

9 August 2018

The Board of Trustees
Te Kauwhata Primary School
PO Box 46
Te Kauwhata 3741

Dear Sir/Madam

Audit Management Letter For The Year Ended 31 December 2017

1. Introduction

We have completed the audit of Te Kauwhata Primary School for the year ended 31 December 2017.

This letter provides a summary of:

- the audit scope
- the audit opinion
- the issues arising from the audit

You will appreciate that while our audit is carried out in accordance with the Auditor-General's auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for public accountability and the implementation and monitoring of internal and management controls rests with management and the Board of Trustees.

2. Audit Scope

The audit aimed to:

- provide an audit opinion on whether the financial statements fairly reflect your school's reported financial results and financial position.
- assess and report on aspects of the school's financial management and controls.

3. Audit Opinion

We have issued our audit opinion on the financial statements for the year ended 31 December 2017 without any modification.

4. Going Concern Assumption

The financial statements were prepared on the basis that the school is a going concern. As required by the Office of the Auditor-General, we reviewed this assumption in terms of the criteria set out in the Auditing Standard ISA (NZ) 570. Based on the supporting evidence we concluded that the use of the going concern assumption was appropriate.

5. Issues Arising from Audit

Payroll Issues – Novopay System

The assurance work carried out centrally on behalf of the Auditor-General has found that the Novopay system places substantial reliance on schools to check the accuracy of their payroll. It is therefore important that the fortnightly transactions and expenditure reports are scrutinised thoroughly by people independent of the routine payroll processing in a timely manner. We found that appropriate controls were operating in your school.

Assurance work relating to Novopay that is carried out centrally on behalf of the Auditor-General, hasn't identified any major anomalies for investigation. We have received confirmation from the Board that the people on the end of year payroll report were employed during the year, and the total shown against each person is substantially correct.

Cyclical Maintenance plan

The Cyclical Maintenance provision (for painting) in the financial statements is an estimate based on the school's property plan. It is therefore important that the property plan is regularly updated. The school's 10 year property plan is required to be professionally reviewed every 3 years at which time the separate painting plan should also be updated, as this is used as the basis for calculating the painting provision figure.

Please ensure that the separate painting plan forms part of the 3 year review cycle and is updated and approved at that time. This needs to be reviewed and approved annually by the BOT to ensure the plan aligns with what is happening at the school. We understand the school is currently reviewing its painting options.

Sensitive Expenditure Policy

Due to the high-profile issues raised for schools around sensitive expenditure, over the previous year, we recommend that you adopt the "Sensitive Expenditure Policy" to address such expenditure as gift, koha etc. For more guidance, you can refer to the MOE website which can be found on <https://www.education.govt.nz/school/running-a-school/school-finances/model-financial-policies-kiwi-park-school/>.

Evidence of independent check of bankings

During the visit we found that there was no evidence of the independent check, for some of the bankings during the year. It is important that all banking are independently checked and that it is initialed or signed to show that it has been checked. We recommend that a person other than the person who prepares the banking, check and initial or sign to show that this has been done.

Required Communications

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any instances of fraud involving senior management or any other frauds that have caused material misstatement in the financial statements.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.
- We are also required to advise you of any uncorrected misstatements. There are none to report.

We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.

6. Conclusion

We remind the school to submit a single PDF file of your annual report, including audited financial statements and required signatures to the Ministry of Education via the Ministry's [School Data Portal \(external link\)](#). These audited accounts must be minuted at your next Board of Trustees meeting.

You are reminded that you now have to publish the annual report on the schools website. Please note that if the school does not have a website there is guidance from the MOE on this issue.

Please advise us in due course of the actions you propose to take in relation to the matters raised in this letter.

We wish to acknowledge the friendly assistance provided by the school staff during the audit. If there is any further information you require, please do not hesitate to contact me.

Yours faithfully
OWEN McLEOD & CO

A handwritten signature in blue ink, appearing to read 'Richard Owen', is positioned below the typed name. The signature is fluid and cursive.

Richard Owen