

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

3 July 2020

The Chairperson
Board of Trustees
54 Raglan Street
Mangere East
Auckland 2024

Dear Ms Wood

Audit of your Financial Statements For the year ended 31 December 2019

We have substantially completed the audit of your financial statements for the year ended 31 December 2019.

Upon completion of your audit we will enclose a complete set of your school's financial statements together with our formal audit report issued on behalf of the Controller and Auditor-General, as required by legislation.

Please note that a PDF copy of the audit report and signed financial statements is required to be uploaded to the MOE's school's data portal as soon as you receive them. We also remind you that you are required to publish the final audited version of your annual report on your website.

This letter and accompanying report of Audit Findings includes observations on the school's accounting procedures. As the trustees are responsible for the financial operations of the school we suggest this letter be considered at the next finance committee meeting and tabled at the next full board meeting.

Scope of the audit

Our audit is designed to provide an independent opinion on the board's financial statements which are a public document. As a secondary output of this work we also report on matters relevant to your financial and management systems that have come to our attention and are significant.

We have performed procedures to audit the information presented in your annual financial statements. We have also relied on representations made by your school's management team, including your accounting service provider. We assess the results of procedures and representations made when forming our audit opinion.

To ensure your school receives the maximum benefit from our audit we have turned our focus to the future and set out in the attached report some matters for the attention of your board. Our motive is to offer objective and constructive advice so that the accounting function and related issues can be improved in the future. Please note that this letter is sent only to you, with a copy to the Office of the Controller & Auditor-General. We do not send a copy of this letter to the Ministry of Education or any other party.

The audit doesn't end with our audit report

If you wish, we would be pleased to discuss with you our recommendations in this letter or any other aspect of the school's audit. If it is of value to your board, one of our audit directors or managers would be happy to attend a board meeting to discuss any finance related issues you have.

In recognition of the value we place on our association with your school, we think it is appropriate to waive our normal fee for attending a meeting. Please contact our office if you wish to take up this offer.

Our sincere thanks

This year's audit has been uniquely challenging with us being unable to complete a full-day audit visit onsite due to the COVID-19 lockdown. This has meant we have had to work largely remotely, and more iteratively, with your team and we give thanks for the assistance from your acting principal, Anna Smythe, and finance officer, Elizabeth Barlow, during this process. This unforeseeable disruption has resulted in some additional audit time incurred, and at a later time than normal, resulting in a number of schools not being able to have audited financial statements completed before the statutory deadline. This is common nationwide. As a result, a note to the financial statements has been added to disclose the breach of the statutory reporting deadline being due to the impact of Covid-19. The Ministry have confirmed that there will be no penalty for late filing of audited financial statements this year as a result.

We would also like to thank the trustees for selecting RSM Hayes Audit as your auditors. We appreciate our relationship with your school and look forward to continuing to provide a valuable service to you.

Yours sincerely



Don Aue
Associate Director





Kingsford School

Audit Findings

For the year ended 31 December 2019

1. Introduction
2. Expected Content Of Our Formal Audit Report
3. Governance
4. The Financial Statements
5. The Day To Day Accounting System
6. Prior Year Recommendations

1. Introduction

We set out below our findings from the audit work we have performed during the audit of your financial statements for the 2019 financial year. Matters raised in this report have been discussed with your management team during the audit fieldwork.

Our work focussed on the systems and controls set by your board and implemented by your management team, to the extent necessary in forming an audit opinion. Any matters arising from the audit are detailed in this letter.

2. Expected content of our formal audit report

Subject to receipt of signed financial statements, letter of representation, and minor narrative adjustments to the financial statements and final update of events subsequent to balance date, we expect to issue an unmodified audit report in our standard wording.

Emphasis of matter – COVID-19

Without modifying our opinion, we draw attention to the disclosures in note 25 on page 18 which outline the possible effects of the Alert Level 4 lockdown as a result of the COVID-19 pandemic.

3. Governance

Areas of significant audit focus

We believe it is best practice to communicate with you as the governing body regarding matters which form an important part of our audit process.

An independent audit of your financial statements is a key part of ensuring that your organisation has appropriate controls in place regarding financial management and financial reporting. However, ultimately it is you, the governing body that remains responsible for your financial systems, internal controls including the detection and prevention of fraud, and financial statements.

While our audit necessarily involves evaluating your overall system of financial controls and reporting, the following are areas and issues we assessed as potentially significant risk areas in relation to your school during our audit. Accordingly, we believe that they are important issues that should be of interest to you in your governance capacity. In the case of your organisation in the current year these assessed areas of significant focus were as follows:

- Recognition and recording of locally raised funds income and expenditure and treatment of income in advance;
- Risk from limited segregation of duties;
- Expenditure being valid and appropriate for your school's purposes (probity of expenditure);and
- Cyclical maintenance expense and provisioning being appropriate.

In addition, we sought to ensure that your financial statements were in compliance with generally accepted accounting practice in New Zealand as appropriate to public benefit entities that qualify for Tier 2 reporting. That is that Public Benefit Entity Standards - Reduced Disclosure Regime (PBE Standards RDR) have been appropriately adopted and that the mandatory Kiwi Park model has been followed.

We are pleased to advise that our testing of these assessed risks did not identify any significant issues or concerns. Any observations and recommendations related to these topics are detailed below.

Required communications

We are required by auditing standards to report specific matters to you as follows:

- We have had no disagreements with management during our audit nor any serious difficulties in dealing with management;
- Other than the breach of the statutory reporting deadline reported in the notes to your financial statements, we have not identified any other breaches of legislation;
- We have not identified any instances of fraud involving management, or any other frauds that caused a material misstatement of the financial statements; and
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

Audit independence

We reaffirm we are independent of your school, and that we have no relationship with your school that could impair our independence.

4. The financial statements

Unadjusted differences

Appendix A details unadjusted journal difference that we identified during the audit.

Adjustments made

Appendix B identifies all journal adjustments posted at our request in the final financial statements.

Budgeted cash flow statement

Schools are required by S87(3)(i) of the Education Act 1989 to report budgeted figures for the cash flow statement that is now mandatory in your financial statements. Further, we consider that it is important to monitor the cash position of your school to ensure that funds are always available to meet day to day financial obligations.

We note that while your school has presented a cash flow statement budget in your year-end financial statements, this has been generated from your income statement and balance sheet budgets as part of the financial statements preparation process.

In future, we recommend that the preparation of a cash flow budget be integrated into your annual budgeting cycle so that this is available to your board and management for monitoring purposes at the commencement of the year, as well as to enable this to easily be included in the annual financial statements.

Publishing your annual report online

As a result of changes to the Education Act 1989, you are now required to publish your annual report on your school website. During our audit process we checked this had been performed for the 2018 annual report. While your annual report was published, we noted this did not include our audit report. This exclusion means that the published version does not comply with the requirements of the Education Act. After making your management team aware of this, they have rectified this situation and replaced the original document with the full copy of the audited annual report.

We remind you of your ongoing requirements to ensure 2019 and future annual reports are also filed on your website, along with being submitted electronically to the MOE through the schools data portal. You should ensure the published documents are all those that are required to be part of the annual report under section 87 of the Education Act.

Recording Board of Trustees time

We noted that your school was unable to provide a full time equivalent number for the Board of Trustees and did not keep complete records of Board of Trustees time during the year.

Board members are required to record time spent on during attendance at Board meetings, Committee meetings and for other obligations of the Board, such as stand downs and suspensions, plus the estimated time for Board members to prepare for meetings. The combined figure is then reported in the Financial Statements as an FTE (full time equivalent).

We recommend recording the Board members total times each month using the Ministry of Education's calculation sheet in order to provide an accurate figure for the year.

5. The day to day accounting system

It is important that we report any observations and areas for improvement in respect of the financial control environment at your school. As part of the RSM audit approach we review the accounting systems established by the board to the extent that they could have a significant impact on the annual financial statements. The following observation is brought to your attention.

Prompt banking

Monies received have often been held for more than a week before being deposited into your school's bank account. Prompt and regular banking is essential to reduce opportunities for theft and to assist in the accurate recording of amounts received.

We recommend that your school banks all money received as often as practicable, and at least once per week.

6. Prior year recommendations

Prior year recommendation	Current year progress
<p>Deficit budget</p> <p>We recommended the Board seek to avoid deficit budgeting wherever possible so as the schools budget reflects the ability for it to live within its means.</p>	<p>We note a deficit budget of \$69,778 has been prepared for 2020.</p>

Appendix A

Unadjusted differences arising from our audit

The following differences have been identified during our audit and remain unadjusted at the conclusion of our work. Whilst we request that these do be ammended, given their value, we nevertheless are still able to provide an unmodified opinion should they remain unadjusted in the final approved financial statements.

Date	Name	Account No	Income Statement		Balance Sheet	
			DR	(CR)	DR	(CR)
31/12/2019	Retentions Payable	RSM3				(10,926)
31/12/2019	MOE Prop 5YA Block 4	86310			10,926.00	
<p>To reclassify the retentions payable from capital works (funds held on behalf of the Ministry of Education) to accruals.</p>						

Appendix B

Journal adjustments made in the final financial statements at our request

Date	Name	Account No	Income Statement		Balance Sheet	
			DR	(CR)	DR	(CR)
31/12/2019	MOE - Teachers Salary	10390	20,919			
31/12/2019	MOE - TS Underuse	82600				(20,919)
	To account for banking staffing underuse for the 2019 year.					
31/12/2019	Other Current Assets	82900				(32,920)
31/12/2019	Electronic Equipment	90800			32,920	
	To correct classification of assets purchased late in the year					