

RSM Hayes Audit

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1 June 2020

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 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 by 2 June 2020. 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.

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.

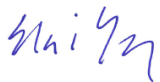
In recognition of the value we place on our association with your school, we think it is appropriate to waive our normal fee for attending a meeting. Please contact our office if you wish to take up this offer.

Our sincere thanks

This year's audit has been uniquely challenging with us being unable to complete an audit visit onsite due to the COVID-19 lockdown. This has meant we have had to work remotely, and more iteratively, with your team and we give thanks for the assistance from your principal, Alison Spence and executive office, Lisa Miller during this process. This has resulted in some additional audit time incurred through this unforeseeable disruption and has resulted in a number of schools not being able to have audited accounts completed by the 31 May deadline. We are pleased to say that in your case we have been able to work with your team to achieve this deadline.

We hope you and everyone at Kohia Terrace School are well and working towards resuming more normal operations now that schools have been allowed to re-open.

Yours sincerely



Elaine Yong
Audit Partner





Kohia Terrace 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, minor narrative adjustments to the financial statements and final update of events subsequent to balance date, we expect to issue an unmodified audit report with an emphasis of matter referring to disclosures made in your financial statements about the impact of COVID-19 that will be worded as follows:

Emphasis of Matter – COVID-19

Without modifying our opinion, we draw attention to the disclosures in note 27 on page 21 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);
- 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

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

Adjustments made

There were no journal adjustments made to the financial statements as a result of our audit.

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.

We are pleased to report that there are no matters related to the day-to-day accounting system that we have found necessary to be brought to the attention of your board.

6. Prior year recommendations

Prior Year Recommendation	Current Year Progress
<p>Deficit budget</p> <p>We noted that a deficit budget has been prepared and approved by the board for the financial year 2019.</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>Implemented - Surplus budget forecast for 2020</p>
<p>Review and authorisation of transaction reports</p> <p>We have previously recommended that the transactions report is reviewed by the principal, or some other appropriate independent person as a check that hours, rates and other information contained are accurate.</p> <p>All transaction reports should be retained for audit purposes so that transactions can later be verified, and as evidence of your review of these reports.</p>	<p>Implemented</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.

Number	Date	Name	Account No	Debit	Credit
1	31/12/2019	34720 (TELA/EQUICO	34720		(14,199)
1	31/12/2019	46700 (LEASE INTEREST)	46700	777	
1	31/12/2019	67950 (TOTAL	67950	13,422	
1	31/12/2019	90000 (FIXED ASSETS)	90000	73,211	
1	31/12/2019	90100 (ACCUMULATED	90100		(73,211)
		To record the photocopier as finance lease			
2	31/12/2019	Accrued interest	RSM2	4,555	
2	31/12/2019	10530 (INTEREST &	10530		(4,555)
		To record the accrued interest			