

RSM Hayes Audit

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25 January 2023

The Chairperson
Board of Trustees
Fruitvale Road School
9 Croydon Road
New Lynn
Auckland 0600

Dear Trustees

Audit of your Financial Statements For the year ended 31 December 2021

We have substantially completed the audit of your financial statements for the year ended 31 December 2021.

Upon completion of your audit we will enclose a complete set of your school's financial statements together with our formal audit report issued on behalf of the Controller and Auditor-General, as required by legislation.

Please note that a PDF copy of the audit report and signed financial statements is required to be uploaded to the MOE's schools data portal. We also remind you that you are now also 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. 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 and apology

We would like to take this opportunity to thank your principal, Mr Donal McLean and office manager, Ms Jacqui Edwards, for their assistance and co-operation during our audit.

On behalf of the firm, I would like to apologise for our poor response and slow processing of your audit this year. We have been faced with a combination of workload, a significant shortage of staffing through much of 2022 and unfortunately some tardy follow up by some of our team.

Brendon Foy was the initial Partner assigned to the audit for this year, but I have stepped in late in 2022 to assist Brendon with his workload and try to wrap up the 2021 audit. I am happy to continue to be responsible for the 2022 audit and we will assign a new team member and Manager to ensure a more timely response and completion for 2022. If you are happy to continue with our firm as auditors for 2022 under this arrangement please confirm back to me.

If you still wish to change auditors we respect that and you will need to contact Tuzla Lathiff (Tuzla.Lathiff@oag.parliament.nz) at the OAG to request a change.

Yours sincerely



Colin Henderson

Audit Partner





Fruitvale Road School

Audit Findings

For the year ended 31 December 2021

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 2021 financial year. 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

Subject to receipt of signed financial statements, letter of representation and final update of events subsequent to balance date, we expect to issue an unmodified audit report in our standard wording.

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); and
- Cyclical maintenance expense and provisioning being appropriate.

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 outlined in this report.

Audit Independence

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

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;
- We have not identified any breaches of legislation during our audit;
- 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.

4. The Financial Statements

Unadjusted differences

There were no errors noted in the financial statements that remained uncorrected.

Adjustments made

There were no journal adjustments made to the financial statements as a result of our audit.

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 organisation 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 under control of office manager, Jacqui Edwards. 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 Jacqui's duties but with careful monitoring and oversight by management and the board this risk can be mitigated. 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.

Receipts not kept for Credit Card and Operating Expenditure

During our testing of Credit card expenditure and operating expenditure we noticed that there were several receipts missing for transactions. We recognize that the transactions were not large in value, however we remind you of your obligations around the documentation of expenditure of public funds. Any transactions made, should always have a receipt or invoice kept should there be any questions raised in the respect of the appropriateness or validity of such expenditure.

6. Prior year recommendations

Prior Year Recommendation	Current Year Progress
Credit card reviews In 2020 we noted that whilst credit card statements were being reviewed and signed, they were not being dated when signed.	We noted that in 2021 Credit card statements were dated when signed.
Documenting approval of sensitive expenditure We noted in 2020 that there was a lack of documentation behind sensitive expenditure.	We noted that approval for all sensitive expenditure in 2021 was documented in the board minutes.