

Matamata Primary School

REPORT TO THE BOARD
for the year ended 31 December 2022

26 May 2023

The Board of Trustees
Matamata Primary School
115A Broadway
Matamata
New Zealand

Dear Board Members

Matamata Primary School Board Report

We have recently completed the audit of your financial statements for the year ended 31 December 2022. Please find attached our Board Report in connection with the audit. The Report incorporates the responses from your Principal.

We would like to emphasize that our audit work involves the review of only those systems and controls in your organization upon which we rely on for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

We take this opportunity to thank the staff of Matamata Primary School for the cooperation afforded to us during the course of the audit.

If we can be of further assistance, please advise.

Yours faithfully
PKF HAMILTON AUDIT LIMITED



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Director

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Encl: Board Report

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EXECUTIVE SUMMARY

This report details the processes, findings and recommendations from our audit of Matamata Primary School (the "School") in accordance with International Standards on Auditing (NZ) and the terms of our engagement as set out in our audit engagement letter.

We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely for audit purposes. Our examination may not have identified and should not be relied upon to identify all control weaknesses that exist.

Overall, we are satisfied that the School has presented its results for the year ended 31 December 2022 to a good level of compliance with applicable financial reporting standards, with no major adjustments made as a result of our audit and no significant unadjusted differences.

We would like to thank Glenn, Jo and the staff of Matamata Primary School for their cooperation extended to PKF Hamilton Audit Ltd, during the course of the audit. We have received full and frank co-operation. There is nothing we wish to raise solely with the Board.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the Code of Ethics issued by the Professional Standards Board of the New Zealand Institute of Chartered Accountants and External Reporting Board.

Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any other PKF office without the express approval of the audit engagement director.
- All services performed by any PKF office in New Zealand will be reported to the governing body.

We have not provided any non-audit services to Matamata Primary School. We confirm the independence of PKF Hamilton Audit Ltd and its staff in relation to your audit.

KEY FINANCIAL STATEMENT AUDIT RISKS

We have set out below our findings in areas we have identified as significant or high risks. We request that you review these outcomes on the significant accounting and audit matters identified to ensure that there are no further residual considerations or matters that could impact these issues, that you concur with the resolution of the identified risks and that there are no additional issues you may be aware of that should be considered before finalisation of our audit report.

1. Locally Raised Funds

Identified audit risks

Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income.

Planned audit response

Our audit procedures include discussions with the Presiding Member and Principal, to assess the control environment around local funds. We completed Analytic procedures including a margin analysis and requested supporting documentation for significant amounts.

Conclusion

Based on the procedures above, there were no significant issues noted.

2. Payroll not approved or checked

Identified audit risks

Payroll is processed by Edpay. The accuracy of payroll processing is dependent on the appropriate approval of payroll changes and checking of the fortnightly SUE report.

Planned audit response

Our audit procedures include detailed analytics, a reconciliation, employee existence testing, and a review of the fortnightly SUE reports for evidence of approval/checking.

Conclusion

Based on the procedures above, there were no significant issues noted.

3. Cyclical Maintenance Provision

Identified audit risks

Cyclical Maintenance is an area of judgment and could lead to material misstatements in the financial statements. For schools to be able to calculate the appropriate cyclical maintenance provision a 10-Year Property Plan (10YPP) needs to be prepared and/or reviewed by an expert.

Planned audit response

We obtained and reviewed the School's 10YPP and cyclical maintenance plan, and assessed whether the provision at the balance date is materially correct.

Conclusion

Based on the procedures above, there were no significant issues noted.

4. Management Override

Identified audit risks

A key audit risk is in relation of Management Override. There is a rebuttable presumption under Auditing Standards that there is a risk of fraud in relation to Management Override.

Planned audit response

Our audit procedures include reviewing the monthly management accounts and journals during the year and subsequent to year-end to ensure there is no evidence of potential management override.

Conclusion

Based on the procedures above, there were no significant issues noted.

MANAGEMENT JUDGEMENTS AND ESTIMATES

Under International Standards on Auditing (NZ) we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions, or valuation judgments. Overall we note that the judgments and estimates by management in preparing the results for the year ended 31 December 2022 appear reasonable.

The most significant areas of judgment, assumptions, and estimates applied by management related to:

- Provision for Cyclical Maintenance and Cyclical Maintenance Expenses
- Depreciation rates to ensure that fixed assets are written off over their estimated useful lives
- Classification of leases between finance leases or operating leases
- Recognition of grants to be consistent with the accounting policies

We are not aware of any other sensitive accounting estimates, assumptions, or valuation judgments made by the School.

MATTERS REQUIRING BOARD INPUT

We have placed reliance on the School's review and approval of the following matters:

- Minutes of the Board meetings up to 26 May 2023;
- Implementation of such controls as is needed to ensure that financial statements are presented fairly;
- Review and approval of management accounts;
- Review and approval of 2022 and 2023 budgets;
- Notification of fraud; and
- Review and approval of the financial statements.

ACCOUNTING POLICIES

Auditing standards require us to discuss with you the qualitative aspects of the School's accounting practices and financial reporting. There were no new accounting standards that had a significant effect on the School's financial statements for the year ending 31 December 2022.

MATERIALITY AND ADJUSTED/ UNADJUSTED DIFFERENCES

Materiality means, in the context of an audit, if financial information is omitted, misstated, or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgments on the amount of work to be performed, which balances require work, and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During the course of our audit we have identified some material misstatements.

It should be noted that the auditing standards do not require us to communicate misstatements that are considered "clearly trivial" and as such, if we identify such misstatements we will not communicate these to you. We consider "clearly trivial" to be 5% or less of our planned materiality.

GOING CONCERN

We have undertaken a review of Management's and those charged with governance assessment of the ability of the School to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.

The assumption of going concern was concluded as appropriate given the School's funding sources and its operating budget for the following financial period.

FRAUD

During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made inquiries in relation to non-compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.

PROBITY, WASTE AND PERFORMANCE

We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance other than the matters raised in the summary of findings below.

OVERALL RESULT

There are no significant/material weaknesses arising from our audit.

Our audit work is complete. We have issued an unmodified audit report on the financial statements of the School for the year ended 31 December 2022.

To enable management to set priorities on their action plans we have assessed our findings below.

These findings and recommendations are discussed and agreed with the School's management and those charged with governance.

SUMMARY OF FINDINGS

1. Alcohol Purchases			
Observation			
We note that the school has used its own funds (public money) for the purchase of alcohol during this financial year.			
Implication			
We accept that schools are dynamic environments where it is appropriate at times to celebrate success, thank people for their efforts and engage with the Community. It is appropriate for schools to spend public funds on the above activities. The question is whether it is appropriate to purchase alcohol using public funds. After looking at schools over the past few years and taking into account public sentiment, we are of the view that it would be better not to purchase alcohol using public funds.			
Recommendation			
We recommend that the board not use public funds for: - Purchase of alcohol as gifts. - Purchase of alcohol for functions. - Use of alcohol on school premises The issues are raised as a matter of good Governance and explore the issue of probity. It is unlikely to affect our audit opinion in most circumstances.			
Management comments and actions			
We will review our school policy and make an amendment if determined by the BOT.			
Responsibility	Glenn MacPherson	Target date	26/08/2023

2. Approval of credit card statements			
Observation			
We noticed that the Principal's October credit card statement was not approved by the board.			
Implication			
All credit card statements must be approved on a one-up basis.			
Recommendation			
We recommend all credit card statements are approved on a one-up basis going forward.			
Management comments and actions			
These are all discussed and noted in Board minutes. Will sign in future.			
Responsibility	Adam Lynch	Target date	26/08/2023

APPENDIX 1 – ADJUSTED AND UNADJUSTED DIFFERENCES

Significant audit adjustments

Unadjusted Errors:

Journal to reverse prior years bulk grant PP21 – 23 and ACC payable by school and to recognize this years bulk grant PP21 – 23 and ACC payable by school

Code	Name	Group	Debit	Credit
	Equity	liabilities /equity	10,440.68	-
	Employee Benefits – Salaries Administration	expenses	-	10,440.68
	Employee Benefits – Salaries Administration	expenses	6,572.46	-
	Employee Entitlements – Salaries	liabilities /equity	-	6,572.46
			17,013.14	17,013.14

Journal to bring in the banking staffing underuse balance

Code	Name	Group	Debit	Credit
	Banking Staffing Underuse	assets	35,578.00	-
	Teachers' Salaries Grants	income	-	35,578.00
			35,578.00	35,578.00

Adjusted Errors:

To move incorrectly coded expenses from activities to curricular

Code	Name	Group	Debit	Credit
	Curricular	expenses	4,800.61	-
	Activities	expenses	-	4,800.61
			4,800.61	4,800.61

To uncapitalize BOT contribution towards toilet block and write it off to R&M

Code	Name	Group	Debit	Credit
	Repairs and Maintenance	expenses	23,443.00	-
	Additions	assets	-	23,443.00
			23,443.00	23,443.00

Journal to reclassify term deposit that matures in 90 days or less to cash and cash equivalents

Code	Name	Group	Debit	Credit
	Short-term Bank Deposits	assets	50,752.00	-
	Short-term Bank Deposits	assets	-	50,752.00
			50,752.00	50,752.00