



Kapiti School

Statutory audit for the year ended 31 December 2022

AUDIT FINDINGS

REPORT TO THE BOARD OF TRUSTEES

Issued 30 January 2024

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Report Purpose

We are pleased to present our report relating to our external audit of Kapiti School ('the School'), for the year ended 31 December 2022 ('reporting date').

The purpose of this report is to update the Board of Trustees ('the Board') on the outcome of our audit and of any significant matters that have arisen during the course of our work.

Under the requirements of New Zealand International Standard on Auditing (ISA) 260 'Communication with Those Charged with Governance' ('ISA 260'), we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Report to the Board, together with previous reports to the Board throughout the year, discharges the requirements of ISA 260.

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Audit Scope and Responsibilities

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand and for implementing appropriate internal control systems.

Our overall responsibility, as external auditor of the School on behalf of the Auditor-General, is to undertake our audit in accordance with the principles contained in the International Standards of Auditing (New Zealand) and the Auditor-General's Auditing Standards in order to form a view and express an opinion on the financial statements that will be prepared by Management with oversight from the Board. Our audit does not relieve you of your responsibilities in relation to the financial statements.

Our audit was conducted to provide reasonable assurance that proper accounting records have been maintained and that the financial report:

- Complies with generally accepted accounting practice in New Zealand.
- Complies with Public Sector – Public Benefit Entity Standards, Reduced Disclosure Regime; and
- Gives a fair presentation of the financial position of the School, as at reporting date, and its results for the year then ended.

Key Areas of Audit Focus

We undertook a risk-based audit of the School for the year ended 31 December 2022.

The following areas are significant risks that the New Zealand International Standard on Auditing (ISA) requires us to address:

KEY AREA OF AUDIT FOCUS & EXPLANATION OF RISK	PLANNED AUDIT APPROACH	RESOLUTION
<p>In accordance with auditing standards (NZ ISA 240) we are required to presume that there is a significant risk of material misstatement due to fraud in revenue recognition. The Office of the Auditor General has requested that in particular we focus on local funds revenue.</p>	<p>We discussed the revenue recognition processes with management to ensure that our understanding of these processes is correct and to allow us to assess the design and effectiveness of internal controls to prevent material misstatement due to fraud in revenue recognition.</p> <p>We performed analytical review procedures to assess the reasonability of local funds revenue recognised in the current year, based on prior year income and known movements in income during the year.</p> <p>We also performed detailed testing over local funds revenue by selecting a sample of local funds revenue receipts and agreeing these to supporting documentation to ensure that they had been accurately recognised during the year, and testing a selection of transactions for a period occurring after year end to ensure that all transactions were recognised in the correct accounting period.</p>	<p>We updated our understanding of the School's revenue recognition processes as well as the accounting policies in place during our planning and audit fieldwork. We are satisfied with the School's revenue recognition processes and accounting policies. We consider that the internal controls in place are appropriately designed and implemented to prevent material misstatement due to fraud in revenue recognition.</p> <p>No variances were noted between the transactions sampled and the supporting documentation these transactions were agreed to; all transactions examined had been accurately recognised.</p> <p>All transactions after year end which we examined had been recognised in the correct accounting period.</p>

KEY AREA OF AUDIT FOCUS & EXPLANATION OF RISK	PLANNED AUDIT APPROACH	RESOLUTION
<p>In accordance with ISA (NZ) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', management override of controls is a presumed significant risk.</p>	<p>We carried out appropriate audit procedures over journal entries, accounting estimates and significant transactions that are outside the School's normal course of business or are otherwise unusual.</p>	<p>No significant issues were noted during the audit which may represent an indicator of management override of controls.</p> <p>We performed a review of selected manual journal entries in the financial system during the period and no large or unusual transactions were noted which could not be explained by management.</p>
<p>Cyclical maintenance is an area of judgment and complexity that could lead to material misstatement in the financial statements. For schools to be able to calculate the appropriate cyclical maintenance provision a 10 Year Property Plan (10YPP) needs to be prepared and/or reviewed and updated by an expert at timely intervals.</p>	<p>We obtained and reviewed the School's cyclical maintenance plan, ensuring it is prepared by someone with appropriate property experience, that the plan matches the requirements of the School, and assessed whether the provision at balance date was materially correct.</p>	<p>From our audit procedures performed we have noted an adjustment was required in the provision for cyclical maintenance in the financial statements. See section 4 of this report for details.</p>

Audit Opinion

We issued an unmodified opinion on 30 January 2024. This means that we are satisfied that the financial statements fairly reflect the School's activity for the year and its financial position at the end of the year.

Completion of our audit was delayed due to a significant shortage of audit resources that is affecting the whole industry. We apologise for any inconvenience caused and thank you for your understanding and patience.

Misstatements

The financial statements are free from material misstatements, including omissions. The following misstatements were noted during the audit that required discussion with management and correction in arriving at the final audited financial statements. All identified misstatements have been corrected.

DESCRIPTION OF ADJUSTMENT	VALUE \$	EFFECT ON SURPLUS \$
Surplus per draft financial statements		20,488
To adjust provision for cyclical maintenance based on the actual condition	11,993	11,993
Surplus per audited financial statements		32,481

Summary of Audit Differences

In accordance with Auditing Standard ISA (NZ) 320 Materiality in Planning and Performing an Audit, we have provided and discussed with management our summary of uncorrected misstatements, which we consider to be immaterial individually and in aggregate.

We have provided a list of these differences below for your information.

DESCRIPTION	PROFIT & LOSS		ASSETS		LIABILITIES		EQUITY	
To record teacher aide pay equity settlement wash-up	18,175	-	-	-	-	(18,175)	-	-
Over/(Under)stated surplus	18,175							

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Internal Control Environment

The purpose of our audit was to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Significant deficiencies in internal control - ISA (NZ) 265

No significant deficiencies in internal controls were identified during our audit.

Other matters

OBSERVATION	ASSOCIATED RISK	RECOMMENDATION
We note that the cyclical maintenance plan that has been prepared by an expert is 6 years old. A new one is required every 5 years per ministry guidance.	There is a potential for outdated or inadequate maintenance planning that the current plan may not reflect the current needs and advancements.	We recommend the cyclical maintenance plan is updated to align with current needs and changes in the condition of the schools buildings.
We noted that GST had been incorrectly claimed on an expense paid to an overseas supplier who did not charge GST (Seesaw Learning Inc)	The GST liability could be misstated. It may also result in penalties and interest from IRD.	GST should not be claimed where it has not been charged by the supplier.
We were provided with a number of sets of minutes of board meetings that were not signed as approved.	The validity of the documents could be questioned.	Ensure that all minutes of meetings are signed and provided to audit.

Update on prior year findings

OBSERVATION	RECOMMENDATION	STATUS
Dual cash counts are not performed for money received and banked. This is because only one office admin staff is employed (making it impractical to independently check counts).	We recommend that sheets used to verify cash counts at the school office and at events are counter-signed by a second staff member and retained for our audit team to sight at year end.	Resolved
The board Chair's reimbursement claims are approved by the Principal. This is not an appropriate one-up approval.	A Board member's reimbursements should be approved by another board member.	No board members' reimbursements found.
Sue reports have been approved by the Principal only. There was no evidence of SUE reports being reviewed by a board member.	Have the SUE reports approved by the principal and a board member. A board member is considered independent from school operation.	Resolved
Locally raised fund revenue and expenses are coded to the same codes year on year. Revenue and expenses should not net off each other. We raised audit adjustments to correct this (see section 4).	We recommend using different account codes for locally raised fund expenses and revenue. If the same code is used, ensure this is cleared out prior to year end.	Resolved
Audit noted two post-balance date invoices which related to financial year 2022 but had not been recorded as payables on the draft accounts.	We recommend checking post-balance date invoices for expenses relating to the prior year, and ensuring these are coded appropriately, prior to preparing the financial statements.	Resolved

This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the procedures performed. The audit assurance engagements are not designed to identify all matters that may be relevant and accordingly they do not ordinarily identify all such matters.

Significant Accounting Policies, Disclosures and Estimates

Accounting policies and estimates

The accounting policies of the School are set out on pages 6 to 10 of the financial statements. Our audit work has not identified any instances of policies that are inappropriate for the School's circumstances, nor policies that have not been applied correctly.

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with the Public Sector – Public Benefit Entity Standards, Reduced Disclosure Regime. We raised the following presentational changes to the notes of financial statements:

- The Statement of Cash flows was amended to reflect adjustments raised in Section 4 of this report.
- Note 20 Commitments: Presentational adjustment raised to align contract amounts of capital works projects with MOE confirmation, and to adjust the amounts spent/received to date.

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Communication Requirements

We are required by the Auditing Standards (ISA (NZ) 260 – Communication with Those Charged with Governance) to communicate with the Board various matters related to the audit.

Significant qualitative aspects of accounting practices (ISA 260 para 16a)	We report that there were no significant qualitative aspects of accounting practices which we wish to bring to the Boards attention.
Significant difficulties encountered (ISA 260 para 16b)	Our audit was delayed due to a shortage of audit resources. We did not experience any other significant difficulties during the audit.
Significant matters discussed with management (ISA 260 para 16ci)	We report that there were no significant matters discussed with management.
Written representations (ISA 260 para 16cii)	As part of our audit we obtained written representation from ASB regarding the School's account balances. The Board has also provided representations relating to the completeness of information provided to us and the accuracy of the financial statements.
Significant findings relevant to the financial reporting process (ISA 260 para 16d)	There were no significant findings as a result of the audit.
Statement of auditor independence (ISA 260 para 17)	We confirm that, for the audit of the School's financial statements for the year ended 31 December 2022, the engagement team and others in the firm as appropriate have complied with relevant ethical requirements regarding independence in accordance with the requirements of Chartered Accountants Australia and New Zealand. We advise, in accordance with NZ ISA 260 – Communication with those charged with Governance, that: <ol style="list-style-type: none"> 1. We have complied with relevant ethical standards regarding independence; and 2. Considered all relationships, other matters and fees that may affect independence; 3. That related safeguards have been applied to eliminate identified threats to independence or reduce them to an acceptable level (if required).