

17 July 2018

The Board of Trustees
Paeroa College
PO Box 144
Paeroa 3640

Dear Sir/Madam

Audit Management Letter For The Year Ended 31 December 2017

1. Introduction

We have completed the audit of Paeroa College 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 except for the issue 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 Reliever's sign off

We noted during our audit visit that some relievers are not signing off on the relievers' sheet. It is best practice to ensure all relievers sign off on change forms as evidence of the days they have worked. We recommend that you ensure all relievers sign off on change forms.

Registration of Charitable Trust

We note that you have set up a Charitable Trust, which was registered on 23 December 2015. We have obtained a copy of the Trust Deed and have forwarded it to the Audit Office for comment on whether it is a controlled entity of the School. Their initial assessment is that it is a controlled entity. They will advise you of their final assessment soon.

Independent Checking of Transactions

As there have been a number of high profile school frauds in the news recently we are taking this opportunity to remind all schools of the need to ensure that there is adequate segregation of duties and independent review of transactions throughout the year (even for small schools).

Evidence of independent check on cash inwards

We noted during the school visit that although we were advised that there was an independent check on bankings there was no evidence of this by way of initials on the documents. Best practice is to have both the original count and independent check sign off on the reconciliation of cash to receipts. As advised at the visit we recommend that the office administrator or office assistant does a second count and signs off next to the student centre manager's signature for cash received as evidence of an independent check occurring.

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/>.

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



Richard Owen