

19 June 2020

The Board of Trustees  
Waikato Waldorf School (Rudolf Steiner)  
PO Box 12127  
Chartwell Square  
Hamilton 3248

Dear Sir/Madam

**Audit Management Letter For The Year Ended 31 December 2019**

**1. Introduction**

We have completed the audit of Waikato Waldorf School (Rudolf Steiner) for the year ended 31 December 2019.

This letter provides a summary of:

- the audit scope
- the audit opinion
- the issues arising from the audit

You will appreciate that while our audit is carried out in accordance with the Auditor-General's auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for public accountability and the implementation and monitoring of internal and management controls rests with management and the Board of Trustees.

**2. Audit Scope**

The audit aimed to:

- provide an audit opinion on whether the financial statements fairly reflect your school's reported financial results and financial position.
- assess and report on aspects of the school's financial management and controls.

**3. Audit Opinion**

We have issued our unmodified audit opinion on the financial statements for the year ended 31 December 2019 with an emphasis of matter paragraph for COVID-19.

**4. Going Concern Assumption**

The financial statements were prepared on the basis that the school is a going concern. As required by the Office of the Auditor-General, we reviewed this assumption in terms of the criteria set out in the Auditing Standard ISA (NZ) 570. Based on the supporting evidence we concluded that the use of the going concern assumption was appropriate.

**5. Issues Arising from Audit**

**Payroll Issues – Novopay System**

The assurance work carried out centrally on behalf of the Auditor-General has found that the Novopay system places substantial reliance on schools to check the accuracy of their payroll. It is therefore important that the fortnightly transactions and expenditure reports are scrutinised thoroughly by people independent of the routine payroll processing in a timely manner. We found that appropriate controls were operating in your school except as noted below.

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Assurance work relating to Novopay that is carried out centrally on behalf of the Auditor-General, hasn't identified any major anomalies for investigation. We have received confirmation from the Board that the people on the end of year payroll report were employed during the year, and the total shown against each person is substantially correct.

### **COVID – 19 Impact**

We draw your attention to the subsequent event note in the financial statements which outlines the impact of COVID-19. We believe that COVID-19 will have an impact on all school Boards; the extent of which remains uncertain. To prepare for this, we advise you to consider all possible financial consequences for the Board and suggest that you revise your budget accordingly.

### **Payroll Changes**

We noted the Novopay Smart Forms facility allows the payroll super users to process all payroll changes online; the changes include annual attestation, new appointments, change of hours/units etc. In most schools, the School administrator sends the forms online to Novopay without the Principal's documented approval. To strengthen controls in this area, we recommend that the forms be printed off and signed off as evidence of approval. Please check your procedures to ensure this is in place. Also please ensure the fortnightly transactions report be reviewed and signed off.

### **Cyclical Maintenance**

We noted the school has its 10 year cyclical maintenance painting plan dated 2015 with some of the painting due in 2015, but no painting has been done since 2015. The painting is now due in 2019. We understand that you have worked closely with the MOE to update the 10 year plan which includes the cyclical maintenance painting and we recommend that you continue monitor the status and get the plan completed by the end of this year.

We also remind you that the 10 year cyclical maintenance plan for painting be reviewed and approved annually by way of documenting the approval in the minutes.

### **Sensitive Expenditure Policy**

Due to the high-profile issues raised for schools around sensitive expenditure, over the previous year, we recommend that you adopt the "Sensitive Expenditure Policy" to address such expenditure as gifts, koha etc. For more guidance, you can refer to the MOE website which can be found on <https://www.education.govt.nz/assets/Documents/School/Running-a-school/Financial-Information-for-Schools-Handbook/Financial-Information-for-Schools-Handbook2018.pdf>.

### **Not Approving Audited Accounts**

We noted the Board of Trustees minutes did not record the approval of the audited financial statements. It is important that the Board approves these financial statements.

### **Not Approving Final Payroll Printout**

We noted that the Board of Trustees minutes did not record approval of the final payroll printout supplied by Novopay. The Board of Trustees is the employer and therefore should formally approve the final payroll listing for the year.

### **Breach of Law - Failure to meet Statutory Reporting Deadline**

Note 28 in the financial statements refer to the school's failure to meet the statutory reporting deadlines of 31 May 2020. The disruption caused by Covid-19 restrictions, including the closure of the school, meant that the audit could not progress as planned. This resulted in the school missing the statutory deadline. We recommend that every effort be made to comply with this requirement in the future years.

### **Publishing Annual Reports on-line**

The Education Act 1989 requires you to publish your Annual Report on-line. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of trustees and Kiwisport statement.

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. We note that you did publish your 2018 Annual Report on your website.

Please ensure that once your 2019 Annual Report is submitted to the Ministry it is also published on your website. If you do not have a website, you can contact the Ministry of Education at [planning.reporting@education.govt.nz](mailto:planning.reporting@education.govt.nz), who can publish it on your behalf on the Education Counts website.

### **Required Communications**

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any instances of fraud involving senior management or any other frauds that have caused material misstatement in the financial statements.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.
- We are also required to advise you of any uncorrected misstatements. There are none to report.

We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.

### **6. Conclusion**

We remind the school to submit a single PDF file of your annual report, including audited financial statements and required signatures to the Ministry of Education via the Ministry's [School Data Portal \(external link\)](#). These audited accounts must be minuted at your next Board of Trustees meeting.

Please advise us in due course of the actions you propose to take in relation to the matters raised in this letter.

We wish to acknowledge the friendly assistance provided by the school staff during the audit. If there is any further information you require, please do not hesitate to contact me.

Yours faithfully  
OWEN MCLEOD & CO



Richard Owen