



Kaitoke School (Claris)

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2019

20 July 2020

Orla Cumisky
Chairperson
Kaitoke School (Claris)
Kaitoke Lane
Claris
Great Barrier Island 0991

cc: Leo de Beurs
Principal

Dear Orla

We have pleasure in presenting our Audit Completion Report for our audit of Kaitoke School's (Claris) financial statements for the year ended 31 December 2019.

We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely on for audit purposes. Our examination may not have identified, and should not be relied upon to identify, all control weaknesses that may exist.

We take this opportunity to express our appreciation for the assistance and co-operation provided by the School's staff during the audit. We have received full and frank cooperation. There is nothing we wish to raise solely with the Board.

Regards
BDO NORTHLAND



Adelle Allbon
Partner
Audit & Assurance Services

Email: adelle.allbon@bdo.co.nz

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	1
2. INTERNAL CONTROL AND OTHER AUDIT FINDINGS	4
3. REQUIRED COMMUNICATIONS WITH GOVERNANCE	5
APPENDIX 1 - UPDATE ON FINDINGS FROM PRIOR YEAR	9

1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO NORTHLAND ('BDO') is the Appointed Audit Firm of Kaitoke School (Claris) (the "School").

BDO's responsibilities include a requirement to express an opinion on the School's financial statements arising from our audit conducted in accordance with the Auditor-General's Auditing Standards which incorporate International Standards on Auditing (NZ).

This report details the processes, findings and recommendations from our audit of the School in accordance with the Auditor General's Auditing Standards, and the terms of our engagement as set out in our audit engagement letter.

Our audit of the School's financial statements for the year ended 31 December 2019 is complete.

We have issued an unqualified audit opinion.

We welcome your feedback on the effectiveness of the audit process and are available to discuss our performance.

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements give a true and fair view, and
- report to Management about control environment issues that should be addressed by the school.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested and assessed the controls supporting the school's key transaction streams, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks in your business, their potential impact on the financial statements and the associated risk mitigations and controls in place. The key risk areas we identified were:

- Locally raised funds
- Approval of Payroll
- Cyclical maintenance provision
- Management Override
- Subsequent Events - Covid-19

We were able to obtain sufficient and appropriate audit evidence in respect to these items. Refer to Section 2 of this report for a summary of all our audit recommendations.

With regard to Covid-19, subsequent event disclosure was required to be added to the financial statements as follows; On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown all schools were closed. While the disruption is currently expected to be temporary, there is a level of uncertainty around the duration of the closure.

At the date of issuing the financial statements, the school has been able to absorb the majority of the impact from the nationwide lockdown as it was decided to start the annual Easter School holidays early. In the periods the school is open for tuition, the school has switched to alternative methods of delivering the curriculum, so students can learn remotely.

At this time the full financial impact of the COVID-19 pandemic is not able to be determined, but it is not expected to be significant to the school. The school will continue to receive funding from the Ministry of Education, even while closed.

SUMMARY OF UNCORRECTED MISSTATEMENTS

There were no errors left uncorrected at the conclusion of our audit.



INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of an entity's internal controls in order to identify assess the risk of material misstatement of the financial statements whether due to fraud or error but is not designed to provide assurance over the overall effectiveness of controls operating within the School.

We have included in Section 2 of this report, a summary of our findings and recommendations arising as a result of our audit procedures.

2. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key internal control findings we have identified during the course of the audit and highlights control deficiencies requiring management attention. Our work has been limited to those controls relevant to the audit of your statutory financial statements. The purpose of our audit work on controls is not to provide assurance in its own right on the internal controls and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

VISA DEBIT CARD		
Finding	Recommendation	School Comment
During the testing of the Visa debit card, we were unable to locate some receipts for purchases made. Additionally we could not verify all purchases arising from cash withdrawals.	We recommend that care is taken to ensure all receipts are retained for both GST purposes and in order to be transparent.	Accept the findings in the report

ANNUAL REPORT - SCHOOL WEBSITE		
Finding	Recommendation	School Comment
<p>Under section 87AB of the Education Act 1989, all schools are required to publish their annual report online.</p> <p>At the date of our interim audit work we were not able to locate the 2018 annual report on the school website.</p>	<p>Transparency and accountability are important for all public entities. Schools are funded by the community, so it is the school's role to report back to the community in a timely way.</p> <p>Please ensure that the 2018 and 2019 annual reports inclusive of the audited financial statements are uploaded to the school website as soon as possible.</p>	Accept the findings in the report

3. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditors responsibility under generally accepted auditing standards	<p>We are responsible for completing an audit in accordance with generally accepted auditing standards in New Zealand. The detailed terms of which are set out in our audit engagement letter.</p>
Confirmation of Audit Independence	<p>In conducting our audit, we are required to comply with the independence requirements of PES-1 Code of Ethics for Assurance Practitioners issued by the External Reporting Board.</p> <p>Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.</p> <p>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none"> • No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner. • All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by our firm for the financial year.</p>
Management Judgements and Estimates	<p>Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall we note that the judgements and estimates by management in preparing the results for the year ended 31 December 2019 appear reasonable. Key matters impacting on our audit have been raised in section 2 of this report if applicable.</p>

Matter	How the matter was addressed
Matters requiring Board of Trustee input	<p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> • Minutes of the Board meetings; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Review and approval of management accounts; • Review and approval of annual budget; • Review and approval of 10 Year Property Plan • Notification of fraud; and • Review and approval of the financial statements.
Accounting policies	<p>Auditing standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. We reviewed the financial statements of the School against the Kiwi Park Model and noted no material departures from the requirements.</p>
Materiality and adjusted/ unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>There were no errors left uncorrected at the conclusion of the audit.</p> <p>There were no corrected mis-statements identified or requested during the course of our audit.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>

Matter	How the matter was addressed
Going concern	<p>We have undertaken a review of management and those charged with governance' assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that lead us to conclude the going concern assumption cannot be relied upon.</p>
Fraud	<p>During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.</p>
Compliance with laws and regulations	<p>We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.</p>
Significant findings from the audit	<p>Other than those documented in the executive summary and section 2 of this report, there were no significant matters arising from the audit.</p>
Disagreements with management	<p>There have been no disagreements with management over matters of significance to the audit.</p>
Difficulties encountered during the audit	<p>There have been no significant difficulties encountered during the audit.</p>
Consultations with other accountants and consultants	<p>We have considered the need for other accounting specialists during our work and determined, due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.</p>

Matter	How the matter was addressed
Management representation letter	We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter.
Probity, waste and performance	We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance.

APPENDIX 1 - UPDATE ON FINDINGS FROM PRIOR YEAR

MISSING SUPPORTING DOCUMENTATION

Finding	Update
During visa card testing 3 selected invoices could not be provided to substantiate expenses.	Ongoing - Similar finding this year.

PAYROLL CONTROLS

Finding	Update
When extra hours are worked by a reliever or other staff members, Anna makes a note of these. This is not independently reviewed or otherwise checked.	Addressed

Each pay run, Anna loads the additional hours, and records all leave hours into Novopay. No transaction report is run to check the additional information has been added correctly.

When the draft SUE report is received, this is reviewed by Anna, however there is no evidence of an independent review to ensure the data has been entered correctly.

ANNUAL REPORT - SCHOOL WEBSITE

Finding

Under section 87AB of the Education Act 1989, all schools are required to publish their annual report online.

At the date of our interim audit work we were not able to locate the 2017 annual report on the school website. We note that this has subsequently been uploaded.

Update

Ongoing - similar finding this year.

Payroll Reconciliation

Finding

We note that as per the SAAR reconciliation instructions issued by the Ministry of Education, the school had not correctly accrued the bulk grant, ACC and salary accrual.

An unadjusted item was raised for this.

Update

Addressed. The accounting service provider takes an alternate approach which we have accepted on the basis of materiality.

GST claimed on overseas purchase

Finding

During expense testing it was noted that Software was purchased from a supplier in Australia. GST was claimed on this purchase, this is a zero rated purchase and GST should not have been claimed.

Update

Addressed - this was a one off error.