



Alfredton School

AUDIT MANAGEMENT LETTER

For the year ended 31 December 2023

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10th of May 2024

The Board of Trustees
Alfredton School
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Dear Trustees

AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 31 DECEMBER 2023

We have completed our audit and have forwarded your School's financial statements for the year ended 31 December 2023, 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

Melanie Strydom
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	Draft SUE reports not being retained and reviewed		

PRIORITY: HIGH

The assurance work carried out centrally on behalf of the Auditor-General has found that the EdPay system places substantial reliance on Schools to check the accuracy of their payroll.

It is therefore important that fortnightly draft SUE reports are reviewed as a check that the employees and the amounts paid are reasonable and that these draft SUE reports are retained.

During the audit of payroll we noted that the draft SUE reports were not retained after being reviewed.

Reliance could not be placed on the School to check the accuracy of payroll. As a result additional audit procedures had to be performed.

We recommend that the fortnightly transactions and draft SUE reports are signed as evidence of review and be retained.

2 No Annual Review of Assets

PRIORITY: MEDIUM

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 fairly stated.



No	Observation	Implication	Recommendation
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3 Segregation of Duties

PRIORITY: BEST PRACTICE

We note that significant portions of day-to-day accounting functions are solely under the control of the Office Administrator. 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.

No further action is required in this regard.

No further action is required in this regard.

Because we have a responsibility to report weaknesses in internal control systems of which we become aware, this matter has been raised again this year though it may already have been raised in previous audits.

We appreciate the difficulty in segregating the Office Administrator's duties due to the size of your School and acknowledge the Board's efforts in implementing policies and procedures to mitigate this risk.

4 Masterfile Changes – Activity History Report Available

PRIORITY: BEST PRACTICE

For the 2023 year Schools didn't have the ability to access a complete list of all employee related Masterfile changes within the EdPay system.

We understand from the Ministry that the activity history report now provides details of all Masterfile changes (except changes to employees' addresses). However, this change has not been communicated to Schools. EPL and the Ministry are currently refreshing the guidance to Schools on payroll controls, and we have been told that this will be available soon.

Masterfile changes are an area identified as high risk for misappropriation of funds, where bank accounts can be altered without detection. Strong controls around changes to employee data is essential to ensure that all changes are accurate and made with appropriate authorisation.

We recommend the School access this newly available Activity History Report via Ed Pay and review Masterfile changes alongside the review of the final SUE report. We recommend that the Board ask management for assurance that appropriate controls are in place at the School over payroll transactions, and that these controls are considered against the updated payroll guidance once it is published by EdPay.



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 2023.

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 2023.

Description	Assets Dr/(Cr) \$	Liabilities Dr/(Cr) \$	Income Dr/(Cr) \$	Expenses Dr/(Cr) \$
Bulk grant PP21, PP22 and PP23 as well as Acc payable		(3,864.62)		3,864.62
Total	-	(3,864.62)	-	3,864.62



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	Draft SUE reports not being retained and reviewed.	We recommend that the fortnightly transactions and draft SUE reports are signed as evidence of review and be retained.	Recurring – refer to Section 1 point 1 above.
2	Cyclical Maintenance Plan to be Professionally Reviewed at least every three years.	We recommend that the cyclical maintenance plan be professionally reviewed and approved at least every three years, at the same time that the 10YPP is professionally reviewed.	Resolved.
3	Segregation Of Duties.	No further action is required in this regard.	Recurring – refer to Section 1 point 3 above.



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 Alfredton School.
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.