



Windley School

Report to the Board of Trustees for
the year ended 31 December 2019

19 May 2020

The Board of Trustees
Windley School
146 Mungavin Avenue,
Cannons Creek,
Wellington, 5024

Dear Trustees

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the School's financial statements for the year ended 31 December 2019 which we consider appropriate for the attention of the Board of Trustees ("the Board"). These matters have been discussed with management and their comments have been included, where appropriate.

We look forward to the opportunity to discuss these at a Board meeting should you wish to discuss this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

This correspondence is part of our ongoing discussions as auditor in accordance with our signed engagement letter and as required by the Office of the Auditor General requirements, which include New Zealand 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 of the financial statements does not relieve management or the Board of their responsibilities. The ultimate responsibility for the preparation of the financial statements rests with the Board.

We have prepared this report solely for the use of 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 written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and Christchurch Education Services for their assistance and cooperation during the course of our audit.

Yours faithfully

DELOITTE LIMITED



Hamish Anton
Appointed Auditor

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1. Status of the audit and areas of focus

Our audit of the 31 December 2019 financial statements is substantially complete, subject to the completion of the following matters which are outstanding:

- appropriate procedures relating to subsequent events up to the date of our audit opinion;
- receipt of the signed management representation letter; and
- adoption of the financial statements and signing of the financial statements by the Board of Trustees.

We understand that these will be approved by the Board under delegation to specified Trustees.

Areas of focus	
Matter Identified	Audit Response
<p>1.1 Office of the Auditor-General (“OAG”) audit brief matters</p> <p>As you are aware our audit is completed under contract from the OAG and annually we are asked to specifically consider certain potential matters of interest.</p> <p>Schools are required to publish its Annual Report on line. We have been asked to remind you of this requirement.</p> <p>Other areas of focus this year remain similar to previous years including:</p> <ul style="list-style-type: none"> • classification of associated entities such as fundraising trusts; • overseas travel; • sensitive expenditure; • financial difficulty risk factors; and • legislative compliance. 	<p>Our audit procedures considered these matters as relevant and in accordance with OAG expectations. The MoE has issued specific guidance on the approval of overseas travel which may be of assistance to Board processes in this area. Where significant the Board is required to disclose overseas travel separately.</p> <p>You are reminded that your Annual Report is required to be provided on line in a timely manner each year and are asked to ensure a process of compliance is put in place.</p> <p>No specific concerns or findings were noted.</p>
Matter Identified	Audit Response
<p>1.2 Impacts of Covid 19 and Emphasis of Matter</p> <p>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 and the resultant impact.</p> <p>The Office of the Auditor General has determined that all Schools should disclose the fact the School has been disrupted and the impact is being assessed by School management and governance.</p> <p>The School will continue to receive funding from the Ministry of Education, even while closed.</p>	<p>The Office of the Auditor General has determined that all School audit opinions are to include an “Emphasis of Matter” drawing the reader’s attention to the disclosure in the financial statements in respect of the disruption and impact of Covid 19.</p> <p>The School has prepared its financial statements on a going concern basis and is evaluating the impacts of the disruption. The School has continued to receive funding during the lock down from the Ministry of Education.</p> <p>We have performed audit procedures on these matters as relevant and in accordance with OAG expectations. Our report includes an Emphasis of Matter in accordance with those guidelines.</p>

2. Assessment of internal controls

Our audit requires us to obtain an undertaking of the School's internal controls, sufficient to identify and assess the risks of material misstatement in the financial statements.

2.1 Segregation of duties

As is the case for most schools, the number of people involved in the administration and accounting functions is very limited, meaning that there is an increased inherent risk that errors and omissions may occur and go undetected.

The number of people involved in the schools administration and accounting functions also imposes limitations on the controls and processes schools have in place to monitor and approve changes made to information technology ("IT") systems responsible for processing transactions. These systems include but are not limited to the Novopay system and creditor process and bank payment systems. The absence of controls to monitor and approve changes within these systems increases the risk of assets being misappropriated.

It is important that you are aware of these risks as it is your responsibility to ensure the School's internal controls operate effectively and that the resultant financial statements are accurate. You should ensure that sufficient financial oversight is exercised by the Board or a delegated nominee on a regular basis in order to reduce the likelihood of error or omission to a level that the Board is comfortable with.

This oversight should include consideration of payment approval and bank authorisation monitoring. As a simple example, we encourage all Boards to specifically review the electronic banking system authorities and levels as part of their consideration of the delegated authority considerations. Our experience is that the frauds being perpetrated are often arising from changes to bank account details after invoice approval. This historical lack of oversight in this area should be specifically considered by the Board as part of its regular financial monitoring.

2.2 Update on matters raised in the prior year

We have made enquiries and observations about the remedial action taken on last year's management letter observations and report as follows:

Issue raised in the prior year	Current year update
There is no supplier Masterfile or review in place. This has been raised in the prior two years, and was discussed with the principal as there has been no changes made in the current year.	The Principal will discuss this with the board. Finding raised again in the current year.

3. Accounting matters arising

3.1 Statement of Financial Position Budget

Observation

Schools are required by section 87(3)(i) of the Education Act 1989 to report budgeted figures for the financial year. We note that the school's current year budget does not include a balance sheet.

Implication

It is important to consider the budgeted financial position of the school to ensure that the Board can effectively manage its working capital as well as possible legislative requirements, such as borrowing limits.

Recommendation

We recommend that the Board produce a budgeted statement of financial position at the start of each year as part of your budget setting routine, to enable this to easily be included in the annual financial statements.

3.2 Outdated Financial Management Policies

Observation

The financial management policies for Windley were last reviewed in 2016. This is the latest copy we have on file. Financial management policies should be reviewed annually.

Implication

It is important for schools to regularly update and review their financial management policies. If a school fails to do so, the management policies that are present may not be reflective of the current state of the school.

Recommendation

We recommend that the school updates and reviews their Financial Management Policies annually in order to ensure the policies are reflective of the schools position.

3.3 Lack of Segregation of duties

Observation

It was noted that the Office Administrator receipts the cash and takes it to the bank.

Implication

This is a risk as no one is reviewing the cash which can lead to misstatements and fraudulent activity.

Recommendation

It is recommended that segregation of duties applies to the collection and counting of cash or that the cash is being reviewed by another staff member at Windley School.

3.4 Changes to supplier Masterfile

Observation

Deloitte notes that there is no process to track or review changes to Supplier Masterfile has been implemented by the school. Deloitte note that the school does not keep a Supplier Masterfile.

Implication

By not having a Supplier Masterfile, there is therefore a limited review process in checking details of new suppliers, or updates of existing suppliers.

This is a risk as supplier details could be changed in a fraudulent manner or with a human input error which may result in error in payment.

Recommendation

Deloitte recommends that Windley create and maintain a supplier Masterfile for their supplier details.

4. Summary of financial statement matters arising

In performing our audit of Windley School for the year ended 31 December 2019 we have not identified any uncorrected misstatements or omitted disclosures that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2019.

5. Other professional communications

The following matters relevant to our audit for the year ended 31 December 2019 are communicated in accordance with the requirements of New Zealand auditing standards.

Matter to be communicated	Response
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Non-compliance with applicable 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	We have not become aware of any events or conditions that may cast significant doubt on the School's ability to continue as a going concern.
Fraud	No matters relating to fraud, concerning either employees or management have been advised or came to our attention.
Accounting policies and financial reporting	<p>For the year ended 31 December 2019 the school has elected to early adopt PBE IFRS 9 Financial instruments. We have not identified any issues in regard to the adoption of PBE IFRS 9 during our audit procedures.</p> <p>We have not become aware of any significant qualitative aspects of the entity's accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Board, other than those already communicated in this report.</p>
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.