



St John's School (Mairangi Bay)
Report to the Board of Trustees
for the year ended 31 December 2020

28 May 2021

The Board of Trustees
St John's School (Mairangi Bay)
87a Penzance Road
Mairangi bay
AUCKLAND

Dear Trustees

Report to the Board of Trustees for the year ended 31 December 2020

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the financial statements of St John's (Mairangi Bay) ("the School") for the year ended 31 December 2020 which we consider appropriate for the attention of the Board of Trustees ("the Board"). These matters have been discussed with management of the School and their comments have been included, where appropriate.

This report is intended for the Board only and should not be distributed further.

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

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

Yours faithfully



Melissa Youngson
Partner
for Deloitte Limited
On behalf of the Office of the Auditor General

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1. Purpose of report and responsibility statement

This report has been prepared for St John's School (Mairangi Bay) Board of Trustees and is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business dated 5 November 2018 and as required by New Zealand auditing standards.

This report is intended for the Board of Trustees and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

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 ultimate responsibility for the preparation of the financial statements rests with the Board of Trustees.

We are responsible for conducting an audit of St John's School (Mairangi Bay) ("the School") for the year ended 31 December 2020 in accordance with New Zealand auditing standards issued by the New Zealand Auditing and Assurance Standards Board. Our audit is performed pursuant to the requirements of the Public Audit Act 2001, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Board of Trustees. The audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of the School's controls but we will provide you with any recommendations on controls that we might have identified during the course of our audit work.

2. Our audit report

We have not identified any unadjusted differences or omitted financial statement disclosures that could either individually or in aggregate have a significant effect on the financial statements.

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

3. Areas of focus and audit findings

Our audit procedures were focused on those areas of the School's activities that are considered to represent the significant risk areas identified during the risk assessment process undertaken during the planning stage of our engagement.

The following table summarises the significant risks and other areas that we have focussed on during our audit.

Area of focus	Our response
<p>Responsibility of Fraud</p> <p>You may have seen media coverage over the past few years relating to a number of school frauds nationally.</p> <p>The inherent risks relating to income are greatest in relation to the receipt and recording of Local Raised Funds, Donations (excluding from the Government) etc., and there are limited audit procedures we can adopt to ensure all money that should be received is properly accounted for.</p> <p>The primary responsibility for the prevention and detection of fraud rests with the Board of Trustees (the 'Board').</p> <p>The Ministry have published a model policy on Theft and Fraud Prevention in its Financial Information for Schools Handbook (FISH). However, having a fraud policy is not enough if it is not used as a basis for training or to regularly remind staff that fraud is unacceptable.</p>	<p>We gained an understanding how the Board exercise oversight of management's processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.</p> <p>This involved:</p> <ul style="list-style-type: none"> • Inquiries with management and others within the school as appropriate, regarding their knowledge of any actual, suspected or alleged fraud affecting the school; • Inquiries with members of the Board regarding their knowledge of any fraud, suspected fraud or allegations of fraud; • Understanding whether there were appropriate segregation of duties and internal controls in place to mitigate the risk of misappropriation of assets and in particular cash; and • Reviewing processes around journal entries, estimates and judgements and significant unusual business transactions. <p>We did not identify any matters to report to the Board.</p> <p>We would also like to remind the Board that cyber-fraud is becoming more relevant. The Ministry have provided guidance on their website on cyber-safety which we encourage the Board be familiar with.</p>
<p>COVID-19</p> <p>During the 2020 year there have been unprecedented circumstances resulting from COVID-19. This has created disruption throughout the economy including for schools.</p> <p>The Ministry provided schools with additional funding and support during the initial COVID-19 lockdowns. To help students access electronic distance learning during lockdown, the Ministry arranged internet connections and devices for some of the households that did not have them.</p> <p>As part of the 2019 audit, consideration of the impact of COVID-19 on the schools ability to continue as a going concern was made by the Board and Management, and assessed as part of our audit. Particular focus was placed on the ability for the school to continue to generate income from locally raised funds and international students where relevant.</p>	<p>The School has prepared its financial statements as a going concern 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. In particular, we considered the impact of COVID-19 on the schools ability to continue as a going concern, and its ability to generate income from locally raised funds and international students were relevant.</p>

Area of focus

Our response

Education and Training Act 2020

The Education and Training Act 2020 (the Act) came into effect on 1 August 2020. It incorporates and replaces the Education Acts 1964 and 1989, and implements changes from the Education work programme. It is intended to be simpler, more user-friendly, and less prescriptive than the previous legislative framework.

The provisions of the Act that are relevant to the school audits remain the same.

The Education (School Donations) Amendment Act 2019 came into effect on 22 October 2019. This Act supports the school donations scheme announced as part of the Government's Budget 2019 package.

From the 2020 school year, Decile 1-7 state and state-integrated schools will be able to choose to receive a \$150 per student, per year payment if they agree not to ask parents and caregivers for donations.

We have obtained an understanding if your School has opted into the 2020 donation scheme or not. If you have, we have assessed the financial impact that this has had on the current year audit, and whether it was appropriately disclosed.

No issues were identified in this area.

Locally raised funds

Locally raised funds continue to be a focus area because there is a risk that not all cash received is recorded. Although schools may have a process to record cash receipts, the risk of misappropriation is high if there are limited segregation of duties.

As part of our audit procedures, we have:

- Assessed the design and implementation of internal controls surrounding all material revenue streams; and
- Performed testing on these balances as well as performing analytical procedures, on balances identified as material.

No issues were identified in this area.

Payroll

As in previous years, payroll related issues linked to Novopay continue to be a focus area for auditors.

We obtain reports from the Office of the Auditor General (through the audit assurance work performed by E&Y) which aid us in completing our audit of the payroll balances.

Key information obtained includes:

- user access to Novopay;
- payroll accruals
- leave liability reports; and
- exception reports where E&Y identified exceptions in the payroll system.

Novopay is in the process of being replaced by a new system EdPay. However not all processes are available in EdPay therefore both systems are being used during the year.

We understand that these reports are made available to the school along with instructions on how to understand them.

Consistent with our prior year audits we have inquired with the school regarding any exceptions identified as well as any differences to amounts recorded. We also continue to encourage you to follow up on any perceived errors as soon as practical.

An exception was identified where higher than usual payments were made to a staff member within PP202119. After discussion with management it was identified that the staff member had worked additional hours during the school holidays. Deloitte noted that the additional hours were appropriately approved by the Principal.

We have performed testing around the high level controls around payroll as well as ensuring that the payroll balances were not materially misstated in the financial statements.

With the changes from Novopay to EdPay, processes and the related forms are changing or being removed. Most schools relied on these forms to show the approval process before changes were made (i.e. adding/removing staff and changing staff details). The school will need to ensure adequate controls are in place for the approval of changes to payroll as old processes that existed under Novopay fall away.

Area of focus

Our response

A copy of the signed School Annual Accrual Report (SAAR) certification was received prior to completion of the audit. This certification indicated that the payroll reports were reviewed by the Principal and Chair and allowed you to report any errors that you did not agree with.

No issues were identified in this area.

Sensitive expenditure

Being a public sector entity, we are required to perform specific work on behalf of the Auditor – General around areas referred to as sensitive expenditure.

- In performing the audit we looked at various areas including:
- Ensuring that policies are current and were appropriately authorised;
 - Reviewing various expenditure by the Principal and the Board against supporting tax invoices, other documentation and relevant policies and approval guidelines;
 - Reviewing other sensitive areas such as travel, entertainment and credit cards against supporting tax invoices, other documentation and relevant policies and approval guidelines;
 - Discussing with the Principal and Chair of the Board about fraud processes and policies and knowledge of any suspected or identified fraud during the year (if applicable);
 - Reviewing Board and Principal remuneration against MOE approvals and limits;
 - Reviewing overseas travel that the school has undertaken during the year including the approval process for this and ensuring material travel was appropriately disclosed.

No issues identified.

4. Assessment of internal controls

Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the School, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Any of our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

As is the case for many schools, the number of people involved in the administration and accounting functions is very limited. This brings with it an increased inherent risk that errors and omissions may occur and go undetected.

The inherent risks relating to income are greatest in relation to the receipt and recording of Local Raised Funds, Donations etc., and there are limited audit procedures we can adopt to ensure all money that should be received is properly accounted for.

Payment risks in relation to school costs and casual payroll are greatest through the small number of staff available to approve and process payments and typically some admin staff are involved in both of these functions.

It is important that the Board is 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 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.

We have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion.

5. Summary of unadjusted differences

We have not identified any uncorrected misstatements that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2020.

6. Summary of omitted disclosures assessed

We have not identified any disclosure deficiencies that have not been adjusted in the financial statements for the year ended 31 December 2020.

7. Other communications

The following matters relevant to our audit of the School for the year ended 31 December 2020 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.
Fraud	<p>The primary responsibility for the prevention and detection of fraud rests with the Board, including designing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.</p> <p>As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.</p> <p>ISA (NZ) 240 The auditor's responsibility to consider fraud in an audit of financial statements requires us to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.</p> <p>No matters relating to fraud, concerning either employees or management came to our attention.</p> <p>If you do suspect or become aware of any fraud, please contact Melissa Youngson to discuss further. We are then required to notify the Office of the Auditor General.</p>
Accounting policies and financial reporting	<p>There were no changes in accounting policies during the year ended 31 December 2020.</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, need to be communicated to the Board.
Other information	We have read the other information (the financial and non-financial information other than the financial statements) contained within the annual report to consider whether there are material inconsistencies with the financial statements. No issues identified.



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