



Palmerston North Adventist Christian School

AUDIT MANAGEMENT LETTER

For the year ended 31 December 2022

Palmerston North | ☎ 06 350 0450 | 196 Broadway Avenue

✉ info@auditink.co.nz | www.auditink.co.nz



23 May 2023

The Board of Trustees
Palmerston North Adventist Christian School
25 Snelson Street
Palmerston North 4410

Dear Trustees

**AUDIT MANAGEMENT LETTER
FOR THE YEAR ENDED 31 DECEMBER 2022**

We have completed our audit and forwarded your School's financial statements for the year ended 31 December 2022, 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



Table of Contents

1. Findings and recommendations
2. Summary of unadjusted differences
3. Summary of uncorrected disclosure deficiencies
4. Updates on matters raised in the prior year
5. Other communications



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	Publishing of Audit Report Online PRIORITY: HIGH We acknowledge that you did publish your 2021 Audited Financial Statements on the School website however this did not include your 2021 Audit Report.	The Education and Training Act 2020 requires you to publish your Annual Report on-line. Your Annual Report contains your audited annual financial statements including our independent auditor's report, analysis of variance, list of trustees, kiwisport statement, and statement of compliance with employment policy.	Please ensure that your 2022 Annual Report and Audit Report are uploaded to the School website.
2	Independent Authorisation of Principal's Expenditure PRIORITY: HIGH We noted an instance where the Principal's expense invoice had not been independently authorised by a member of the Board of Trustees.	Credit cards and reimbursements can be reasonably easily subject to error and fraud and have led to allegations of inappropriate expenditure for some Schools. It is important that all appropriate supporting documents are kept and reviewed thoroughly on a timely basis to prevent errors or unauthorised payments.	We appreciate that it may be difficult to share or delegate the Principal's duty of signing off reimbursement forms, however, no employee should authorise their own expense reimbursement forms. We recommend that you apply a "one-up" principle of approving reimbursements and credit card expenditure. We suggest that the Principal's reimbursements and credit card expenses be approved by the Board or Finance sub-committee.
3	Draft SUE Reports not Reviewed PRIORITY: HIGH We noted during our testing of payroll that the draft SUE reports are not reviewed. We do acknowledge that the review and approval of the final SUE report is being completed.	Final SUE reports are only available after the payment run has been completed therefore, without the draft SUE report being reviewed, there is potential for errors to be missed.	We recommend that the draft SUE report is reviewed by the Office Manager with evidence of ticks and checks and then once the final SUE report is available that this is signed by the Principal and Presiding Member as evidence of approval.



No	Observation	Implication	Recommendation
4	<p>Segregation of Duties</p> <p>PRIORITY: BEST PRACTICE</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>No further action is required in this regard.</p>	<p>No further action is required in this regard.</p>



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 2022.

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 2022.

Description	Assets Dr/(Cr) \$	Liabilities Dr/(Cr) \$	Income Dr/(Cr) \$	Expenses Dr/(Cr) \$
Administration Expenses – Employee Benefits – Salaries				6,736.30
Accounts Payable – Employee Benefits – Salaries		(6,736.30)		
(To record PP21, 22, and 23 Bulk Grant portion per SAAR)				
Total	-	(6,736.30)	-	6,736.30



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	Independent Authorisation of Principal's Expenditure	We recommend that you apply a "one-up" principle of approving reimbursements and credit card expenditure. We suggest that the credit card expenses be approved by the Board through evidence of signature on the credit card statement.	Recurring, refer to Section 1 point 2 above.
2	No Independent Reconciliation of Cash Receipts	For there to be effective controls in place, we recommend that the amount of cash banked is signed by the staff member who receipts cash, then signed by a second staff member who is independent of receipting cash to evidence that cash is recounted and agrees to the cash reconciliation total.	Resolved.
3	Publishing Annual Reports Online	Please ensure that once your 2021 Annual Report is submitted to the Ministry, it is published on your website with the Audit report attached with no limit to accessibility.	Recurring, refer to Section 1 point 1 above.
4	No Independent Approval of SUE Reports	We recommend that the fortnightly transactions and SUE reports are signed as evidence of review by an individual independent of routine payroll processing, and who does not have access to Novopay. For the School this could be the Board Chair independently reviewing the SUE reports in addition to the Office Manager and Principal.	Resolved.
5	10 Year Property Plan to be Updated and Approved by MOE	While we believe the School has taken appropriate measures in calculating the updated provision, we recommend that the formal 10 Year Property Plan be updated to ensure the provision is based on current estimated costs and cycles.	Resolved.
6	Segregation of Duties	No further action is required in this regard.	Recurring, refer to Section 1 point 4 above.
7	No Annual Library Stocktake	We recommend that the School carry out a full count of library stock at the end of each year.	Resolved.



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 Palmerston North Adventist Christian 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.