



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

29 May 2020

The Board of Trustees
Ashburton Christian School
119 Albert Street
Ashburton

Dear Trustees

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the school 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, staff and the service provider for their assistance and cooperation during the course of our audit.

If you would like to discuss any matters raised in this report please do not hesitate to contact us.

Yours faithfully
DELOITTE LIMITED



Mike Hoshek
Appointed Auditor
On Behalf of the Auditor General

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1. Status of the audit and outstanding matters

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 financial statements by the Board of Trustees.

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

1.1 Office of the Auditor-General ("OAG") audit brief matters

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.

Areas of focus this year remain similar to previous years including:

- classification of leases;
- additional school activities including clusters;
- sensitive expenditure;
- financial difficulty risk factors;
- Payroll;
- Locally raised funds; and
- legislative compliance.

Our audit procedures considered these matters to the extent that each relates to the School. No specific concerns or findings on these matters were noted apart from those discussed below

2. Assessment of internal controls

Our audit requires us to obtain an undertaking of the Schools 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:

Issue raised in the prior year	Current year update
No issues raised in prior year	N/A

3. Accounting matters Arising

In performing our audit we have identified no findings that we determined necessary to communicate with you in relation to the financial statements for the year ended 31 December 2019.

3.1 Impacts of Covid 19 and Emphasis of Matter

Matter Identified

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.

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.

The School will continue to receive funding from the Ministry of Education, even while closed.

Audit Response

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.

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.

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.

3.2 Conflicts of Interest Register

Observation

It was noted that the Board verbally discusses their conflicts of interest during Board Meetings as it is an agenda item however there is no formal conflicts register which is maintained and updated.

Implication

Deloitte acknowledges the Board is aware of their conflicts, there is an additional risk due to them not being documented formally.

Recommendation

Deloitte recommends that going forward, the Board formally implements a Conflict of Interest register. This would ensure interests are kept up to date and can be referenced to accordingly.

Management response

We've had no conflicts to record or else we would put them in the minutes.

3.3 Approval of Invoices after Payment

Observation

Deloitte noted that a batch payment had been processed prior to invoices being authorised individually.

Implication

This raises the risk of invoices being processed without being formally approved first for any issues that need to be investigated.

Recommendation

Deloitte recommend that all individual invoices are checked and authorised prior to being paid via a batch payment. This will ensure any issues are investigated and raised with the supplier prior to being processed.

Management response:

While not ideal, this is most practical.

3.4 Credit Card Statement Approval

Observation

It was noted that a credit card statement was not approved by a board member indicating that one-up authorisation did not occur which is best practice.

Implication

If no review takes place, there is a risk of unauthorised expenditure being processed without any follow up.

Recommendation

Deloitte recommends that all credit card statements are approved by a Board Member. It is important that all expenditure is approved prior to payment to ensure that all expenses are related to the school's activities.

Management response

All have been signed in last 12 months except in March in which the Board Chair signed each individual receipt.

3.5 Expense Approval Process

Observation

It was observed that expenditure and reimbursements were not always approved by appropriate personnel as per the Finance Policy.

Implication

There is a risk that inappropriate expenditure may be undetected.

Recommendation

Deloitte recommends that all expenditure by the Principal is approved by a Board Member and any incurred by a Board Member is approved by the entire Board.

Management response

We will update practices to match procedure.

3.6 Retaining Invoices and Other Documentation

Observation

Deloitte noted that for two instances, there was no supporting documentation available for a transaction. The first instance related to only a VISA receipt being retained, there was no invoice to support the transaction. The second related to an invoice which had not been retained.

Implication

There is a risk of GST implications if invoices are not retained as well as there is no supporting documentation for the audit. This also means an appropriate review of expenditure cannot be completed internally as there is no invoice to support what was purchased.

Recommendation

Deloitte recommends that all invoices are retained for audit trail purposes, expenditure control purposes as having supporting documentation for all expenditure is important as it ensures that the expense is relevant to the school's activities and creates a valid GST claim.

Management response

The principal acknowledges he does occasionally lose a receipt.

4. Summary of unadjusted differences

In performing our audit we have identified no misstatements or disclosures that have not been adjusted in the financial statements for the year ended 31 December 2019.

5. Other 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.

Matter to be communicated	Response
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 came to our attention.
Accounting policies and financial reporting	<p>There was a change in accounting policies in relation to PBE IFRS 9 Financial Instruments (which was adopted early by the Treasury for the Financial Statements of Government for the year ended 2018) during the year ended due to the delay of changes in Kiwi Park Model. No significant impact was identified by the School on the first time adoption of PBE IFRS 9.</p> <p>Other than that, 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.
Other Information	We have read the other information (the financial and non-financial information other than the financial statements) contained within the annual report and identified the no material inconsistencies.

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