

**Deloitte.**



**Roxburgh Area School**  
Report to the Board  
for the year ended 31 December 2022

*Aspire with assurance*

25 May 2023

The Presiding Member  
The Board  
Roxburgh Area School  
78 Scotland Street  
**ROXBURGH 9500**

Dear Presiding Member

### **Report to the Board for the year ended 31 December 2022**

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the financial statements of Roxburgh Area School ("the School") for the year ended 31 December 2022 which we consider appropriate for the attention of the Board. These matters have been discussed with management of the School and their comments have been included, where appropriate.

This report is intended for the Board only and should not be distributed further.

We would like to take this opportunity to extend our appreciation to management and staff 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



Mike Hawken  
For Deloitte Limited  
On behalf of the Auditor-General  
Dunedin, New Zealand

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## 1. Purpose of report and responsibility statement

This report has been prepared for Roxburgh Area School's Board and is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business dated 8 September 2021 and as required by the Office of the Auditor-General's requirements, which include the Auditor-General's auditing standards and New Zealand auditing standards.

This report is intended for the Board and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

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 ultimate responsibility for the preparation of the financial statements rests with the Board.

We are responsible for conducting an audit of Roxburgh Area School ("the School") for the year ended 31 December 2022 in accordance with New Zealand auditing standards issued by the New Zealand Auditing and Assurance Standards Board and the Auditor-General's auditing standards. Our audit is performed pursuant to the requirements of the Public Audit Act 2001 and the Financial Reporting Act 2013, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Board. The audit of the financial statements does not relieve management or the Board of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of the School's controls but we will provide you with any recommendations on controls that we might have identified during the course of our audit work.

## 2. Our audit report

We have not identified any unadjusted differences or omitted financial statement disclosures that could either individually or in aggregate have a significant effect on the financial statements.

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

## 3. Areas of focus and audit findings

Our audit procedures were focused on those areas of Roxburgh Area School's activities that are considered to represent the significant risk areas identified during the risk assessment process undertaken during the planning stage of our engagement.

The following table summarises the significant risks and other areas that we have focussed on during our audit. We are satisfied that these areas have been addressed appropriately and are properly reflected in the financial statements.

Area of focus	Our response	Findings
<p><b>Responsibility for Fraud</b></p> <p>You may have seen media coverage over the past year relating to a number of school frauds nationally.</p> <p>In our experience, these had arisen from:</p> <ul style="list-style-type: none"> <li>a lack of control over receipts to the school, particularly relating to activities funding; and</li> <li>a lack of strong approval and bank payment controls for school suppliers, in particular where capital works were undertaken.</li> </ul> <p>The primary responsibility for the prevention and detection of fraud rests with the Board.</p>	<p>We have inquired as to how the Board exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.</p> <p>If you would like further guidance around fraud prevention, the Ministry have published a model policy on Theft and Fraud Prevention in its Financial Information for Schools Handbook (FISH).</p> <p>However, having a fraud policy is not enough if it is not used as a basis for training or to regularly remind staff that fraud is unacceptable.</p> <p>We would also like to remind the Board that cyber-fraud is becoming more relevant. The Ministry have provided guidance on their website on cyber-safety which we encourage the Board be familiar with.</p>	<p>No issues were noted in this area.</p>
<p><b>Locally raised funds</b></p> <p>Locally raised funds has continued to be a focus area because there is a risk that not all cash received is recorded. Although schools may have a process to record cash receipts, the risk of misappropriation is high if there are limited segregation of duties in place.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of internal controls surrounding all material revenue streams; and</li> <li>Performed testing on these balances including analytical procedures.</li> </ul>	<p>No issues were noted in this area.</p>
<p><b>Payroll</b></p> <p>As in previous years, payroll related issues linked to Novopay/EdPay continued to be a focus area for auditors.</p> <p>We obtained reports from the Office of the Auditor-General (through audit assurance work performed by EY) which aided us in completing our audit of the payroll balances.</p> <p>Key information obtained included:</p> <ul style="list-style-type: none"> <li>user access to Novopay and EdPay;</li> <li>payroll accruals;</li> <li>leave liability reports; and</li> <li>exception reports where EY identified exceptions in the payroll system.</li> </ul>	<p>We understand that these reports are made available to the school along with instructions on how to understand them.</p> <p>Consistent with our prior year audits we have followed up on any exceptions identified as well as any differences to amounts recorded by the school. We would also continue to encourage you to follow up on any perceived errors as soon as practical.</p> <p>We have completed design and implementation testing around the high-level controls around payroll as well as ensuring that the payroll balances were not materially misstated in the financial statements.</p>	<p>No issues were noted in this area.</p>

Area of focus	Our response	Findings
<p><b>Cyclical Maintenance Provision</b></p> <p>A requirement by the MoE is that all schools have a legal obligation to provide an estimate of the costs related to cyclical maintenance.</p> <p>The estimate of these costs have been recorded in the financial statements as a cyclical maintenance provision; this is what the expected future costs will be to paint the interior and exterior of the school and in some cases the resealing of car parks. This would span over a number of years.</p>	<p>As part of our audit procedures, we have obtained verification (within a three year period) that the provision reasonably reflects the estimated cost to paint the school in future years. The provision was verified as reasonably correct, by a reliable third party source that has expertise forecasting painting costs.</p> <p>We note that the costs included in your 10 year property plan, should also be assessed on a regular basis to ensure they reflect current prices. We would deem a review every three years as reasonable.</p>	<p>No issues were noted in this area.</p>
<p><b>Sensitive Expenditure</b></p> <p>Being a public sector entity, we are required to perform specific work on behalf of the Office of the Auditor-General around areas referred to as sensitive expenditure.</p>	<p>In performing the audit we have:</p> <ul style="list-style-type: none"> <li>• Ensured that relevant policies are current and have been appropriately authorised.</li> <li>• Reviewed a sample of expenditure by the Principal and the Board against supporting tax invoices, other documentation and relevant policies and approval guidelines.</li> <li>• Reviewed other sensitive areas such as travel, entertainment and credit cards against supporting tax invoices, other documentation and relevant policies and approval guidelines.</li> <li>• Discussed with the Principal and Presiding Member about fraud processes and policies and enquired whether they had any knowledge of any suspected or identified fraud occurring during the year.</li> <li>• Reviewed the Board and the Principal's remuneration against MoE approvals and limits.</li> </ul>	<p>No issues were noted in this area</p>

Area of focus	Our response	Findings
<p><b>Office of the Auditor-General (“OAG”) audit brief matters</b></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>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 legislative compliance.</li> </ul>	<p>Our audit procedures considered these matters as relevant and in accordance with OAG expectations.</p> <p>The MoE has issued specific guidance on the approval of overseas travel which may be of assistance to the Board’s processes in this area. Where significant the Board is required to disclose overseas travel separately.</p>	<p>No issues were noted in this area.</p>
<p><b>Publishing Annual Reports online</b></p> <p>The Education and Training Act 2020 requires you to publish your Annual Report online. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of Board members and Kiwisport statement.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time.</p>	<p>As a part of our audit procedures, we have obtained verification to the publishing of your 2021 Annual Report on your website.</p>	<p>We note that you did publish your 2021 Annual Report on your website.</p>
<p><b>Statement of compliance with employment policy</b></p> <p>Section 597 of the Education and Training Act 2020 requires the Board to have an employment policy that complies with the principle of being a good employer.</p> <p>The Board must make the policy available to employees, ensure its compliance with the policy, and report on the extent of that compliance in its annual report. The annual report is the information that is attached to the financial statements.</p>	<p>Our audit procedures considered these matters as relevant and in accordance with OAG expectations.</p>	<p>No specific concerns or findings were noted.</p>

## 4. Assessment of internal controls

Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

We would like to remind the Board that it is their responsibility to ensure that there are appropriate policies, procedures and segregation of duties in place with regard to internal controls in particular around cash transactions. The risk of fraud and error occurring is particularly heightened around cash as this is an area where fraud can go easily undetected.

As is the case for many schools, the number of people involved in the administration and accounting functions is very limited. This brings with it an increased inherent risk that errors and omissions may occur and go undetected.

Having suitable internal controls in place helps the Board protect against, and detect, fraud and error. Most fraud happens in schools because a person has overridden an internal control or has not followed policies and procedures.

The following are common areas of weakness in internal controls in school audits:

### *Cash Receipting*

The most common fraud reported in schools is the theft of small amounts of cash because of weak physical controls and a lack of segregation of duties.

Effective controls require good segregation of duties (needing more than one person to complete the task). Schools, particularly small schools, can find it difficult to segregate duties, often because they have few administration staff. Where this is the case, management needs to provide careful monitoring and oversight.

Schools may reduce the risk of fraud in this area by:

- Encouraging electronic payment for fees or donations;
- Storing cash in a secure location; and
- Minimizing how long cash is held on the premises.

### *Credit Cards*

There is a trending increase in the use of credit and other cards in schools and there are often poor controls over these cards. It is important that credit card payments are subject to the same controls as other spending. It is recommended an "one-up" principle is used when approving expenses, including credit card spending. This means the Presiding Member should approve the Principal's expenses. Receipts should be provided to the approver for all spending, along with an explanation for the expenditure.

### *School Payroll*

Because the EdPay system has limited data entry controls, individual schools are responsible for checking for and detecting errors by reviewing fortnightly payroll reports. Many schools do not have someone independent (i.e. someone who does not have access to the payroll) reviewing these payroll reports. Segregation of duties is needed for this to be an effective control. Where schools are not properly reviewing their fortnightly payroll reports, there is a higher risk of fraud or error.

The inherent risks relating to income are greatest in relation to the receipt and recording of Locally Raised Funds, Donations etc., and there are limited audit procedures we can adopt to ensure all money that should be received is properly accounted for.

Payment risks in relation to school costs and casual payroll are greatest through the small number of staff available to approve and process payments and typically some admin staff are involved in both of these functions.



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 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.

In performing our audit for the year ended 31 December 2022 we have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion on the financial statements for the year ended 31 December 2022.

## 5. Other communications

The following matters relevant to our audit of Roxburgh Area School for the year ended 31 December 2022 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.
Accounting policies and financial reporting	There were no changes in accounting policies during the year ended 31 December 2022.  We have not become aware of any significant qualitative aspects of the School'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.
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, need to be communicated to the Board.
Other information	As at the date of preparing this report we have not yet read the other information (the financial and non-financial information other than the financial statements) contained within the annual report. If when doing so we identify any material inconsistencies, we will bring them to your attention.



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