

26 June 2019

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 2018**

**1. Introduction**

We have completed the audit of Te Kauwhata Primary School for the year ended 31 December 2018.

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 2018 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 except as noted below.

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.

### **Payroll Changes**

We noted the Novopay Smart Forms facility allows the payroll super users to process all payroll changes online; the changes include annual attestation, new appointments, change of hours/units etc. In most schools, the School administrator sends the forms online to Novopay without the Principal's documented approval. To strengthen controls in this area, we recommend that the forms be printed off and signed off as evidence of approval. Please check your procedures to ensure this is in place.

### **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. The plan should be updated with the changes and possible changes happening around the buildings with the school

We recommend that the cyclical maintenance plan is reviewed and approved every year by the Board by way of recording the approval in the minutes.

### **Timing**

The financial statements are required to be completed and available for audit by 90 days after balance date, at the latest. For the year ended 31 December 2018, this meant that they should have been forwarded to us by the 31 March 2019. The financial statements for your school were received on the 18 April 2019, which is after this date. We appreciate the difficulty schools may experience in meeting this deadline, imposed by section 82 of the Education Act 1989, but recommend that every effort be made to comply with the requirement in future years.

### **Capital works project balance**

There is still a balance outstanding to the Ministry of Education for the replacement heat pumps & power to storage shed project, which has been completed in previous years. We recommend that the School follow that up with the Ministry to reconcile that balance. We understand the School is already looking into this.

### **Publishing Annual Reports on-line**

The Education Act 1989 requires you to publish your Annual Report on-line. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of trustees 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 did publish your 2017 Annual Report on your website.

Please ensure that once your 2018 Annual Report is submitted to the Ministry it is also published on your website. If you do not have a website, you can contact the Ministry of Education at [planning.reporting@education.govt.nz](mailto:planning.reporting@education.govt.nz), who can publish it on your behalf on the Education Counts website.

### **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.

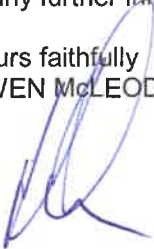
### **6. Conclusion**

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.

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



Richard Owen