearly relate to the operation of the school - for example; payment for a spouse to travel with the staff member attending a conference
 - ❖ Advances to staff – these are not allowed under section 154 (2)(b)(ii) – as the school is effectively entering a debt security arrangement
 - ❖ Use of school resources for a personal benefit by staff or the Board – for example; using a school credit card as a source of temporary finance

Probity - examples



Example 1

- ❖ The school paid for 6 staff to visit a neighbouring country as part of an education outside of the classroom. No evidence of the educational outcomes was provided to the Board for this part of the trip, nor were there details of how this element was funded
- ❖ **Why is this potentially an issues?** – without more detail or evidence on the educational purposes of the trip or its funding, it appears that the Board has used public funds in a manner that is not clearly linked to an educational outcome for the school or students.

It could be argued that this type of expenditure could be considered wasteful and an inappropriate use of public funds

Probity - examples

Example 2

- ❖ The Board gave the retiring Principal an \$8,000 leaving gift after 30 years of service to the school and community. The Board approved the gift, however it was not consistent with the school's gift policy, which allowed a gift to the value of \$1,000

- ❖ **Why is it potentially an issues?** – There are two factors here:
 - ❖ **1.** The Board has a gift policy of no more than \$1,000 which they elected to break. Policies are the school rules to operate under and should be abided by

 - ❖ **2.** The value of the gift could potentially be seen as extravagant and therefore could be considered wasteful and an inappropriate use of public funds

Board Funded Property Projects

Board funded property projects

When can you use Board or Third-Party funding?

- ❖ Board and/or Third-Party funds may be used to help fund property projects
- ❖ These funds are typically combined with Ministry funded projects

What you need to do?

- ❖ Obtain Ministry approval *before* you can use this funding on a property project
- ❖ If approval is not made prior to the project starting, it is not guaranteed retrospectively

Criteria

- ❖ **All** the criteria must be met
 - ❖ **Educational benefits**
 - ❖ **Network considerations**
 - ❖ **Financial status**
 - ❖ **Property standards**

- ❖ Further information can be found here:

❖ [Board funding for property projects – Education in New Zealand](#)

Board funded property projects – financial status



- ❖ The school must have accounting advice from the Ministry school finance advisor
- ❖ The school must seek their own legal advice to support acquiring the property
- ❖ School financial advisor recommendation is only required for a contribution of more than:
 - ❖ \$10,000 if the roll is <100 students
 - ❖ \$35,000 if the roll is >100 students
- ❖ Things to consider:
 - ❖ What will the level of working capital and available cash be following the investment?
 - ❖ What is the on-going maintenance financial commitment of this investment?
 - ❖ What is the on-going running costs of this investment?
 - ❖ If the funding is supported by a grant(s) – how will a future Board fund the replacement of this investment?

Staffing for Roll Growth

Staffing for Roll Growth

- ❖ [Staffing for Roll Growth](#) applications received up to 29 November 2024
- ❖ Roll must have increased and stayed at that level for **5** school days
- ❖ Submit [completed form](#) and supporting documents to:
 - ❖ *Local office* (Primary, Intermediate, Restricted Composite)
 - ❖ *Resourcing* resourcing@education.govt.nz (Special, Secondary, Area/Composite)
- ❖ Run your SMS report at the date of the new enrolments
- ❖ Open the Ministry [staffing calculator](#)
- ❖ Enter your school number and select current year
- ❖ Enter your students at each *MOE year level* from your SMS report
- ❖ If this generates additional staffing, complete and submit the form



Te Tāhuhu o te Mātauranga
Ministry of Education

Staffing Roll Change Request

School information

School name: _____ School no.: _____
 Date the Roll Increased: _____ Contact Email: _____

Increased Roll/Increased Māori Immersion Levels
 Note: students must be entered below by MOE funding year level, rather than academic year level

Funding Year Level	Total students (excl. STP)	STP		Māori Medium			
		Students	FTE	Level 1	Level 2	Level 3	Level 4
0 + 1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13+							

Certification
 I certify that I have checked the information on this form, to the best of my knowledge, is true and correct in every particular.

Required Documentation SMS Summary of Roll applied for from the date the roll increase, sorted by MOE Funding Year Level.

Principal's name: _____
 Principal's signature: _____ Today's Date: _____

Welcome to Ministry of Education School Staffing Calculator

Please enter your School Number below and click the Start button.

School number:

Calculation Period? 2023 2024

Purpose of Calculator:
 The staffing calculator provides an estimate of Entitlement Staffing based on a given roll scenario. It does not include school specific entitlements, such as beginning teacher entitlements or transfers of staffing. Attached staffing and attached units are not included. As these are used in the calculation of management unit receives these.

Enter the Regular roll figures inclusive of any MMI level 1 or 2 students.
 Enter the MMI figures for level 1 or 2 only.

	Y1	Y1 Adj.	Y2	Y3	Y4	Y5	Y6	Y7	Y8
Regular	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
MMI	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Total Technology Roll:

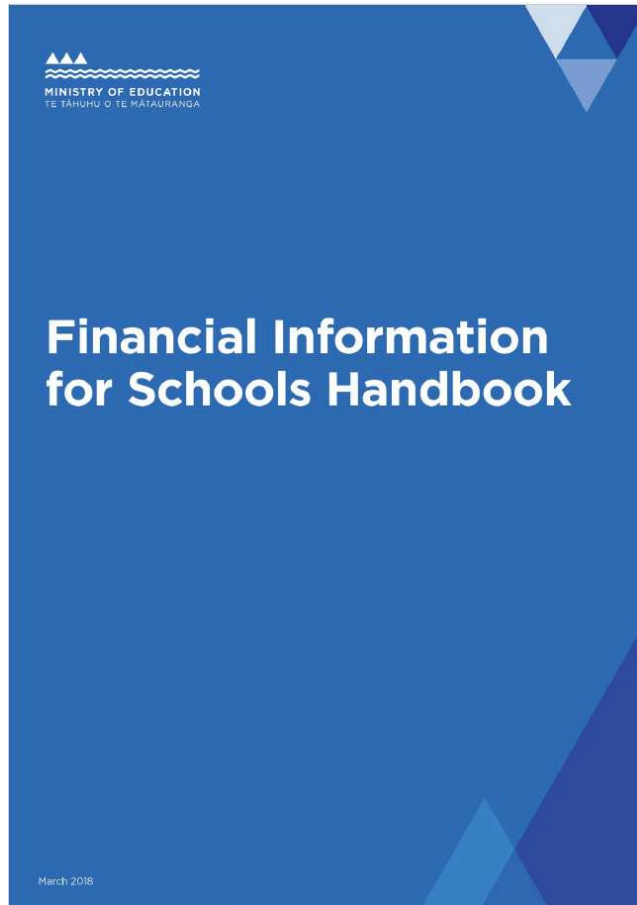
Questions



Resources Available

- ❖ Regional School Financial Advisor – see contact sheet
- ❖ Regular updates to our main document for financial guidance - “*Financial Information for Schools Handbook*” (FISH). [Financial Information for Schools Handbook.pdf \(education.govt.nz\)](#)
- ❖ Our Information and tools are all in one handy place [Managing school finances – Education in New Zealand](#)
- ❖ Tools to assist schools:
 - ❖ [Quick Reference guide](#)
 - ❖ [Lease vs buy tool](#)
 - ❖ [Payroll error report calculator](#)
 - ❖ Kiwi Park Videos and Annual Reporting Webinar. [Schools annual report resources](#)
 - ❖ Staffing Calculator (Website or Talk to your School Finance Adviser).
 - ❖ [Borrowing breach calculator](#).
 - ❖ [Cyclical maintenance guidance](#).
 - ❖ [General Internal Control resources](#).
 - ❖ [Payroll Internal control guidance](#).
 - ❖ More Guidance in Kiwi Park 2022 release. [Schools annual report resources](#)

Resources Available



Managing school finances

School finance information, including how to prepare your school's financial statements and general financial management information.

Financial information for schools handbook (FISH)

The handbook provides information to encourage best practice in financial governance, financial management and reporting.

[Download the FISH handbook](#) [PDF, 792 KB]



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education.govt.nz

We **shape** an **education** system that delivers
equitable and **excellent outcomes**

He mea **tārai** e mātou te **mātauranga**
kia **rangatira** ai, kia **mana taurite** ai ōna **huanga**



Te Kāwanatanga
o Aotearoa
New Zealand Government