

2<sup>nd</sup> July 2019

The Commissioner,  
Karapiro School Board of Trustees  
705 Highway 1  
RD 4  
Karapiro  
CAMBRIDGE 2351

Dear Chris,

**Re: 2018 Audit**

We are pleased to advise that we have now completed the audit of your School's Financial Statements for the year ended 31<sup>st</sup> December 2018 and enclose a copy, and we apologise for the fact that these statements have taken so long to audit. We note that this has not been due to delays by your staff or accountants.

This letter provides you with specific issues for you to consider.

We hope you finds our comments helpful and informative. Our intention is to try and raise awareness of issues considered important for the school. We welcome your feedback and are prepared to discuss any issues raised in our letter.

During the course of the audit the following matters were brought to our attention:

**Financial Result**

The school's financial activity for the year has resulted in a significant deficit of \$67,203 which was greater than the budgeted deficit, however, the school's financial position remains at a healthy level for a school of this size, with working capital at \$67,656.

**Segregation of Duties**

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 on 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.

We wish to point out that nothing in our review of your systems has led us in any way to question the integrity of any of your employees, and we appreciate that it may be difficult to segregate duties but with careful monitoring and oversight by management and the Board this risk can be mitigated. Where possible, one option is to have members of the team periodically rotate duties. As a minimum, it is important to have someone else on your team able to perform these tasks and doing so occasionally, such as when the key person takes leave.

**PTA**

There has been a lack of clarity and about the administration and purpose of the PTA. Unless a PTA is clearly independent of the school, i.e responsible for its own administration function and records with an independent management committee it is considered a controlled entity of the Board and subject

to audit. PTA's are established to support the school, usually financially. They are raising funds in the name of the school, sometimes for a specific purpose e.g large projects like playgrounds, but it is the professional managers of the school who are best placed to identify where financial resources should be spent. The Board also has a responsibility to maintain assets so we should not have a situation where a PTA attempts to dictate where funds should be spent when that expenditure could place a maintenance obligation on the board. A PTA should never be raising funds for a major project in the name of the school without the board having approved the project. We have in the past seen the absurd situation where a PTA and school have been competing to raise funds from the same community, when the PTA have been determined to push a project which was not a priority for the school.

#### **Disagreements with Management (none)**

Under the NZ International Standards on Auditing (NZ ISAs), we are required to tell you, as the governing body, of any disagreements we had with management.

We are pleased to tell you that we had no such disagreements. We have not identified any instances of fraud involving senior management or any other frauds that could cause a material misstatement in the financial statements.

We have not noted any significant risks or exposures that are required to be separately disclosed, and reaffirm that we are independent of your organisation, and that we have no relationship with your organisation that would impair our independence.

#### **Audit adjustments**

Some adjustments have been made to the accounts however no material errors were detected.

A clear unmodified audit opinion has been given.

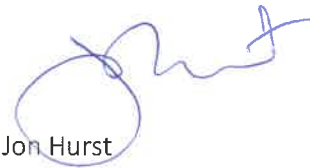
We wish to thank your Principal, School Secretary and Accountant for the co-operation we received during the course of the audit.

If there are any queries relating to the above, please do not hesitate to contact us.

We enclose our fee for work completed to date.

Thanking you,

Yours faithfully,  
Finnz Limited



Jon Hurst