

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

24 May 2021

The Chairperson
Board of Trustees
Alfriston School
1373 Alfriston Road
RD1
Manurewa 2576

Dear Mr Montgomerie

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 schools' 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. 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.

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Our sincere thanks

We would like to take this opportunity to thank your principal, Carla Cook and Office Manager, Jane Keys 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. The 2020 year represents the final year of our three-year cyclical appointment as your auditors. We have appreciated our relationship with your school over that time. The formal tender and appointment processes for the next three years will be initiated by the Office of the Auditor General and carried out during 2021.

Yours sincerely

Colin Henderson



Colin Henderson
Audit Partner



Alfriston 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. 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.

Capital works

The funds received from the Ministry of Education for capital works projects are not income but held on behalf of the Ministry of Education until they are spent. Funds received should be immediately credited to a liability account, for each separately funded project. Capital project expenditure should then be debited to the corresponding project liability account.

We noted that your school's recording of the capital works expenditure for the Roofing project does not reconcile with the expenditure recorded on your Occupancy Use Certificate. Expenditure of \$241,554 has been recorded for the project (this includes the retention of \$21,747 that was adjusted for as a result of the audit as shown in Appendix A) whereas we note the actual expenditure as noted on your Occupancy Use Certificate for this project is \$229,283. This means the expenses for the Roofing project have been overstated by \$12,271.

We also note that funds were refunded in 2021 to the Ministry of Education for the Heating Upgrade project. This should have resulted in a nil balance at year end, however due to some miscoding between projects the ending balance was \$1,400. This amount was written off and adjusted for in the final accounts as shown in Appendix A below.

We recommend closely monitoring where expenses are coded to ensure the correct accounting treatment for capital works is followed, and all items of expenditure that relate to specific Ministry of Education funded projects are coded correctly.

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.

Appendix A

Journal adjustments made in the final financial statements at our request

Date	Name	Account No	Income Statement		Balance Sheet	
			DR	(CR)	DR	(CR)
31/12/2020	Cyclical Maintenance	44360		(11,714)		
31/12/2020	Cyclical Maintenance - Current	83500			10,000	
31/12/2020	Cyclic Maintenance Term	86400			1,714	
To adjust the cyclical maintenance as per Audit calculation.						
31/12/2020	MOE Teachers Salaries	10300		(6,771)		
31/12/2020	Receivables MOE	82060			6,771	
To account for bank staffing underuse for the 2020 year.						
31/12/2020	PAYABLES Control A/c	83000				(25,000)
31/12/2020	GST	87500			3,253	
31/12/2020	MOE Property Block 3/4/5 & Roofing exp	88888.05			21,747	
To record the final retentions payable on completion of the Roofing project.						
31/12/2020	Minor Capital Works	44050	1,400			
31/12/2020	MOE Property pool/toilet exp	88888.03				(1,400)
To write off the \$1,400 for the Heating Upgrade project.						