

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

4 July 2023

The Chairperson
Board of Trustees
Tuakau College
PO Box 102
Tuakau

Dear Mr Hyland-Mills

Audit of your Financial Statements For the year ended 31 December 2019 and 31 December 2020

We have completed the audit of your financial statements for the year ended 31 December 2019 and 31 December 2020.

Please note that a PDF copy of the audit report and signed financial statements is required to be uploaded to the MOE's school's data portal as soon as you receive them. We also remind you that you are required to publish the final audited version of your annual report on your website.

This letter and accompanying report of Audit Findings includes observations on the school's accounting procedures. As the trustees are responsible for the financial operations of the school we suggest this letter be considered at the next finance committee meeting and tabled at the next full board meeting.

Scope of the audit

Our audit is designed to provide an independent opinion on the board's financial statements which are a public document. As a secondary output of this work we also report on matters relevant to your financial and management systems that have come to our attention and are significant.

We have performed procedures to audit the information presented in your annual financial statements. We have also relied on representations made by your school's management team, including your accounting service provider, Education Services Ltd. We assess the results of procedures and representations made when forming our audit opinion.

To ensure your school receives the maximum benefit from our audit we have turned our focus to the future and set out in the attached report some matters for the attention of your board. Our motive is to offer objective and constructive advice so that the accounting function and related issues can be improved in the future. Please note that this letter is sent only to you, with a copy to the Office of the Controller & Auditor-General. We do not send a copy of this letter to the Ministry of Education or any other party.

The audit doesn't end with our audit report

If you wish, we would be pleased to discuss with you our recommendations in this letter or any other aspect of the school's audit. If it is of value to your board, one of our audit directors or managers would be happy to attend a board meeting to discuss any finance related issues you have.

In recognition of the value we place on our association with your school, we think it is appropriate to waive our normal fee for attending a meeting. Please contact our office if you wish to take up this offer.

Our sincere thanks

This year's audit has been uniquely challenging with us being unable to complete an audit visit onsite due to the COVID-19 lockdown. This has meant we have had to work remotely for a large part of the audit process, and more iteratively. We give thanks for the assistance from your principal, Mr Chris Betty, and accounts officer, Ms Lisa Burnett, during the process, especially with assisting our working in regards to the UK travel refunds.

This unforeseeable disruption has resulted in some additional audit time incurred, and at a later time than normal, resulting in a number of schools not being able to have audited financial statements completed before the statutory deadline. This is common nationwide. As a result, a note to the financial statements has been added to disclose the breach of the statutory reporting deadline being due to the impact of Covid-19. The Ministry have confirmed that there will be no penalty for late filing of audited financial statements this year as a result.

We would also like to thank the trustees for selecting RSM Hayes Audit as your auditors. We appreciate our relationship with your school and look forward to continuing to provide a valuable service to you.

Yours sincerely



Steve Hayes
Audit & International Contact Partner



Tuakau College

Audit Findings

For the year ended 31 December 2019 and 31 December 2020

1. Introduction
2. Expected Content Of Our Formal Audit Report
3. Governance
4. The Financial Statements
5. The Day To Day Accounting System
6. Prior Year Recommendations

1. Introduction

We set out below our findings from the audit work we have performed during the audit of your financial statements for the 2019 and 2020 financial years. Matters raised in this report have been discussed with your management team during the audit fieldwork.

Our work focussed on the systems and controls set by your board and implemented by your management team, to the extent necessary in forming an audit opinion. Any matters arising from the audit are detailed in this letter.

2. Expected content of our formal audit report

It is the responsibility of the board to prepare financial statements that present fairly the results of operations and financial position of the school, in accordance with generally accepted accounting practice. It is our responsibility to express an independent opinion as to whether this has been achieved. We draw your attention to the fact that a qualified audit opinion is issued in respect of collection of funds for overseas trip to the UK. Refer to our audit report for respective years for the wording of audit report qualification.

Emphasis of Matter – COVID-19

Without further modifying our opinion, we draw attention to the disclosures in note 28 on page 23 of 2019 financial statements which outline possible effects of the Alert Level 4 lockdown as a result of the COVID-19 pandemic.

Emphasis of Matter- failure to meet the statutory reporting deadline

Without further modifying our opinion, we draw we draw attention to note 30 of 2020 financial statements, which outlines that the Board did not comply with Section 87c (1) of the Education Act 1989, by not meeting the statutory reporting deadline.

3. Governance

Areas of significant audit focus

We believe it is best practice to communicate with you as the governing body regarding matters which form an important part of our audit process.

An independent audit of your financial statements is a key part of ensuring that your organisation has appropriate controls in place regarding financial management and financial reporting. However, ultimately it is you, the governing body that remains responsible for your financial systems, internal controls including the detection and prevention of fraud, and financial statements.

While our audit necessarily involves evaluating your overall system of financial controls and reporting, the following are areas and issues we assessed as potentially significant risk areas in relation to your school during our audit. Accordingly we believe that they are important issues that should be of interest to you in your governance capacity. In the case of your organisation in the current year these assessed areas of significant focus were as follows:

- Recognition and recording of locally raised funds income and expenditure and treatment of income in advance;
- Risk from limited segregation of duties;
- Expenditure being valid and appropriate for your school's purposes (probity of expenditure);
- Cyclical maintenance expense and provisioning being appropriate; and
- Appropriate treatment of capital works funding and expenditure.

In addition, we sought to ensure that your financial statements were in compliance with generally accepted accounting practice in New Zealand as appropriate to public benefit entities that qualify for Tier 2 reporting. That is that Public Benefit Entity Standards - Reduced Disclosure Regime (PBE Standards RDR) have been appropriately adopted and that the mandatory Kiwi Park model has been followed.

We are pleased to advise that our testing of these assessed risks did not identify any significant issues or concerns. Any observations and recommendations related to these topics are detailed below.

Required communications

We are required by auditing standards to report specific matters to you as follows:

- We have had no disagreements with management during our audit nor any serious difficulties in dealing with management;
- Other than the breach of the statutory reporting deadline reported in the notes to your financial statements, we have not identified any other breaches of legislation;
- We have not identified any instances of fraud involving management, or any other frauds that caused a material misstatement of the financial statements; and
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

Audit Independence

We reaffirm we are independent of your school, and that we have no relationship with your school that could impair our independence.

4. The Financial Statements

UK Trip Cancellation

The School planned for an overseas trip to the UK in FY 2020. The trip was funded by both student contributions and fundraising activities. On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19, a pandemic, the School had decided to cancel the trip as a result.

We have detailed below the accounting treatment of the relevant accounts affected as a result of the trip cancellation and the impacts of the financial statements:

1. Funds that have been directly contributed by parents

Total contribution received from trip participants being, \$179,271 (2019) and \$42,300 (2018). The contributions received are funds held on behalf of the students, as the trip have now been cancelled, the relevant funds should be refunded to the contributors.

We recommended the school should not supply a refund using school funds but only refund with the money received from the deposits paid to the travel agent. Losses incurred due to the cancellation should be borne by the contributors on a pro-rata basis across all the students. It is the residual balance of the contributions after deducting the relevant losses the contributors should receive.

Upon subsequent enquiry, the school has proceeded with partial refunds to the students despite only a small amount of refund had been received from the travel agent. Essentially, the school had refunded a greater amount of contribution to the participants than refund received from the travel agent.

We believe that refund should only be processed upon the receipt of deposits previously paid and not using school funds.

To avoid similar complications arising from cancelled trips due to unforeseen circumstances going forward, it is suggested that the school maintain a separate bank account for funds held in trust. Maintaining a separate bank account will assist the school to easily identify funds of the school and third parties in the future. Nevertheless, from an accounting perspective, the current accounting treatment of student contributions received is correct, no adjustments raised for this balance.

2. Funds received from fundraising activities

Regardless of the intention or purpose of the fundraising activities, funds raised from any fundraising activities represent school funds. While the school has allocated those funds to individuals (parents and students) based on their participation in the fundraising activities, the funds are not for those individuals but are considered as locally raised funds of the school.

Although fundraisers are recorded against the individuals' account these are nevertheless considered as locally raise funds of the school in aggregate, it would therefore be inappropriate for amounts received from fundraising activities be repaid to the individuals. Any such funds received from fundraising would represent a payment of public funds to an individual which would be a breach of the board's responsibilities around the appropriate use of public funds for the benefit of the students as a collective not for individuals participating the trip. We have further reviewed the school's fundraising policy issued by the school which suggested that funds raised will not be refundable (should students leave the school prior to the trip), which aligns the premise above.

Albeit a separate conclusion may arise should there be an individual agreement signed between the student/parent fundraising and the third-party receiving the goods/services, however, we do not believe that this is the case.

Given fundraising income should be recorded as locally raised funds, these funds received should be recognised as revenue in the school's account and not a liability as presented in the draft financial statements. We have raised an adjusting journal to correct the initial accounting treatment. Please refer to Appendix B. We recommended the school to seek feedback from students involved in the trip and fundraising activities as to how the funds raised be spent to benefit the school.

3. Deposit of UK travel agent fees paid

We understand the school had subsequently received a sum of \$61,972 as full and final refund from the travel agent. We have subsequently adjusted the refund received subsequent to the financial year from the travel agent as receivables in the financial statements whilst the balance of the \$167,960 paid will remain as an outflow in the funds held in trust account.

We have raised an adjustment and added a note disclosure to the financial statements to highlight the refund received from the travel agent subsequent to balance date.

Unadjusted differences

Appendix A details unadjusted journal differences that we identified during the audit.

Adjustments made

Appendix B identifies all journal adjustments posted at our request in the final financial statements.

5. The day to day accounting system

It is important that we report any observations and areas for improvement in respect of the financial control environment at your school. As part of the RSM audit approach we review the accounting systems established by the board to the extent that they could have a significant impact on the annual financial statements. The following observations are brought to your attention.

Segregation of Duties

In any organization it is important that no single person has control over, or access to, all aspects of recording and control of school funds. Not only does this provide opportunity for abuse of the school funds, but also puts a great responsibility and burden of trust upon the person who has this control.

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

Significant portions of the day to day accounting functions are solely under control of your accounts staff, Lisa Burnett. These activities include processing cash receipts and recording it in the general ledger. We wish to point out that nothing in our review of your systems has led us in any way to question the integrity of this employee.

We appreciate that it would be difficult to segregate the Executive Officer's duties but with careful monitoring and oversight by management and the board this risk can be mitigated. We have previously recommended the school, that changes to standing data, such as changes to bank account numbers of creditors be checked by an independent reviewer when performing payment authorisations. We noted the deputy principal has been delegated to perform this review, however, we suggest this be evidenced by highlighting or leave tick-marks on the changes as evidence of check being performed. A further control is someone else on your team being able to perform these tasks and this occurring occasionally such as when the key person takes leave.

Cyclical Maintenance

We noted that the cyclical maintenance provision has not been updated to correctly reflect the adjustments to reflect capital works performed by the school and painting brought forward from the plan. The amount stated in the draft accounts was different to our recalculation of the provision. This has resulted in some adjustments to the provision as well as the classification between current and non-current.

To ensure the cyclical maintenance provision continues to reflect up-to-date information, we recommend the school to have the plan updated by an independent professional in FY 2020. This ensures the plan will be an accurate reflection of the school's intention of maintenance work planned going forward.

Rotary Membership Fees

We noted the school paid for Rotary membership fees on behalf of the Principal. This expenditure appears to lack the nexus of providing educational benefits to the students at the school. We suggest that such membership fees be paid as part of personal expenses in the future.

We wish to point out that nothing in our review has led us in any way to question the appropriateness of other expenses incurred by the Principal during the year.

Retaining source documents for overseas travel

Our review of the overseas travel expenses has highlighted to us that some of the expenditure supporting documents for the Darwin, Japan and Vietnam trip were not retained to support expenses incurred during the travel.

Retaining invoices is essential to ensure adequate control over the funds of the school, expenses incurred in overseas travel are of greater discretionary.

We reiterate the importance of all invoices being retained in the future to support the appropriateness of payments made.

Capital works projects

We noted a number of projects had been completed in FY 2018 and FY 2019 however the residual balances of these projects had been carried forward in your school's accounts.

Although balances are trivial, we recommend these be written-off by the board as R&M expenses or be returned to the MOE where deemed appropriate.

Prompt banking

Monies received have often been held for over a week before being deposited into your school's bank account. In one of the instances, we noted that money received on 9/05/2019 were banked on 21/05/2019.

Prompt, regular banking is essential to reduce opportunities for theft and to assist in the accurate recording of amounts received.

We appreciate the rural location of the school may require additional effort for staff members to travel to the bank, however, we recommend your school banks receipts as often as practicable, and at least twice a week to reduce the risk.

6. Prior year recommendations

Prior Year Recommendation	Current Year Progress
<p>Publishing of school's annual report online</p> <p>We reminded the school's obligation to publish the school's financial statements online.</p>	<p>Implemented</p>
<p>Overseas travel</p> <p>For overseas travels, we recommended a strategic plan to be implemented, such as the source of the funds for the overseas trip, benefits and costs to the school/employees, approvals and oversight of spending be considered.</p> <p>We further recommended the board to complete the Funding Overseas Travel Using Crown Funding Checklist be prepared and approved prior to the approval of the overseas travel.</p>	<p>Although subsequently cancelled, we noted a comprehensive checklist had been completed, however, checklist for overseas trips planned prior for Japan, Darwin and Vietnam was not completed. We continue to recommend the Board to ensure that the recommended Overseas Travel Using Crown Funding Checklist be completed prior to the approval of such trip.</p>
<p>Budgeted Cash Flow Statement</p> <p>We recommend that the preparation of a cash flow budget be integrated into your annual budgeting cycle so that this is available to your board and management for monitoring purposes at the commencement of the year, as well as to enable this to easily be included in the annual financial statements.</p>	<p>We noted a budgeted cash flow statement had been prepared by your service provider, Education Services Ltd.</p>
<p>Impairment of Assets Review</p> <p>We recommended the school to perform a complete fixed asset stock take annually with a review of high value or high-risk fixed assets, such as computer equipment, performed perhaps once a year.</p>	<p>To be implemented.</p>

Prior Year Recommendation	Current Year Progress
<p>Payroll Exception Report</p> <p>We would like to recommend following up with the MoE to ensure that this issue is resolved on timely basis.</p>	<p>We understand the Deputy Principal has send an inquiry to the MOE, however, no responses have been received to date. We recommend the school to continue to follow-up on the status of this exception identified.</p>
<p>Changes to Standing Data</p> <p>We recommended that changes in standing data should be printed and reviewed by someone independent. If such reports cannot be printed from your system, we suggest that someone independent of the management of standing data perform a spot check of bank accounts on Direct Credit schedules to invoices showing the creditors bank account details and that check should be evidenced by the tick marks and initial / signature by the checker.</p>	<p>As per our discussion with the Principal, we understand that deputy principal performs this check, however, auditor was not able to find any tick marks and initial / signature by the checker on the exception report.</p> <p>We would like to stress that nothing came to our attention that would bring into question the integrity of the employees involved in this process.</p> <p>Please refer to the Segregation of Duties section for further details.</p>
<p>General Ledger Account Descriptions</p> <p>We noted that the general ledger account descriptions/names of some of the funds held in trust income, expense accounts and the curriculum recoveries income accounts are too vague and can lead to confusion. For several of them the only narrative in the trial balance is “income” or “expense.” The account description needs to be specific enough so that it’s clear to any reader what activity it relates to.</p> <p>We recommended the general ledger accounts be appropriately renamed to include the activity and the year these activities are expected to occur. This will ensure balances are cleared on completion of that activity and amounts accurately transferred to the Statement of Revenue and Expense.</p>	<p>The account descriptions need to be updated as they are too vague and can lead to confusion.</p> <p>We suggest this be communicated with your Service Provider to include differential description to the general ledger codes to ensure accounts can be easily recognised.</p>
<p>Fixed Assets Register</p> <p>We noted that your fixed assets register contains a large number of assets with nil balances that have been fully depreciated.</p> <p>We recommended that a full stock-take of your fixed assets on the register be performed and items that are no longer used be removed.</p>	<p>We understand that this will be actioned by the School in the 2019 year.</p>

Appendix A

Unadjusted differences arising from our audit

The following differences have been identified during our audit and remain unadjusted at the conclusion of our work. Whilst we request that these do be ammended, given their value, we nevertheless are still able to provide an unmodified opinion should they remain unadjusted in the final approved financial statements.

Name	Account No	Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
Teachers Salaries Grant	142		47,492		
Banking Staffing Overuse	RSM 1				(47,492)
To account for banking staffing overuse for the 2019 year.					

Name	Account No	Income Statement		Balance Sheet	
		DR	(CR)	DR	(CR)
Teachers Salaries Grant	3499		98,548		
Banking Staffing Overuse	RSM6				(98,548)
To account for bank staffing overuse for 2020 and 2019 as per MOE confirmation.					

Appendix B

Journal adjustments made in the final financial statements at our request – 2019 financial year

Name	Account No	Income Statement		Balance Sheet	
		Debit	Credit	Debit	Credit
Cyclical Maintenance Provision	9329			43,680	
Cyclical Maintenance	9429				(43,680)
Being adjustment to the cyclical maintenance provision after adjusting the school's cyclical maintenance plan.					
GST Input Tax	9030			23,160	
Creditors Control	9300				(177,562)
106-07 Gym Upgrade Exp	D14E			115,801	
106-09 Music Block Upgrade Exp	D15E			38,600	
Being the recognition of Pukekohe Builders Ltd invoice for work performed in FY 2019 as a creditor for the financial year.					