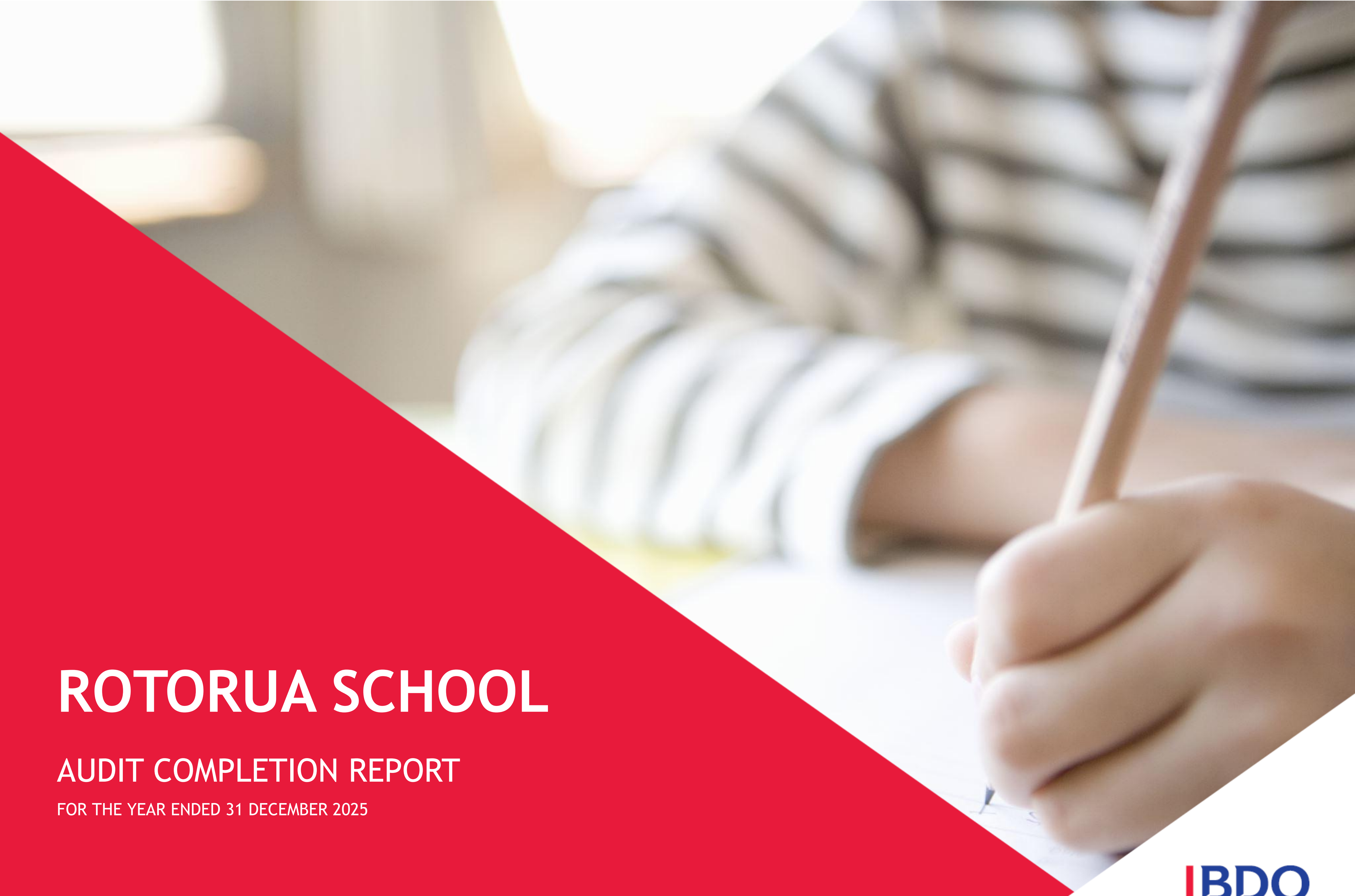


ROTORUA SCHOOL

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

Letter From the Engagement Partner

22 June 2026

Jocelyn Callaghan
The Presiding Member
Rotorua School

cc. Fred Whata

Dear Jocelyn,

It is our pleasure to present our Audit Completion report for our audit of Rotorua 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 service provider during the audit.
There is nothing we wish to raise solely with the Board.

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

Yours faithfully,
BDO Rotorua Limited

Mark Peterson
Partner
Audit & Assurance Services

☎ DDI: 07 346 7818
✉ Email: mark.peterson@bdo.co.nz

Table of Contents

1. Executive Summary

Status	Audit complete - 19 June 2026
Opinion	Unmodified
Adjustments	Refer Appendix 1

SUMMARY OF FINDINGS

Internal Controls
No significant issues

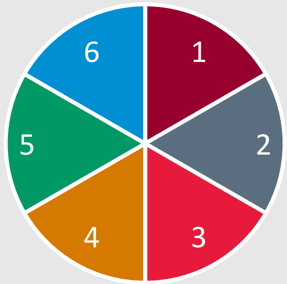
Co-operation
Full

Fraud
None identified

AUDIT FOCUS AREA

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

1. Locally Raised Funds - Revenue recognition
2. Locally Raised Funds - Completeness
3. Cyclical Maintenance Provision
4. Significant Estimates
5. Management Override
6. Inappropriate or Wasteful Expenses



We were able to obtain sufficient and appropriate audit evidence in respect to these items and we have no significant findings to bring to your attention.

1. Executive Summary

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

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

AUDIT SCOPE & OBJECTIVES

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.

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

We have documented, tested, and assessed the controls supporting the School's key transaction streams, and there are no significant weaknesses to report.

INTERNAL CONTROLS

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

We have included in Section 3 of this report, a summary of our findings and recommendations arising because of our audit procedures.

2. Key Audit Risks & Areas of Audit Emphasis

Our audit procedures were focused on those areas of the School's activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through our Audit Plan issued to you at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes, unless stated otherwise.

LOCALLY RAISED FUNDS - REVENUE RECOGNITION

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
There is a risk that locally raised funds may not be recognized in the proper period due to opportunity or motivation to distort reported locally raised funds figures.	We found no issues regarding the recognition of locally raised funds balances recorded in the financial statements.

LOCALLY RAISED FUNDS - COMPLETENESS

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
Due to the nature of locally raised funds, with a portion being cash revenues, there is a risk that cash received is not deposited due to lack of segregation of duties with respect to cash receipts, deposit of funds, posting and reconciliation, resulting in increased risk for cash misappropriation.	We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.

CYCLICAL MAINTENANCE PROVISION

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
Previously we have referred to the cyclical maintenance as an area of significant judgment and estimation which could lead to material misstatement in the financial statements. However, for the 2025 audit we have re-assessed how we approached the cyclical maintenance, considering a number of factors: • Has the cyclical maintenance been prepared as part of the 10YPP or separately • If separately, Is the underlying information reliable; and • Are the projected timelines for repainting considered reasonable.	From our work over the School's cyclical maintenance, we identified that the provision is prepared separately from the 10YPP and we determined that the underlying information used in the provision's calculation is the School's previous repaint value, therefore it is considered appropriate.

BDO

2. Key Audit Risks & Areas of Audit Emphasis

SIGNIFICANT ESTIMATES	
AREA OF AUDIT EMPHASIS	**CONCLUSION / RESPONSE**
Previously we have considered the risk of high estimation uncertainty related to significant estimates. However in the 2025 year we determined there is minimal estimation uncertainty for estimates, namely the provision for cyclical maintenance, as it is based on previously incurred costs to repaint.	In regards to schools the main financial area subject to significant estimates relates to Cyclical maintenance provision. As previously noted, the provision is appropriate, and the auditors noted there is limited estimation uncertainty as the provision is based on actual painting costs, which are adjusted for CPI annually, which is appropriate.

MANAGEMENT OVERRIDE	
AREA OF AUDIT EMPHASIS	**CONCLUSION / RESPONSE**
There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.	We have assessed the segregation of duties and risk of management override as part of our planning process and concluded that the risk of fraud from management override of controls primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation. No issues with management override were identified. We also refer you to Appendix 2 Management Override – Review of Journals Advisory point.

INAPPROPRIATE OR WASTEFUL EXPENSES	
AREA OF AUDIT EMPHASIS	**CONCLUSION / RESPONSE**
Risk that expenditure incurred by the school does not meet the efficiency, probity, and financial prudence requirements of AG-3, and is inappropriate or wasteful.	We have reviewed a sample of costs incurred by the school, including capital expenditure and costs incurred on credit cards, and noted no instances of significant wasteful expenditure incurred by the school.

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. 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:

REVIEW OF EDPAY ACTIVITY, TIMESHEET AND LEAVE HISTORIES REPORTS

FINDING	CONCLUSION / RECOMMENDATION
We advised in last year’s Audit Completion Report and the Interim Audit Plan, that schools should consider using EdPay’s new transaction reports (activity, timesheet and leave histories reports), which should be checked each pay period, prior to payment, to ensure they match authorisations. From our interim procedures, we identified that these reports are not being reviewed by the persons responsible for authorising the fortnightly SUE Report. The EdPay system relies on the school checking the accuracy of the payroll transactions processed as this information is not checked centrally.	As identified in our interim report, the EdPay system relies on the school checking the accuracy of the payroll transactions processed as this information is not checked centrally. We continue to recommend that the advice from Edpay for payroll checking be followed: “The transactions recorded in the activity, timesheet and leave histories should be checked each pay period, prior to payment, to ensure they match authorisations”. Guidance can be located here https://www.edpay.govt.nz/Site/Training/authorisation/checking-transactions-using-the-activity-history.aspx

REVIEW OF MANAGEMENT JOURNALS

FINDING	CONCLUSION / RECOMMENDATION
While we note previously it has been difficult for the School to appropriately monitor all transactions and ensure that the journals raised in the management of the School’s accounts are appropriate, with the School’s transition to Xero as the accounting system, this allows for a greater oversight as to the level of review the School can complete on its manual journals which it posts itself or are posted by the accounting service provider.	As we identified in our interim report, we recommend the School regularly request listings of manual journals posted by the service provider, and review them, either at the Board or management level. As part of the financial reporting received from the accounting service provider, we recommend a listing of manual journals is included and reviewed by the board. We have included further details as part of appendix 1.

3. Audit Findings

NO DISPOSALS OF LIBRARY RESOURCES – PROPERTY, PLANT AND EQUIPMENT	
FINDING	**CONCLUSION / RECOMMENDATION**
From our testing, we identified there was no disposals of library resources during the reporting period.	Due to the small and numerous nature of library resources, it is considered unlikely that a School has not experienced any loss or damage to library resources. While this represents a moderately small balance in the financial statements, there is a high level of judgement applied in considering whether there are any disposals to be captured. We recommend the School review the balance and determine if there is any amount that should be written off for the coming reporting period close.

PROPERTY PLANT AND EQUIPMENT - ASSET MANAGEMENT	
FINDING	**CONCLUSION / RECOMMENDATION**
It was identified during our audit, that there are a large number of assets retained on the asset register which are held at nil value, which have either reached nil value during the 2025 reporting period, or have been at nil value from the end of the 2024 reporting period.	We recommend that wherever possible, management and governance consider a comprehensive review over the nil value assets held on the fixed asset register and determine whether there are any nil value assets which are lost, damaged or are no longer in use, which can be disposed from the register. We wish to acknowledge from the review of Board minutes in early 2026 that the fixed asset register was reviewed by the Board.

10YPP AND CYCLICAL MAINTENANCE	
FINDING	**CONCLUSION / RECOMMENDATION**
Per Ministry of Education guidance, the School’s 10 Year Property Plan (10YPP) should be reviewed by the Board on an annual basis. Typically, a 10YPP may contain an estimation for the School’s repaint from the MOE approved property manager, however the School bases the value of the repaint on previous costs incurred in 2024 and 2025.	As the 10YPP and the cyclical maintenance provision are prepared separately, we recommend the Board also review the provision for cyclical maintenance alongside the 10YPP.

3. Audit Findings

WRITE OFF AGED BALANCES	
FINDING	**CONCLUSION / RECOMMENDATION**
It was noted during our testing over debtors that there was a minor balance which had been recognised as a receivable, but not received subsequent to its recognition. While the balance as not material, the debtor was raised in 2024 and related to the 2024 USA Tour.	We recommend the Board and Management review the accounts receivable listings at year end, as part of its correspondence with the accounting service provider, to ensure that any historic balances are appropriately written off, if they are not expected to be received.

CAPTURE OF OVERSEAS TRIPS IN FIANNCIALS	
FINDING	**CONCLUSION / RECOMMENDATION**
There as been a number of instances in the current and previous reporting periods, where the School has received funds and incurred expenditure related to a n overseas trip, but the capture of the income and expense is not reflected in the statement of comprehensive revenue and expense in the year end financial statements. We believe this is due to the process the School uses in receiving funds in advance, which it may do up to a year in advance, and then coding expenditure against that same revenue account. While in practise, this is not an issue, it has resulted in three instances where revenue and expenditure related to overseas trips has not been appropriately recognised on the face of the financial statements, which could result in a material misstatement.	We understand the School is satisfied with the process, however we recommend some minor changes to the process. When the School reaches the date of its overseas trip, that the accounting service provider be advised. And the total revenue and expense be reconciled and appropriately captured in the statement of comprehensive revenue and expense.

RELATED PARTY DISCLOSURES	
FINDING	**CONCLUSION / RECOMMENDATION**
It has been noted in the previous years' audits, that key related party disclosures have been manually requested by the auditor, instead of being included by the accounting service provider, leading to additional time in compiling the financial statements.	We continue to assert that the School's involvement in the preparation of the financial statements includes being aware of their related party transactions and providing these to the accounting service provider, to ensure that these are appropriately recorded in the financial statements each year.

3. Audit Findings

SCHOOL BUDGETING	
FINDING	**CONCLUSION / RECOMMENDATION**
It is the duty of the Board to produce a budget for the coming period to be presented in the financial statements. It was noted from the auditor's review that the School has underbudgeted a number of balances in the statement of comprehensive revenue and expenditure for the 2025 financial year, as well as those set for the statement of financial position.	We continue to recommend the School review its budget setting processes, as in 2025 there are several areas in the financial statements which have been under-budgeted, specifically the Teacher's Salary Grants and Government Grants. While we acknowledge these can be difficult to accurately budget, we would recommend using the previous reporting period as a benchmark and apply inflationary increases. Where decreases have been applied, the Board should discuss this and document the decision and evidence to support the reduction in the income/expense streams.

BREACH OF LEGISLATION - BORROWING LIMITS	
FINDING	**CONCLUSION / RECOMMENDATION**
As a Crown Entity, Rotorua School is subject to limitations imposed by the Crown Entities (Financial Powers) Regulations Act 2005, which imposes a limit borrowing costs, in this case the lease expense of the School to 10% of the School's annual operating grant. In the current and previous reporting periods, the School's borrowing costs to operating grant were 12% and 14% respectively.	We acknowledge the School's position on leasing information and communication technology instead of purchasing, as the speed at which technology is becoming obsolete is increasing every year. Our recommendation is that wherever possible, the School weigh lease costs annually and set itself a threshold where it cannot exceed, to ensure that wherever this threshold is exceeded, it can be justified and has been planned for.

4. Update on Findings from Prior Reports

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

IMPLEMENTATION OF XERO - CHANGES IN PROCESSES

FINDING - INTERIM AUDIT PLAN	RECOMMENDATION - INTERIM AUDIT PLAN	2025 UPDATE
During the year, the School transitioned to Xero as its accounting system, this has allowed the School's management to more accurately track the financial position of the School and have a more dynamic control over the processing of expenditure and revenue controls.	We do note the change to Xero was completed during the initial months of 2025, and we expect this will streamline a great deal of the audit processes, however there may still be documentation we will request from the School if it is not attached to the transaction in Xero. Where possible we will try to ensure any requests for such information are grouped together to avoid run-around.	As raised in our interim audit plan, we were satisfied that the adoption of Xero has been implemented and appropriately applied by the School. During our evidential processes, where we had queries we grouped them together, but only found from earlier transactions that the supporting documentation was not attached, however from May 2025, there has been few instances where support was not attached.

BREACH OF BORROWING - STATUTORY REQUIREMENTS

FINDING - INTERIM AUDIT PLAN	RECOMMENDATION - INTERIM AUDIT PLAN	2025 UPDATE
Under Regulation 12 of the Crown Entities (Financial Powers) Act 2005, the School's "borrowing" costs are not permitted to exceed 10% of its total operational grants from the Ministry of Education. The Principal identified that in the current age of technology and with Rotorua School's commitment to being an Apple Distinguished School, the finance lease costs will continue to be a significant expense for the School and will be in excess of the 10% threshold.	We note this is a statutory requirement imposed by the Crown specifically to address the risk of finance leases being ineffective or too costly for Schools. As the alternative for the School is to buy technology, which is quickly outdated or obsolete, representing a greater cost in the long term, the School has acknowledged the breach and the implications for the financial statements, but is unwilling to reduce its finance leases at the expense of its students' education.	This continues to be a relevant feedback point, and we have included it in section 3 of this report.

Appendices

Adjusted and Unadjusted Differences

ADJUSTED DIFFERENCES

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)
	$	$	$	$
Reclassify Gold Coast Trip Revenue ($78,718) and Expenditure ($68,352) from Deferred Revenue ($10,366)	-	10,366	-	(10,366)
Re-allocate revenue ($29,596) and expense ($32,000) from the ex-lease iPads sold by the School between the property, plant and equipment to the locally raised funds revenue and expense.	(2,404)	-	-	2,404
TOTAL ADJUSTED DIFFERENCES	(2,404)	10,366	-	(7,962)

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)
	$	$	$	$
Website Development costs not capitalised. No amortisation has been calculated against the balance.	10,884	-	-	(10,884)
TOTAL UNADJUSTED DIFFERENCES	10,884	-	-	(10,884)

BDO

Advisory Points

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

BDO ROTORUA AS THE SCHOOLS AUDITOR

The Auditor-General is the statutory auditor of the Board under section 14 of the Public Audit Act 2001. The Auditor-General has appointed BDO Rotorua Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Board's financial statements for the three years ended 31 December 2024, 31 December 2025 and 31 December 2026.

As part of the appointment process the school was required to sign a new engagement letter. This engagement letter was signed by either the Principal or Presiding Member at the time (29 November 2024).

However, as this letter remains in effect for the full year cycle during which there may be changes in the schools Principal and/or Presiding Member it should be approved by the full board.

We therefore recommend the board table the signed engagement letter and approve the motion below at their next Board meeting.

'Motion to Approve Audit Engagement

I move from the Chair that the board approve the audit engagement with BDO Rotorua Limited for the years ending 31 December 2024 to 31 December 2026.'

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.

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 Rotorua Limited 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.

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

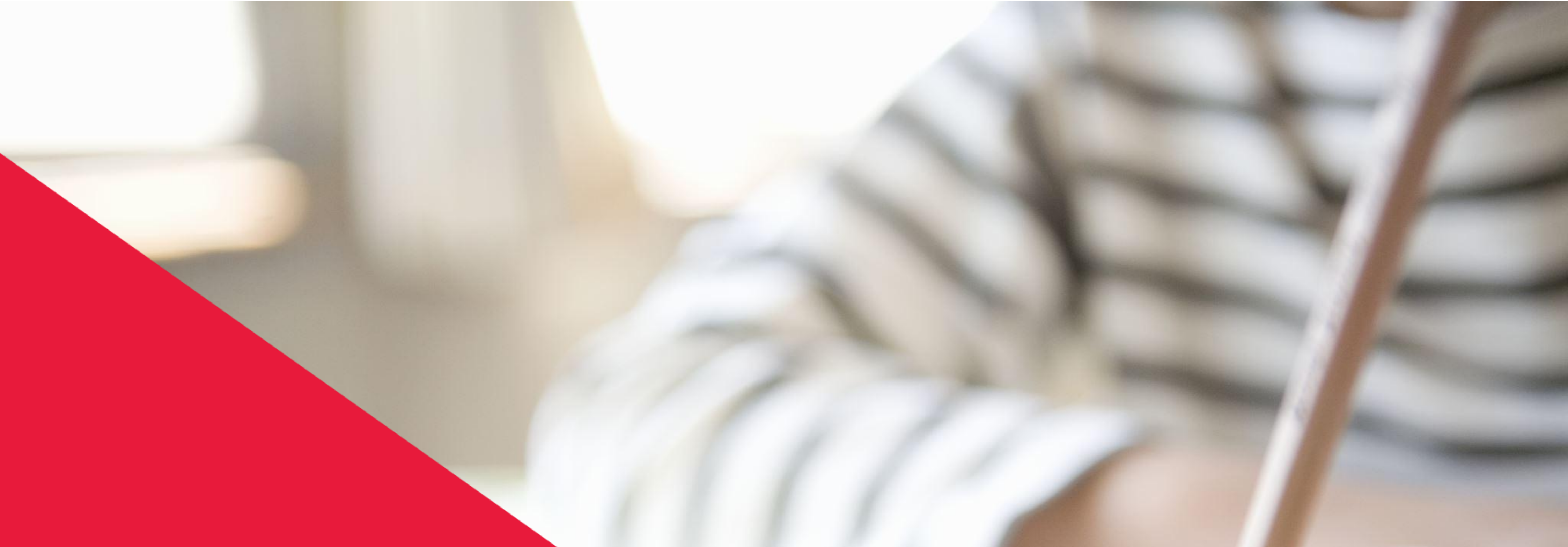
We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance.

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, statement of compliance with employment policies, report on how the school has given effect to Te Tiriti o Waitangi and 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 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

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