



**Greenacres School**

Report to the Board of Trustees for  
the year ended 31 December 2019

26 May 2020

The Board of Trustees  
Greenacres School  
60 Raroa Terrace  
Tawa  
Wellington  
5028

Dear Trustees

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the School's financial statements for the year ended 31 December 2019 which we consider appropriate for the attention of the Board of Trustees ("the Board"). These matters have been discussed with management and their comments have been included, where appropriate.

We look forward to the opportunity to discuss these at a Board meeting should you wish to discuss this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

This correspondence is part of our ongoing discussions as auditor in accordance with our signed engagement letter and as required by the Office of the Auditor General requirements, which include New Zealand 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 of the financial statements does not relieve management or the Board of their responsibilities. The ultimate responsibility for the preparation of the financial statements rests with the Board.

We have prepared this report solely for the use of 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 written consent, we would not accept responsibility for any reliance that they might place on it.

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

Yours faithfully

**DELOITTE LIMITED**



Hamish Anton  
**Appointed Auditor**

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# 1. Status of the audit and areas of focus

Our audit of the 31 December 2019 financial statements is substantially complete, subject to the completion of the following matters which are outstanding:

- appropriate procedures relating to subsequent events up to the date of our audit opinion;
- receipt of the signed management representation letter; and
- adoption of the financial statements and signing of the financial statements by the Board of Trustees.

We understand that these will be approved by the Board under delegation to specified Trustees.

<b>Areas of focus</b>	
<b>Matter Identified</b>	<b>Audit Response</b>
<p>1.1 Impacts of Covid 19 and Emphasis of Matter</p> <p>On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown all schools were closed. While the disruption is currently expected to be temporary, there is a level of uncertainty around the duration of the closure and the resultant impact.</p> <p>The Office of the Auditor General has determined that all Schools should disclose the fact the School has been disrupted and the impact is being assessed by School management and governance.</p> <p>The School will continue to receive funding from the Ministry of Education, even while closed.</p>	<p>The Office of the Auditor General has determined that all School audit opinions are to include an "Emphasis of Matter" drawing the reader's attention to the disclosure in the financial statements in respect of the disruption and impact of Covid 19.</p> <p>The School has prepared its financial statements on a going concern basis 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. Our report includes an Emphasis of Matter in accordance with those guidelines.</p>
<b>Matter Identified</b>	<b>Audit Response</b>
<p>1.2 Office of the Auditor-General ("OAG") audit brief matters</p> <p>As you are aware our audit is completed under contract from the OAG and annually we are asked to specifically consider certain potential matters of interest.</p>	<p>Our audit procedures considered these matters as relevant and in accordance with OAG expectations. The MoE has issued specific guidance on the approval of overseas travel which may be of assistance to Board processes in this area. Where significant the Board is required to disclose overseas travel separately.</p>

<p>Schools are required to publish its Annual Report on line. We have been asked to remind you of this requirement.</p> <p>Other areas of focus this year remain similar to previous years including:</p> <ul style="list-style-type: none"><li>• classification of associated entities such as fundraising trusts;</li><li>• overseas travel;</li><li>• sensitive expenditure;</li><li>• financial difficulty risk factors; and</li><li>• legislative compliance.</li></ul>	<p>You are reminded that your Annual Report is required to be provided on line in a timely manner each year and are asked to ensure a process of compliance is put in place.</p> <p>No specific concerns or findings were noted.</p>
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## 2. Assessment of internal controls

Our audit requires us to obtain an undertaking of the School's internal controls, sufficient to identify and assess the risks of material misstatement in the financial statements.

### 2.1 Segregation of duties

As is the case for most schools, the number of people involved in the administration and accounting functions is very limited, meaning that there is an increased inherent risk that errors and omissions may occur and go undetected.

The number of people involved in the schools administration and accounting functions also imposes limitations on the controls and processes schools have in place to monitor and approve changes made to information technology ("IT") systems responsible for processing transactions. These systems include but are not limited to the Novopay system and creditor process and bank payment systems. The absence of controls to monitor and approve changes within these systems increases the risk of assets being misappropriated.

It is important that you are 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 financial 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.

This oversight should include consideration of payment approval and bank authorisation monitoring. As a simple example, we encourage all Boards to specifically review the electronic banking system authorities and levels as part of their consideration of the delegated authority considerations. Our experience is that the frauds being perpetrated are often arising from changes to bank account details after invoice approval. This

historical lack of oversight in this area should be specifically considered by the Board as part of its regular financial monitoring.

## 2.2 Update on matters raised in the prior year

We have made enquiries and observations about the remedial action taken on last year's management letter observations and report as follows:

<b>Issue raised in the prior year</b>	<b>Current year update</b>
<b>Authorisation of principal's expenditure</b>	We have identified one instance of the principal's expenditure not being appropriately authorised in the current year. We recommend that approval be approved by the Board Chair.
<b>Authorisation of credit card expenditure</b>	The board now approves the Principals credit card expenditure. Finding closed.
<b>Changes to supplier masterfile are not approved</b>	Principal checks invoices and bank accounts and authorises the creation of new suppliers when Marj receives the invoice. Finding closed.

## 3. Accounting matters arising

### 3.1 Self Authorisation for Principal's Expenditure

#### Observation

During our interim visit, it was noted as part of our Sensitive Expenditure Testing, the Principal's expenditure was not appropriately approved for a transaction in February 2019. We have tested other Principal's expenditure from later in the year and note that this was appropriately approved by the Board Chair.

#### Implication

There is the risk that the expenditure may not be for a justified business purpose.

#### Recommendation

Deloitte recommends that the "One-up" principle for authorizing the Principal's expenditure continues to be implemented, i.e. the Board should be authorising any expenses, or reimbursements claimed by the Principal. We note that this was a point raised last year, and the Board has begun approving Principal's expenditure following this guidance.

## 4. Summary of financial statement matters arising

In performing our audit of Greenacres School for the year ended 31 December 2019 we have not identified any uncorrected misstatements or omitted disclosures that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2019.

## 5. Other professional communications

The following matters relevant to our audit for the year ended 31 December 2019 are communicated in accordance with the requirements of New Zealand auditing standards.

<b>Matter to be communicated</b>	<b>Response</b>
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Non-compliance with applicable 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	We have not become aware of any events or conditions that may cast significant doubt on the School's ability to continue as a going concern.
Fraud	No matters relating to fraud, concerning either employees or management have been advised or came to our attention.
Accounting policies and financial reporting	<p>For the year ended 31 December 2019 the school has elected to early adopt PBE IFRS 9 Financial instruments. We have not identified any issues in regard to the adoption of PBE IFRS 9 during our audit procedures.</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, needs to be communicated to the Board.