

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

17 May 2021

The Chairperson
Board of Trustees
Kohia Terrace School
3 Kohia Terrace
Epsom
Auckland

Dear Mr Shaw

Audit of your Financial Statements For the year ended 31 December 2020

We have substantially completed the audit of your financial statements for the year ended 31 December 2020.

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 by 31 May 2021. We also remind you that you are now also 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, CES. We assess the results of procedures and representations made when forming our audit opinion.

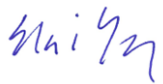
To ensure your school receives the maximum benefit from our audit we have turned our focus to the future and set out in the attached report some matters for the attention of your board. Our motive is to offer objective and constructive advice so that the accounting function and related issues can be 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.

Our sincere thanks

We would like to take this opportunity to thank your principal, Alison Spence and executive officer, Lisa Miller for their assistance and co-operation during our audit. The assistance from the school team greatly influences the efficiency of the whole audit process.

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

A handwritten signature in blue ink that reads "Elaine Yong".

Elaine Yong
Audit Partner





Kohia Terrace School

Audit Findings

For the year ended 31 December 2020

1. Introduction
2. Expected Content Of Our Formal Audit Report
3. Governance
4. The Financial Statements
5. The Day To Day Accounting System
6. Purchasing, payments and credit cards
7. 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 2020 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 final update of events subsequent to balance date, we expect to issue an unmodified audit report in our standard wording.

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);
- 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
- We have not identified any breaches of legislation during our audit

- We have not identified any instances of fraud involving management, or any other frauds that caused a material misstatement of the financial statements
- 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

There were no errors noted in the financial statements that remained uncorrected.

Adjustments made

Appendix A 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 2019 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. When this was discussed with the school, it was rectified immediately.

We remind you of your ongoing requirements to ensure 2020 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.

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.

Credit Card Transactions – lack of supporting documentation

From our review of a sample of credit card transactions, invoices and supporting documents were not always attached to the credit card statements to support the payments.

Appropriate supporting documentation is important for tax reasons (including claiming GST) and to provide evidence that this was valid expenditure for your school.

Credit cards can be reasonably easily subject to error and fraud and have led to allegations of inappropriate expenditure for some schools. It is important that you have all appropriate supporting documents and are checking statements thoroughly on a timely basis to prevent errors or unauthorised payments.

We suggest that all relevant supporting documents be attached to your credit card statements. This will ensure that all documentation relevant to the credit card payment is kept together and is adequately controlled. It will also provide appropriate support to the person on your Board who is authorising the expenditure.

Remove Former Employees’ Access to the Bank Account

During our audit we noticed that three former employees still have access to the bank account. We acknowledge that these accounts are in inactive status and we wish to point out that nothing in our review of your accounts has led us in any way to question the integrity of these former employees.

We recommend that former employees’ bank access is removed immediately to avoid any potential risks.

6. Prior year recommendations

Prior Year Recommendation	Current Year Progress
<p>Deficit budget</p> <p>We recommended that Board should be cautious in the use of this approach, and especially on an ongoing basis.</p> <p>We also suggested you continue to monitor actual financial results closely and compare to budget on a timely basis so that any corrective action required can be promptly taken.</p>	<p>We noted that the school has sufficient cash surplus to cover the budgeted loss for the 2021 financial year. We suggest you continue to monitor actual financial results closely and compare to budget on a timely basis so that any corrective action required can be promptly taken.</p>

Appendix A

Journal adjustments made in the final financial statements at our request

Number	Date	Name	Account No	Debit	Credit
1	31/12/2020	Sundry Income	10900	453,256	
1	31/12/2020	Loss on Sale/Disposal	46670		(453,256)
<p>To reverse the journal entry of recording Loss on Disposal & Sundry Income due to Room 16 & Hall disposal</p>					
2	31/12/2020	Capital Works Expenses	RSM6	15,351	
2	31/12/2020	MOE 5YA Project - Roofing	86301		(7,851)
2	31/12/2020	MOE 5YA Project - Staff Toilets	86300		(7,500)
<p>To expense the deficit balance of completed capital works - Roofing Project</p>					