



31 December 2019

Auditor's Report to the Board of Trustees

Tangaroa College

Contents

1. Results of the Audit Process	1
1.1 Scope and purpose of audit engagement	1
1.2 Responsibilities of the Trustees	1
1.3 Independence statement	1
1.4 Materiality	1
1.5 Outcomes from audit of key performance report risk areas	2
1.6 Observations and recommendations arising from the audit	3
1.7 Update on prior year observations and recommendations	5
1.8 Confidentiality	5
2. Other matters to be communicated	6
3. Summary of adjusted and unadjusted audit differences	7
3.1 Adjusted audit differences	7
3.2 Unadjusted audit differences	7

8 June 2020

Allan Va'a
Chairman
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Dear Allan

Annual Financial Statement Audit for the Year Ended 31 December 2019

We have recently completed our financial statement audit of Tangaroa College (the "School") for the year ended 31 December 2019, and we have pleasure in providing our report on the results of the audit process.

If you require further information on the matters raised in this report please do not hesitate to make contact.

We would like to take this opportunity to thank management and staff for the courtesy and assistance extended to us throughout the audit process.

Yours sincerely
Crowe New Zealand Audit Partnership



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1. Results of the Audit Process

1.1 Scope and purpose of audit engagement

We have completed our audit of the School's annual financial statements for the year ended 31 December 2019 and issued our audit opinion. Based on our audit procedures we can confirm the annual financial statements presents fairly, in all material respects, the financial position of the School as at 31 December 2019 and its financial performance and cash flows for the year then ended.

Obtaining reasonable assurance that the financial statements are free of material misstatement, involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then applying audit procedures, using our professional judgment, to mitigate that risk. While we considered internal control relevant to the preparation of your annual financial statements, our audit procedures mainly comprised substantive tests (i.e. transactional and confirmation type testing).

Our audit procedures are designed primarily for the purpose of expressing an opinion on your annual financial statements. We do not examine every transaction, due to the scope of the audit engagement; there is an unavoidable risk that some misstatements or errors may remain undiscovered. Our report does not include all possible improvements to your internal controls, which a more extensive review might satisfy.

1.2 Responsibilities of the Trustees

The Trustees are responsible for the preparation and fair presentation of the financial statements which fairly reflect the financial position of the School as at 31 December 2019 and the financial performance for the year ended on that date.

To meet this objective, the Trustees are ultimately responsible for the maintenance of proper accounting records and an adequate system of internal controls to minimise the risk of material financial statement misstatement.

1.3 Independence statement

Members of the Audit Team and Partners of Crowe have confirmed their independence from the School for the year ended 31 December 2019.

1.4 Materiality

Materiality is defined as the magnitude of omission or misstatement individually, or in aggregate that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person would have been changed or influenced by such omissions or misstatement. It is a matter of professional judgment and is influenced by quantitative and qualitative factors.

For the 31 December 2019 audit the materiality level was set at \$270,000. We consider that the cumulative and individual effect of all balances and movements above materiality to be significant.

1.5 Outcomes from audit of key performance report risk areas

Key audit and accounting issues arising during the year relate to those areas of audit focus as listed below:

Audit Risk	Audit Response
Fraud in revenue recognition <ul style="list-style-type: none"> Locally raised funds are a specific audit risk identified by the Office of the Auditor General. This revenue stream is susceptible to fraud risks over completeness of revenue. There are specific accounting judgements in the application of the School's accounting policies for key revenue streams. 	<ul style="list-style-type: none"> We reviewed the reliability of the accounting controls and systems for each significant revenue stream. We compared an external confirmation of government grants paid to the School to the revenue recorded in the School's financial statements. We prepared an independent expectation of the School's revenue for the year and compared against actual revenue recorded. Explanations were sought for differences in excess of our tolerable variance.
Management override of controls <ul style="list-style-type: none"> The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor. Material misstatement of financial statements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries, bias in accounting estimates and the existence of significant transactions outside the normal course of business. 	<ul style="list-style-type: none"> Professional scepticism was maintained while undertaking audit procedures on subjective balances in the School's financial statements, including the provision for cyclical maintenance. Journals posted into the general ledger were selected on a sample basis and traced back to supporting documents to verify that they were appropriate.
Probity of expenditure <ul style="list-style-type: none"> The probity of expenditure is a specific requirement of the Office of the Auditor General and considers the appropriate use of public funds. 	<ul style="list-style-type: none"> We maintained alertness for, and an awareness of, issues and risks with effectiveness and efficiency, waste, and a lack of probity or financial prudence We tested on a sample basis areas of sensitive expenditure and assessed whether individual staff members had been provided with actual or perceived private benefits. Ensured expenses selected for testing met probity guidelines set by the Ministry of Education and the Office of the Auditor General.

1.6 Observations and recommendations arising from the audit

We highlight the following matters for the attention of the Trustees together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved, or still require further attention of the Trustees.

1.6.1 Delegated Authorities Policy

Observation

It is noted upon obtaining a copy of the College's delegated authorities register it is dated 18 April 2016 and makes reference to the previous principal.

Impact

There is a risk that the current policy could be outdated and no longer relevant.

Recommendation

We recommend that the College reviews and update its current delegated authorities policy to ensure it is up to date and does not make reference to staff who were previously employed by the College.

Management comments

Management accepts the observation and note that the policy is scheduled to be updated in the current year as part of a three year cycle.

1.6.2 Evidence of Banking Staffing Novapay report

Observation

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 banking staffing reports are reviewed by an independent reviewer as a check that the amounts are reasonable.

Impact

Payroll payments made by the School may be inappropriate.

Recommendation

We recommend that the banking staffing reports are scrutinised thoroughly by people independent of the routine payroll processing. Evidence (by way of signoff) should be retained of this review.

Management comments

Management accepts the observation and note they will implement this in the future.

1.6.3 Authorisation of conference expenditure

Observation

During our interim visit we noted that the Principal authorized an invoice from Conferenz Limited (invoice number 236987C) for the registration of three people to attend a conference on school's leadership legal program whereby the Principal was one of those attending.

Impact

This could potentially result in unauthorised or inappropriate expenditure being incurred and paid which could go undetected.

Recommendation

We recommend the 'one-up' level approval structure is implemented. For example, the Board Chair/Treasurer/Finance Committee reviews and signs off the Principals expenditure, including any expenditure for conferences or training in which the Principal is attending. The reviewer should sign off expenditure as valid business expenses at month end to ensure that any transactions that require additional discussion or documentation are identified in a timely manner.

Management comments

Management accepts the observation and note they will implement this in the future.

1.6.4 No fixed asset stock take or impairment review

Observation

From our discussions with the School, we noted that the school has not recently performed a detailed stock take of the school's fixed assets.

Impact

Performing fixed asset stocktakes assists in identifying fixed assets subject to damage, obsolescence, curriculum changes and also in identifying fixed assets no longer in use.

Recommendation

We recommend that the school should carry out a stock take of the fixed asset register at least once every three years to ensure that the register is up to date and reflective of the School's current fixed assets. This will help the school identify any assets that have been stolen, broken or need replacement. This can either be done as a full fixed asset stocktake or a rotation basis can be implemented, i.e. a different section of the school assets each year, covering the full School in 2-3 years.

Management comments

Management will review the cost and practicality of undertaken this on a more frequent basis.

Our uncorrected and corrected audit differences are included in Section 3 of this report for the consideration of the Trustees.

1.7 Update on prior year observations and recommendations

In our audit for the year ended 31 December 2018 we identified a number of matters for the attention of the Trustees together with recommendations for management to consider. We consider the following matters to have been sufficiently addressed.

Prior Year Recommendation	Current Year Observation
Creditor data maintenance – control implementation (first raised 2016) Recommendation It is recommended that this control be applied vigilantly to ensure risks are mitigated.	Current year observation The control has been applied as recommended, no further action required.
2017 Financial Statements are Not Published Recommendation We recommend that the school upload the Annual Report in a timely matter after the audit is finalised and are signed.	Current year observation. Noted that prior year Annual Report has been uploaded to the school's website as required, no further action required.
Classification of cash balances Recommendation We recommend that the School review its procedures for ensuring that cash balances and investments are correctly reflected in the draft financial statements presented by the School	Current year observation. No classification issues noted within the current year draft financial statements, no further action required.

1.8 Confidentiality

This report is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibility to report to the Trustees of the School directly.

The contents of this report should not be disclosed to third parties without our prior written consent.

2. Other matters to be communicated

In compliance with International Auditing Standards, we have an obligation to communicate certain aspects of our audit to you. The critical areas have been detailed in the previous sections, and the other matters that require communication are summarised as:

Matter to be communicated	Crowe comments
Significant accounting policies adopted or changed	The School has early adopted PBE IFRS 9 Financial Instruments but this did not result in any monetary changes to the financial statements. Appropriate disclosure changes have been made in accordance with the MoE model financial statements.
Management judgements and estimates	Other than what has been disclosed in Section 1.5 no material accounting judgements identified. Further disclosure in the financial statements has been included regarding the anticipated impact of COVID-19 on the School.
Disagreement with management over the application of accounting principles, scope of the audit and disclosures	There have been no disagreements with management during the audit.
Any instances of fraud or non-compliance with legislative, regulatory or contractual requirements	No instances of fraud or non-compliance were detected during the audit.
Material uncertainty related to going concern	No matters of material uncertainty were noted.

3. Summary of adjusted and unadjusted audit differences

3.1 Adjusted audit differences

As a result of our audit procedures, there were no adjusting journals needed to be posted for the year ended 31 December 2019

3.2 Unadjusted audit differences

In performing our audit for the year ended 31 December 2019, we have not identified any uncorrected adjustments or errors that could, in our judgement, either individually or in aggregate have a significant effect on the financial statements.