



Tararua College

AUDIT MANAGEMENT LETTER

For the year ended 31 December 2021

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19 May 2022

The Board of Trustees
Taranua College
PO Box 94
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Dear Trustees

AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 31 DECEMBER 2021

We have completed our audit and have forwarded your school's financial statements for the year ended 31 December 2021, including our audit report, to Education Services Limited.

We remind you of your obligation to submit the annual report, which contains the audited financial statements, to the Ministry of Education via the School Data Portal. Please ensure that once your annual report is submitted that 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 who can publish it on your behalf on the Education Counts website.

In accordance with our usual practice, we include in the attached report all matters arising from our audit of the financial statements for the School which we consider appropriate for the attention of the Board of Trustees ('the Board'). We have discussed the matters with management and their comments have been included, where appropriate.

This correspondence is part of our ongoing discussions as auditors in accordance with International Auditing Standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Board. The audit does not relieve the Board of their responsibilities. The preparation of the annual financial statements is the responsibility of the Board.

Matters we raise are not intended as an attack or criticism of school related personnel and are based on our professional experience. Our recommendations are what we consider "sound" practice in context of your school environment. The benefits of our recommendations may not always be apparent from an education perspective, however, we are reporting from a financial point of view.

We have prepared this report solely for use by the Board and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior consent, we would not accept responsibility for any reliance they might place on it.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by officials and staff of the School.

If you would like to discuss any matters raised in this report, please do not hesitate to contact us.

Yours faithfully

Linda Gray
Director



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1. Findings and recommendations

The following matters came to our attention during the course of our audit. These points, whilst not exhaustive, represent matters which we believe should be brought to the attention of those charged with governance. We have also reported our recommendations for improvement to management.

No	Observation	Implication	Recommendation
1	<p>No independent review or reconciliation of cash register</p> <p>PRIORITY: HIGH</p> <p>We noted that there is limited segregation around who receives, reconciles, and banks the cash received by the school cafe. The cash register reconciliation was not initialled by the person who receipts cash and an independent person who does not receipt cash.</p> <p>We wish to emphasise that nothing in our review of your systems has led us in any way to question the integrity of this or any other employee.</p>	<p>The internal controls in respect of the cash register leave the school vulnerable to misappropriation.</p>	<p>For there to be effective controls in place, we recommend that the cash register reconciliation is signed by the staff member who receipts the cash, then signed by a second staff member who is independent of receipting cash to evidence that cash is recounted and agrees to the cash register reconciliation total.</p>
2	<p>SUE Report not signed as approved/reviewed by Principal</p> <p>PRIORITY: HIGH</p> <p>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.</p> <p>It is therefore important that fortnightly SUE reports are reviewed by both the Principal and an independent reviewer as a check that the employees and the amounts paid are reasonable.</p> <p>During the audit of payroll we noted that there was no evidence that SUE reports had been reviewed by the Principal.</p>	<p>Reliance could not be placed on the school to check the accuracy of payroll. As a result additional audit procedures had to be performed.</p>	<p>We recommend that the fortnightly transactions and SUE reports are checked and signed as evidence of review by both the Principal and an individual independent of routine payroll processing, and who does not have access to Novopay.</p>



No	Observation	Implication	Recommendation
3	No annual review of assets PRIORITY: HIGH We understand that the school did not review the fixed assets during the year. Checking assets each year is a requirement of financial reporting standards. It is an important step in fixed asset management for the school because it identifies those assets that have decreased in value. This may be as a result of events other than normal wear and tear, such as significant damage, loss, technological obsolescence or theft.	Requirements of financial reporting standards have not been met.	A school of your size should aim to perform a complete fixed asset stock-take each year, with a review of high-value or high-risk fixed assets, such as computer equipment, performed perhaps six-monthly. This review will ensure that your school is kept up to date of the state of its fixed assets, act as a check and/or deterrent to theft and also ensure that amounts presented in the financial statements are fair.
4	Profit & Loss Budget not signed as approved by the Board PRIORITY: HIGH During the audit we noted that the school did not retain a signed copy of the approved 2021 Profit & Loss budget.	There is not sufficient evidence to suggest that the budget approved by the Board is the same as that disclosed in the financial statements.	We recommend that in future the Board sign the budget they are approving and keep a copy of this with the board minutes.
5	Invoices not always retained for credit card payments PRIORITY: MEDIUM From our sample testing of payments, we noted that suppliers' invoices were not always available to support credit card payments. Obtaining and retaining invoices is also essential to ensure adequate control over the funds of the school.	In most circumstances, GST cannot be claimed without a tax invoice. It is also a legal requirement that invoices be kept for seven years.	We reiterate the importance of keeping all invoices to support the appropriateness of payments made and the claiming of GST inputs.



No	Observation	Implication	Recommendation
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6	Controls over Masterfile Amendments		
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PRIORITY: BEST PRACTICE

We noted that there are no documented controls surrounding Masterfile amendments to staff and supplier bank details.

Masterfile changes should have appropriate supporting documentation, including evidence of authorisation.

We acknowledge that from 2022 the school is using the services of Education Services Limited who perform the monthly processing on behalf of the school. This mitigates the risks pertaining to the lack of controls over supplier Masterfile amendments.

This identifies a weakness in Masterfile amendment controls.

The separation, authorisation and approval of key accounting responsibilities is a critical internal control in any system to prevent misappropriation of funds, error, or unrecorded transactions.

We recommend that you formally document controls around Masterfile amendments to staff and supplier banking details.



2. Summary of unadjusted differences

In performing our audit we have identified the following misstatements that have not been adjusted in the financial statements for the year ended 31 December 2021.

Management believes that uncorrected errors do not, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2021.

Description	Assets Dr/(Cr) \$	Liabilities Dr/(Cr) \$	Income Dr/(Cr) \$	Expenses Dr/(Cr) \$
no unadjusted differences				
Total	-	-	-	-



3. Summary of uncorrected disclosure deficiencies

We have identified the following disclosure deficiencies that have not been adjusted in the financial statements. Management has determined that these disclosure deficiencies do not result in the material misstatement of the financial statements or non-compliance with the applicable legislative framework.

Disclosure deficiency identified	Accounting standard reference
no uncorrected disclosure deficiencies	



4. Updates on matters raised in the prior year

Below follows an update on matters that we as auditors have brought to the attention of those charged with governance in the prior financial year.

No	Observation	Recommendation	Update
1	Publishing Annual Reports online	Please ensure that once your 2020 Annual Report is submitted to the Ministry it is also published on your website correctly.	Resolved.
2	No independent review or reconciliation of cash register	We recommend that the cash register reconciliation is signed by the staff who receipts cash, then signed by a second staff member who is independent of receipting cash to evidence that cash is recounted and agrees to the cash register reconciliation total.	Recurring. See section 1, point 1.
3	Advances to employees	The school must cease making such loans/advances to staff unless they have prior written consent from the Ministry of Education. All loans currently advanced to staff must be recovered as soon as possible.	Resolved.
4	Deterioration in your school's financial position	We recommend that you monitor this situation closely and take action to curtail expenditure and/or generate additional revenue wherever possible.	Resolved.
5	No evidence of invoice authorisation	We recommend that you always follow your system of each invoice being signed or initialled to provide evidence of approval before payment.	Resolved.
6	Invoices not always retained for credit cards	We reiterate the importance of keeping all invoices to support the appropriateness of payments made and the claiming of GST inputs.	Recurring. See section 1, point 5.
7	GST not claimed on payment	We suggest that the school take care when coding transactions to ensure that any valid GST claims are not missed.	Resolved.
8	Controls over Masterfile Amendments	We recommend that you formally document controls around Masterfile amendments to staff and supplier banking details.	Recurring. See section 1, point 6.



5. Other communications

The following matters relevant to our audit are communicated in accordance with the requirements of International Auditing Standards.

Matters communicated	Response
Independence	We confirm that we have maintained our independence in accordance with the independence requirements of the <i>Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners</i> issued by the External Reporting Board and, in our professional judgement. Other than in our capacity as auditors, we have no relationship with or interest in Tararua College.
Fraud	No matters relating to fraud, concerning either employees or management came to our attention.
Non-compliance with laws and regulations	We did not become aware of any non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures in the financial statements.
Going concern	As part of our audit we are required to assess the ability of the School to continue as a going concern for a period of 12 months post the signing of our audit report. The financial statements have been prepared on a going concern basis. We have not become aware of any events that cast doubt on the School's ability to continue as a going concern for the foreseeable future. Our audit report is not qualified in respect of this matter.
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Accounting policies and financial reporting	We have not become aware of any significant qualitative aspects of the school's accounting practices, including judgements about accounting policies, accounting estimates and financial statements disclosures that need to be communicated to the Board, other than those already communicated in this report.
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, needs to be communicated to the Board.
Fees	Fees for the audit have been billed to the School.
Disagreements with management	We confirm that there have been no disagreements with management over the application of accounting principles, scope of the audit or disclosures.
Serious difficulties in performing the audit	We confirm that there were no significant difficulties encountered in performing the audit.
Consultations management made with other accountants	We have not become aware of any consultations with any other accountants, other than service providers.