



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ISLAND BAY SCHOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Auditor-General is the auditor of Island Bay School (the School). The Auditor-General has appointed me, Hamish Anton, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the School on his behalf.

Opinion

We have audited the financial statements of the School on pages 2 to 20, that comprise the statement of financial position as at 31 December 2020, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the School:

- present fairly, in all material respects:
 - its financial position as at 31 December 2020; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector – Public Benefit Entity Standards, Reduced Disclosure Regime.

Our audit was completed on 30 May 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees is responsible on behalf of the School for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible on behalf of the School for assessing the School's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to close or merge the School, or there is no realistic alternative but to do so.

The Board's responsibilities, in terms of the requirements of the Education and Training Act 2020, arise from section 87 of the Education Act 1989.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the School's approved budget.

We did not evaluate the security and controls over the electronic publication of the financial statements.

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As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We assess the risk of material misstatement arising from the Novopay payroll system, which may still contain errors. As a result, we carried out procedures to minimise the risk of material errors arising from the system that, in our judgement, would likely influence readers' overall understanding of the financial statements.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arises from the Public Audit Act 2001.

Other information

The Board of Trustees is responsible for the other information. Other Information has not been received by the auditor at the date the audit report is signed. Other information does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

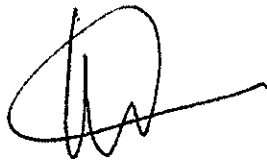
In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independence

We are independent of the School in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the School.

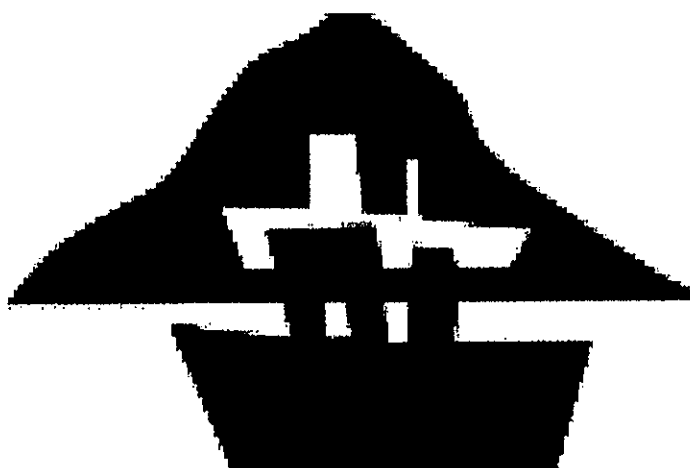
A handwritten signature in black ink, appearing to be 'Hamish Anton', written in a cursive style.

Hamish Anton
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

ISLAND BAY SCHOOL

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020



Ministry Number:	2865
School Address:	6 Thames Street, Island Bay, Wellington
School Phone:	04 939 3010
School Email:	admin@islandbay.school.nz
Accountant / Service Provider:	Accounting For Schools Ltd

ISLAND BAY SCHOOL

Annual Report - For the year ended 31 December 2020

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ISLAND BAY SCHOOL
Statement of Responsibility
For the year ended 31 December 2020

The Board of Trustees accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

The management (including the principal and others as directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the School's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2020 fairly reflects the financial position and operations of the School.

The School's 2020 financial statements are authorised for issue by the Board.

Devon Heaphy

Full Name of Board Chairperson




Signature of Board Chairperson

30 May 2021

Date:

Deborah Fenton

Full Name of Principal



Signature of Principal

30 May 2021

Date:

ISLAND BAY SCHOOL

Statement of Comprehensive Revenue and Expense For the year ended 31 December 2020

		2020	2020	2019
	Notes	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Revenue				
Government Grants	2	3,486,596	3,455,821	3,324,369
Locally Raised Funds	3	334,928	294,500	328,664
Interest Earned		1,712	3,500	3,775
		<u>3,823,236</u>	<u>3,763,821</u>	<u>3,656,808</u>
Expenses				
Locally Raised Funds	3	126,853	-	144,833
Learning Resources	4	2,464,625	2,541,250	2,386,022
Administration	5	179,747	155,885	153,937
Finance Costs		8,424	-	11,328
Property	6	901,157	900,237	838,412
Depreciation	7	107,808	110,000	110,181
Loss on Disposal of Property, Plant and Equipment		-	-	521
		<u>3,788,614</u>	<u>3,707,372</u>	<u>3,645,234</u>
Net Surplus/Deficit		34,622	56,449	11,574
Total Comprehensive Revenue and Expense for the Year		<u>34,622</u>	<u>56,449</u>	<u>11,574</u>

The above Statement of Comprehensive Revenue and Expense should be read in conjunction with the accompanying notes which form part of these financial statements.

ISLAND BAY SCHOOL

Statement of Changes in Net Assets/Equity For the year ended 31 December 2020

<u>School</u>	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Balance at 1 January	860,959	860,959	842,394
Total Comprehensive Revenue and Expense For The Year	34,622	56,449	11,574
Capital Contributions from the Ministry of Education Contribution - Furniture and Equipment Grant	13,175	7,000	6,991
Equity at 31 December	908,756	924,408	860,959
Retained Earnings - School	908,756	924,408	860,959
Equity at 31 December	908,756	924,408	860,959

The above Statement of Changes in Net Assets/Equity should be read in conjunction with the accompanying notes which form part of these financial statements.

ISLAND BAY SCHOOL
Statement of Financial Position
As at 31 December 2020

	Notes	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Current Assets				
Cash and Cash Equivalents	8	290,754	257,308	147,327
Accounts Receivable	9	173,962	3,500	139,981
Funds held for Capital Works Projects	17	-	-	8,397
GST Receivable		21,382	-	6,366
Inventories	10	3,150	8,000	3,150
Prepayments		14,749	6,000	26,315
Investments	11	57,223	60,000	55,858
		561,220	334,808	387,394
Current Liabilities				
Accounts Payable	13	213,104	65,300	171,167
Revenue Received in Advance	14	674	40,000	31,451
Provision for Cyclical Maintenance	15	45,714	35,000	40,000
Finance Lease Liability - Current Portion	16	50,748	7,100	41,309
Funds held for Capital Works Projects	17	139,942	-	-
		450,182	150,400	283,927
Working Capital Surplus		111,038	184,408	103,467
Non-current Assets				
Property, Plant and Equipment	12	875,683	870,000	847,801
		875,683	870,000	847,801
Non-current Liabilities				
Provision for Cyclical Maintenance	15	52,500	50,000	45,000
Finance Lease Liability	16	25,465	80,000	45,309
		77,965	130,000	90,309
Net Assets		908,756	924,408	860,959
Equity		908,756	924,408	860,959

The above Statement of Financial Position should be read in conjunction with the accompanying notes which form part of these financial statements.

ISLAND BAY SCHOOL
Statement of Cash Flows
For the year ended 31 December 2020

		2020	2020	2019
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Cash flows from Operating Activities				
Government Grants		682,032	651,536	651,438
Locally Raised Funds		297,939	395,123	344,684
Goods and Services Tax (net)		(15,016)	9,366	(7,497)
Payments to Employees		(427,752)	(402,673)	(370,200)
Payments to Suppliers		(401,256)	(413,420)	(474,375)
Interest Paid		(8,424)	-	(11,328)
Interest Received		1,844	3,723	3,562
Cyclical Maintenance Payments in the year		-	(13,214)	-
Net cash from / (to) the Operating Activities		129,367	230,441	136,284
Cash flows from Investing Activities				
Proceeds from Sale of PPE (and Intangibles)		-	-	(521)
Purchase of PPE (and Intangibles)		(124,308)	(132,198)	(20,229)
Purchase of Investments		(1,365)	(4,142)	(55,858)
Net Cash From / (To) The Investing Activities		(125,673)	(136,340)	(76,608)
Cash flows from Financing Activities				
Furniture and Equipment Grant		13,175	7,000	6,991
Finance Lease Payments		(21,781)	482	(62,385)
Funds Held for Capital Works Projects		148,339	8,397	(8,397)
Net Cash From Financing Activities		139,733	15,879	(63,791)
Net Increase/(Decrease) In Cash and Cash Equivalents		143,427	109,980	(4,115)
Cash and Cash Equivalents At The Beginning Of The Year	8	147,327	147,327	151,442
Cash and Cash Equivalents At The End Of The Year	8	290,754	257,307	147,327

The statement of cash flows records only those cash flows directly within the control of the School. This means centrally funded teachers' salaries and the use of land and buildings grant and expense have been excluded.

The above Cash Flow Statement should be read in conjunction with the accompanying notes which form part of these financial statements.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement Of Accounting Policies

a) Reporting Entity

Island Bay School (the School) is a Crown entity as specified in the Crown Entities Act 2004 and a school as described in the Education and Training Act 2020. The Board of Trustees (the Board) is of the view that the School is a public benefit entity for financial reporting purposes.

b) Basis of Preparation

Reporting Period

The financial reports have been prepared for the period 1 January 2020 to 31 December 2020 and in accordance with the requirements of the Public Finance Act 1989.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Financial Reporting Standards Applied

The Education and Training Act 2020 requires the School, as a Crown entity, to prepare financial statements in accordance with generally accepted accounting practice. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, applying Public Sector Public Benefit Entity (PBE) Standards Reduced Disclosure Regime as appropriate to public benefit entities that qualify for Tier 2 reporting. The School is considered a Public Benefit Entity as it meets the criteria specified as "having a primary objective to provide goods and/or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for financial return to equity holders".

PBE Accounting Standards Reduced Disclosure Regime

Measurement Base

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

Presentation Currency

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

Specific Accounting Policies

The accounting policies used in the preparation of these financial statements are set out below.

Critical Accounting Estimates And Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Cyclical Maintenance

A school recognises its obligation to maintain the Ministry's buildings in a good state of repair as a provision for cyclical maintenance. This provision relates mainly to the painting of the school buildings. The estimate is based on the school's long term maintenance plan which is prepared as part of its 10 Year Property Planning process. During the year, the Board assesses the reasonableness of its 10 Year Property Plan on which the provision is based. Cyclical maintenance is disclosed at note 15.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement Of Accounting Policies

Useful lives of property, plant and equipment

The School reviews the estimated useful lives of property, plant and equipment at the end of each reporting date. The School believes that the estimated useful lives of the property, plant and equipment as disclosed in the Significant Accounting Policies are appropriate to the nature of the property, plant and equipment at reporting date. Property, plant and equipment is disclosed at note 12.

Critical Judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Classification of leases

Determining whether a lease is a finance lease or an operating lease requires judgement as to whether the lease transfers substantially all the risks and rewards of ownership to the school. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Recognition of grants

The School reviews the grants monies received at the end of each reporting period and whether any require a provision to carry forward amounts unspent. The School believes all grants received have been appropriately recognised as a liability if required. Government grants are disclosed at note 2.

c) Revenue Recognition

Government Grants

The school receives funding from the Ministry of Education. The following are the main types of funding that the School receives;

Operational grants are recorded as revenue when the School has the rights to the funding, which is in the year that the funding is received.

Teachers salaries grants are recorded as revenue when the School has the rights to the funding in the salary period they relate to. The grants are not received in cash by the School but are instead paid directly to teachers by the Ministry of Education.

Use of land and buildings grants are recorded as revenue in the period the School uses the land and buildings. These are not received in cash by the School as they equate to the deemed expense for using the land and buildings which are owned by the Crown.

Other Grants

Other grants are recorded as revenue when the School has the rights to the funding, unless there are unfulfilled conditions attached to the grant, in which case the amount relating to the unfulfilled conditions is recognised as a liability and released to revenue as the conditions are fulfilled.

Donations, Gifts and Bequests

Donations, gifts and bequests are recorded as revenue when their receipt is formally acknowledged by the School.

Interest Revenue

Interest Revenue earned on cash and cash equivalents and investments is recorded as revenue in the period it is earned.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement Of Accounting Policies

d) Use of Land and Buildings Expense

The property from which the School operates is owned by the Crown and managed by the Ministry of Education on behalf of the Crown. The School's use of the land and buildings as occupant is based on a property occupancy document as gazetted by the Ministry. The expense is based on an assumed market rental yield on the value of land and buildings as used for rating purposes. This is a non-cash expense that is offset by a non-cash grant from the Ministry.

e) Operating Lease Payments

Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight line basis over the term of the lease.

f) Finance Lease Payments

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value.

h) Accounts Receivable

Short-term receivables are recorded at the amount due, less an allowance for credit losses (uncollectable debts). The schools receivables are largely made up of funding from the Ministry of Education, therefore the level of uncollectable debts is not considered to be material. However, short-term receivables are written off when there is no reasonable expectation of recovery.

i) Inventories

Inventories are consumable items held for sale and comprise of stationery and school uniforms. They are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale. Any write down from cost to net realisable value is recorded as an expense in the Statement of Comprehensive Revenue and Expense in the period of the write down.

j) Investments

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

k) Property, Plant and Equipment

Land and buildings owned by the Crown are excluded from these financial statements. The Board's use of the land and buildings as 'occupant' is based on a property occupancy document.

Improvements to buildings owned by the Crown are recorded at cost, less accumulated depreciation and impairment losses.

Property, plant and equipment are recorded at cost or, in the case of donated assets, fair value at the date of receipt, less accumulated depreciation and impairment losses. Cost or fair value as the case may be, includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Property, plant and equipment acquired with individual values under \$1,000 are not capitalised, they are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Gains and losses on disposals (*i.e.* sold or given away) are determined by comparing the proceeds received with the carrying amounts (*i.e.* the book value). The gain or loss arising from the disposal of an item of property, plant and equipment is recognised in the Statement of Comprehensive Revenue and Expense.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement Of Accounting Policies

Finance Leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty whether the school will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Depreciation

Property, plant and equipment except for library resources are depreciated over their estimated useful lives on a straight line basis. Library resources are depreciated on a diminishing value basis. Depreciation of all assets is reported in the Statement of Comprehensive Revenue and Expense.

The estimated useful lives of the assets are:

Building & Ground Improvements	20 - 40 years
Furniture & Equipment	10 - 15 years
Electronic Equipment	5 - 10 years
Leased Assets	3 - 5 years
Library Resources	12.5% Diminishing value
Plant & Grounds Equipment	5 - 10 years
Sports Equipment	2 - 5 years
Teaching Equipment	5 - 15 years

l) Impairment of Property, Plant, and Equipment and Intangible Assets

The school does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non cash generating assets

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

m) Accounts Payable

Accounts Payable represents liabilities for goods and services provided to the School prior to the end of the financial year which are unpaid. Accounts Payable are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

1. Statement Of Accounting Policies

n) Employee Entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and also annual leave earned, by non-teaching staff, to but not yet taken at balance date.

o) Revenue Received In Advance

Revenue received in advance relates to fees received from students where there are unfulfilled obligations for the School to provide services in the future. The fees are recorded as revenue as the obligations are fulfilled and the fees earned.

The School holds sufficient funds to enable the refund of unearned fees in relation to international students, should the School be unable to provide the services to which they relate.

p) Provision for Cyclical Maintenance

The property from which the School operates is owned by the Crown, and is vested in the Ministry. The Ministry has gazetted a property occupancy document that sets out the Board's property maintenance responsibilities. The Board is responsible for maintaining the land, buildings and other facilities on the School site in a state of good order and repair.

Cyclical maintenance, which involves painting the interior and exterior of the School, makes up the most significant part of the Board's responsibilities outside day-to-day maintenance. The provision for cyclical maintenance represents the obligation the Board has to the Ministry and is based on the Board's ten year property plan (10YPP).

q) Financial Instruments

The School's financial assets comprise cash and cash equivalents, accounts receivable, and investments. All of these financial assets, except for investments that are shares, are categorised as 'financial assets measured at amortised cost' for accounting purposes in accordance with financial reporting standards.

Investments that are shares are categorised as 'financial assets at fair value through other comprehensive revenue and expense' for accounting purposes in accordance with financial reporting standards.

The School's financial liabilities comprise accounts payable, borrowings and finance lease liability. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

r) Goods and Services Tax (GST)

The financial statements have been prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated as GST inclusive.

The net amount of GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statements of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

s) Budget Figures

The budget figures are extracted from the School budget that was approved by the Board at the start of the year.

t) Services Received In-Kind

From time to time the School receives services in-kind, including the time of volunteers. The School has elected not to recognise services received in kind in the Statement of Comprehensive Revenue and Expense.

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

2. Government Grants

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited) \$	\$
Operational Grants	570,544	531,821	538,685
Other government grants	6,566	-	-
Other MoE Grants	92,207	107,000	107,350
Teachers' Salaries Grants	2,112,139	2,112,000	2,062,159
Use of Land and Buildings Grants	705,140	705,000	616,175
	<u>3,486,596</u>	<u>3,455,821</u>	<u>3,324,369</u>

Other MOE Grants total includes additional COVID-19 funding totalling \$5,743 for the year ended 31 December 2020.

3. Locally Raised Funds

Local funds raised within the School's community are made up of:

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited) \$	\$
Revenue			
Activities	149,488	101,000	150,748
Donations	148,321	163,500	133,683
Fundraising	6,201	15,000	5,809
Grant - McCarthy Trust	-	-	4,000
Teacher Assistance Grants	5,556	-	11,443
Trading	25,362	15,000	22,981
	<u>334,928</u>	<u>294,500</u>	<u>328,664</u>
Expenses			
Activities	117,522	-	130,367
Fundraising (costs of raising funds)	(583)	-	857
Trading	9,914	-	13,609
	<u>126,853</u>	<u>-</u>	<u>144,833</u>
Surplus for the year	<u>208,075</u>	<u>294,500</u>	<u>183,831</u>

4. Learning Resources

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited) \$	\$
Curricular	42,132	81,100	60,049
Employee Benefits - Salaries	2,376,398	2,401,500	2,276,725
Information and Communication Technology	16,747	17,650	14,845
Library Resources	1,364	3,000	2,955
Staff Development	27,984	38,000	31,448
	<u>2,464,625</u>	<u>2,541,250</u>	<u>2,386,022</u>

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

5. Administration

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Audit Fee	5,846	5,846	5,676
Board of Trustees Expenses	2,365	1,000	10,974
Board of Trustees Fees	4,820	3,000	2,215
Communication	4,559	3,800	5,235
Consumables	25,266	20,764	21,491
Employee Benefits - Salaries	88,710	72,000	77,150
Insurance	6,984	5,675	6,521
Operating Lease	4,106	-	8
Other	28,171	35,800	15,377
Service Providers, Contractors and Consultancy	8,920	8,000	9,290
	<u>179,747</u>	<u>155,885</u>	<u>153,937</u>

6. Property

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Caretaking and Cleaning Consumables	12,751	6,200	8,803
Consultancy and Contract Services	59,726	50,323	58,232
Cyclical Maintenance Provision	13,214	13,214	13,214
Employee Benefits - Salaries	38,076	40,000	41,599
Grounds	6,274	5,500	15,899
Heat, Light and Water	16,350	10,500	18,244
Rates	9,414	9,500	8,044
Repairs and Maintenance	28,765	55,000	49,997
Security	11,447	5,000	8,205
Use of Land and Buildings	705,140	705,000	616,175
	<u>901,157</u>	<u>900,237</u>	<u>838,412</u>

The use of land and buildings figure represents 8% of the school's total property value. Property values are established as part of the nation-wide revaluation exercise that is conducted every 30 June for the Ministry of Education's year-end reporting purposes.

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

7. Depreciation of Property, Plant and Equipment

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Building Improvements - Crown	7,791	7,950	7,782
Classroom Furniture	13,014	13,280	14,288
Grounds Improvements	6,005	6,127	3,357
Information Technology	7,397	7,547	8,592
Leased Assets	56,535	57,680	54,811
Library Resources	2,990	3,050	3,283
Music Equipment	1,221	1,250	1,221
Office Furniture & Equipment	1,626	1,660	1,654
Plant & Grounds Equipment	8,463	8,635	10,661
Sports Equipment	702	715	411
Teaching Equipment	2,064	2,106	4,121
	<u>107,808</u>	<u>110,000</u>	<u>110,181</u>

8. Cash and Cash Equivalents

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited)	\$
ASB Current Account	190,822	168,207	65,376
ASB Call Account	92,242	100	97
ASB Music Centre Accounts	3,112	85,000	80,715
ASB Streamline Account	4,578	4,000	1,139
	<u>290,754</u>	<u>257,307</u>	<u>147,327</u>

Net Cash and Cash Equivalents For Cash Flow Statement

The carrying value of short-term deposits with original maturity dates of 90 days or less approximates their fair value.

Of the \$290,754 Cash and Cash Equivalents, \$139,942 is held by the School on behalf of the Ministry of Education. These funds are required to be spent in 2021 on Crown owned school buildings under the School's Five Year Property Plan.

9. Accounts Receivable

	2020	2020	2019
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Receivables	6,786	3,500	574
Receivables from the Ministry of Education	-	-	12,715
Interest Receivable	91	-	223
Teacher Salaries Grant Receivable	167,085	-	126,469
	<u>173,962</u>	<u>3,500</u>	<u>139,981</u>
Receivables from Exchange Transactions	6,877	3,500	797
Receivables from Non-Exchange Transactions	167,085	-	139,184
	<u>173,962</u>	<u>3,500</u>	<u>139,981</u>

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

10. Inventories

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
School Uniforms	3,150	8,000	3,150
	<u>3,150</u>	<u>8,000</u>	<u>3,150</u>

11. Investments

The School's investment activities are classified as follows:

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Short-term Bank Deposits	57,223	60,000	55,858

12. Property, Plant and Equipment

	Opening Balance (NBV) \$	Additions \$	Disposals \$	Impairment \$	Depreciation \$	Total (NBV) \$
2020						
Building Improvements - Crown	527,179	4,130	-	-	(7,791)	523,518
Classroom Furniture	76,940	13,172	-	-	(13,014)	77,098
Grounds Improvements	37,050	48,795	-	-	(6,005)	79,840
Information Technology	26,319	5,618	-	-	(7,397)	24,540
Leased Assets	85,485	44,421	-	-	(56,535)	73,371
Library Resources	23,840	833	-	-	(2,990)	21,683
Music Equipment	5,684	-	-	-	(1,221)	4,463
Office Furniture & Equipment	7,375	-	-	-	(1,626)	5,749
Plant & Grounds Equipment	46,335	17,455	-	-	(8,463)	55,327
Sports Equipment	5,932	-	-	-	(702)	5,230
Teaching Equipment	5,662	1,266	-	-	(2,064)	4,864
Balance at 31 December 2020	<u>847,801</u>	<u>135,690</u>	<u>-</u>	<u>-</u>	<u>(107,808)</u>	<u>875,683</u>

The net carrying value of equipment held under a finance lease is \$73,371 (2019: \$85,485).

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

12. Property, Plant and Equipment (Continued)

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
2020			
Building Improvements - Crown	597,694	(74,176)	523,518
Classroom Furniture	229,683	(152,585)	77,098
Grounds Improvements	109,922	(30,082)	79,840
Information Technology	115,664	(91,124)	24,540
Leased Assets	257,824	(184,453)	73,371
Library Resources	100,302	(78,619)	21,683
Music Equipment	8,207	(3,744)	4,463
Office Furniture & Equipment	32,336	(26,587)	5,749
Plant & Grounds Equipment	184,656	(129,329)	55,327
Sports Equipment	15,214	(9,984)	5,230
Teaching Equipment	53,357	(48,493)	4,864
Balance at 31 December 2020	1,704,859	(829,176)	875,683

12. Property, Plant and Equipment (Cont.)

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
2019						
Building Improvements - Crown	534,961	-	-	-	(7,782)	527,179
Classroom Furniture	85,302	6,061	(135)	-	(14,288)	76,940
Grounds Improvements	39,371	1,036	-	-	(3,357)	37,050
Information Technology	34,935	-	(24)	-	(8,592)	26,319
Leased Assets	54,051	86,245	-	-	(54,811)	85,485
Library Resources	25,843	1,280	-	-	(3,283)	23,840
Music Equipment	6,905	-	-	-	(1,221)	5,684
Office Furniture & Equipment	9,029	-	-	-	(1,854)	7,375
Plant & Grounds Equipment	47,315	10,042	(361)	-	(10,661)	46,335
Sports Equipment	4,015	2,328	-	-	(411)	5,932
Teaching Equipment	9,783	-	-	-	(4,121)	5,662
Balance at 31 December 2019	851,510	106,992	(520)	-	(110,181)	847,801

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
2019			
Building Improvements - Crown	593,564	(66,385)	527,179
Classroom Furniture	216,511	(139,571)	76,940
Grounds Improvements	61,127	(24,077)	37,050
Information Technology	110,046	(83,727)	26,319
Leased Assets	246,447	(160,962)	85,485
Library Resources	99,468	(75,628)	23,840
Music Equipment	8,207	(2,523)	5,684
Office Furniture & Equipment	32,336	(24,961)	7,375
Plant & Grounds Equipment	167,201	(120,866)	46,335
Sports Equipment	15,214	(9,282)	5,932
Teaching Equipment	52,092	(46,430)	5,662
Balance at 31 December 2019	1,602,213	(754,412)	847,801

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

13. Accounts Payable

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Operating Creditors	37,187	58,500	37,319
Accruals	3,508	4,000	3,406
Employee Entitlements - Salaries	167,085	-	126,469
Employee Entitlements - Leave accrual	5,324	2,800	3,973
	<u>213,104</u>	<u>65,300</u>	<u>171,167</u>
Payables for Exchange Transactions	213,104	65,300	171,167
	<u>213,104</u>	<u>65,300</u>	<u>171,167</u>

The carrying value of payables approximates their fair value.

14. Revenue Received in Advance

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Grants in Advance - Ministry of Education	-	-	8,944
Music Centre Fees	-	-	20,446
Student Fees	674	40,000	2,061
	<u>674</u>	<u>40,000</u>	<u>31,451</u>

15. Provision for Cyclical Maintenance

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Provision at the Start of the Year	85,000	85,000	71,786
Increase to the Provision During the Year	13,214	13,214	13,214
Adjustment to the Provision	-	11	-
Provision at the End of the Year	<u>98,214</u>	<u>98,225</u>	<u>85,000</u>
Cyclical Maintenance - Current	45,714	35,000	40,000
Cyclical Maintenance - Term	52,500	50,000	45,000
	<u>98,214</u>	<u>85,000</u>	<u>85,000</u>

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

16. Finance Lease Liability

The School has entered into a number of finance lease agreements for computers. Minimum lease payments payable:

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
No Later than One Year	50,748	7,100	41,309
Later than One Year and No Later than Five Years	25,465	80,000	45,309
	<u>76,213</u>	<u>87,100</u>	<u>86,618</u>

17. Funds Held for Capital Works Projects

During the year the School received and applied funding from the Ministry of Education for the following capital works projects:

	2020	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Capitalised) \$	Closing Balances \$
Block K - PMC Ceiling Strengthening	<i>Completed</i>	-	12,266	(12,266)	-	-
Blocks A & M - Replace Roofing	<i>Completed</i>	(8,397)	9,975	(1,578)	-	-
Fencing & Gates Project	<i>In progress</i>	-	-	(6,903)	-	(6,903)
SIP - New Adventure Playground	<i>In progress</i>	-	155,085	(8,240)	-	146,845
Totals		<u>(8,397)</u>	<u>177,326</u>	<u>(28,987)</u>	<u>-</u>	<u>139,942</u>

Represented by:

Funds Held on Behalf of the Ministry of Education
Funds Due from the Ministry of Education (Current)

146,845
(6,903)

139,942

	2019	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Capitalised) \$	Closing Balances \$
Blocks A & M - Replace Roofing	<i>In progress</i>	-	55,000	(63,397)	-	(8,397)
Totals		<u>-</u>	<u>55,000</u>	<u>(63,397)</u>	<u>-</u>	<u>(8,397)</u>

ISLAND BAY SCHOOL

Notes to the Financial Statements For the year ended 31 December 2020

18. Related Party Transactions

The School is a controlled entity of the Crown, and the Crown provides the major source of revenue to the School. The School enters into transactions with other entities also controlled by the Crown, such as government departments, state-owned enterprises and other Crown entities. Transactions with these entities are not disclosed as they occur on terms and conditions no more or less favourable than those that it is reasonable to expect the School would have adopted if dealing with that entity at arm's length.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the School would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

19. Remuneration

Key management personnel compensation

Key management personnel of the School include all trustees of the Board, Principal, Deputy Principals and Heads of Departments.

	2020 Actual \$	2019 Actual \$
<i>Board Members</i>		
Remuneration	4,820	2,215
Full-time equivalent members	0.30	0.27
<i>Leadership Team</i>		
Remuneration	406,279	289,688
Full-time equivalent members	3.89	3.00
Total key management personnel remuneration	411,099	291,903
Total full-time equivalent personnel	4.19	3.27

The full time equivalent for Board members has been determined based on attendance at Board meetings, Committee meetings and for other obligations of the Board, such as stand downs and suspensions, plus the estimated time for Board members to prepare for meetings.

Principal

The total value of remuneration paid or payable to the Principal was in the following bands:

	2020 Actual \$000	2019 Actual \$000
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments	140 - 150	130 - 140
Benefits and Other Emoluments	4 - 5	4 - 5

Other Employees

The number of other employees with remuneration greater than \$100,000 was in the following bands:

Remuneration \$000	2020 FTE Number	2019 FTE Number
100 - 110	2.00	0.00
	2.00	0.00

The disclosure for 'Other Employees' does not include remuneration of the Principal.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2020

20. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2020 (Contingent liabilities and assets at 31 December 2019: \$NIL).

Holidays Act Compliance – Schools Payroll

The Ministry of Education performs payroll processing and payments on behalf of school boards of trustees, through payroll service provider Education Payroll Limited.

The Ministry's review of the schools sector payroll to ensure compliance with the Holidays Act 2003 is ongoing. The current phase of this review is to design potential solutions for any compliance breaches discovered in the initial phase of the Programme. Final calculations and potential impact on any specific individual will not be known until further detailed analysis and solutions have been completed

To the extent that any obligation cannot reasonably be quantified at 31 December 2020, a contingent liability for the school may exist.

21. Commitments

(a) Capital Commitments

As at 31 December 2020 the Board has entered into contract agreements for capital works as follows:

(a) for Fencing and Gates amounting to \$87,000, of which \$6,903 has been spent to date; and

(b) for Adventure Playground amounting to \$180,085, of which \$8,240 has been spent to date.

(Capital commitments at 31 December 2019: \$83,956).

(b) Operating Commitments

As at 31 December 2020 the Board has no contracts.

22. Managing Capital

The School's capital is its equity and comprises capital contributions from the Ministry of Education for property, plant and equipment and accumulated surpluses and deficits. The School does not actively manage capital but attempts to ensure that income exceeds spending in most years. Although deficits can arise as planned in particular years, they are offset by planned surpluses in previous years or ensuing years.

ISLAND BAY SCHOOL
Notes to the Financial Statements
For the year ended 31 December 2020

23. Financial Instruments

The carrying amount of financial assets and liabilities in each of the financial instrument categories are as follows:

Financial assets measured at amortised cost

	2020 Actual \$	2020 Budget (Unaudited) \$	2019 Actual \$
Cash and Cash Equivalents	290,754	257,307	147,327
Receivables	173,962	3,500	139,981
Investments - Term Deposits	57,223	60,000	55,858
Total Financial Assets Measured at Amortised Cost	521,939	320,807	343,166
Financial liabilities measured at amortised cost			
Payables	213,104	65,300	171,167
Finance Leases	76,213	87,100	86,618
Total Financial Liabilities Measured at Amortised Cost	289,317	152,400	257,785

24. Events After Balance Date

There were no significant events after the balance date that impact these financial statements.

ISLAND BAY SCHOOL

Members of the Board of Trustees

For the year ended 31 December 2020

Name	Position	How Position On Board Gained	Occupation	Term Expired/Expires
Devon Heaphy	Parent Rep	Elected June 2019, elected Chairperson December 2020	Architect	June 2022
Deborah Fenton	Principal	Appointed May 2017	Principal	
Cristin Jamieson	Parent Rep	Elected June 2019	Lawyer	June 2022
Anna Bordignon	Parent Rep	Elected June 2019		June 2022
Tai Samaeli	Parent Rep	Co-opted June 2019		June 2022
Matthew Palliser	Parent Rep	Elected Dec 2020		Dec 2023
Charlie Cristie	Parent Rep	Elected Dec 2020		Dec 2023
Lizzie Walpara	Staff Rep	Elected June 2019	Teacher	June 2022

ISLAND BAY SCHOOL

Kiwisport Funding

For the year ended 31 December 2020

Kiwisport is a Government funding initiative to support student participation in organised sport.

In 2020 the School received funding of \$5,859 (2019: \$6,027) to increase our student participation in organised sport.

Island Bay School used the funding on physical education programmes that engage our students in sport.

The funding aims were to:

- increase the number of school-aged children participating in organised sport
- increase the availability and accessibility of sport opportunities for all school-aged children.
- support children to develop skills that enable them to participate confidently in sport

In 2020, Island Bay School participated in programmes that provided Fundamental Movement Skills through:

Aquatics: Learn to Swim programme

Manipulative: Football programme

Deloitte.



Island Bay School

Report to the Board of Trustees
for the year ended 31 December 2020

9 June 2021

The Board of Trustees
Island Bay School
6 Thames Street
Island Bay, Wellington
6023

Dear Trustees

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the School's Annual Report for the year ended 31 December 2020 which we consider appropriate for the attention of the Board of Trustees ("the Board"). These matters have been discussed with management and their comments have been included, where appropriate.

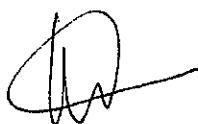
We look forward to the opportunity to discuss these at a Board meeting should you wish to discuss this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

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 Accounting for Schools (AFS) 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
DELOITTE LIMITED



Hamish Anton
Appointed Auditor



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- 2. Status of the audit and areas of focus 1
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- 4. Accounting matters arising 4
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1. Purpose of report and responsibility statement

This report has been prepared for the Board and is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business and as required by the Office of the Auditor General requirements, which include 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 the School for the year ended 31 December 2020 in accordance with New Zealand auditing standards issued by the New Zealand Auditing and Assurance Standards Board. Our audit is performed pursuant to the requirements of the Education and Training Act 2020, arise from section 87 of the Education Act 1989, 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 nor 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. Status of the audit and areas of focus

Our audit of the financial statements is substantially complete, subject to the completion of the following matters:

Items outstanding

- Appropriate procedures relating to subsequent events up to the date of our audit opinion;
- Receipt of the signed management representation letter; and
- Adoption of the financial statements and signing of the financial statements by the Board.

We understand that these will be approved by the Board under delegation to specified Trustees.

Areas of focus	
<p>2.1 Provision for Cyclical Maintenance</p> <p>The provision for cyclical maintenance balance requires a significant level of management judgement, and the balance is often material to the financial statements.</p> <p>These judgements are made through the 10 year property plan (10YPP). To audit the provision for cyclical maintenance, the Board should:</p> <ul style="list-style-type: none"> • Ensure that your 10YPP has been professionally reviewed in the past three years, or more recently if there has been changes in the properties since the last review; and • Ensure that the 10YPP aligns with your provision for cyclical maintenance calculation. 	<p>We have examined the school 10YPP and calculation of the cyclical maintenance provision and confirmed that:</p> <ul style="list-style-type: none"> • the 10YPP has been subject to necessary levels of professional review; • the calculation of the cyclical maintenance provision is reasonable and accurate; and • disclosures included in the financial statements are materially in line with the underlying calculation and with financial reporting requirements. <p>You are reminded that it is important to ensure sufficient funds can be set aside each year to manage the impact these costs will have on the School's cashflow during the period where works are undertaken.</p> <p>No specific concerns or findings were noted.</p>
<p>2.2 Office of the Auditor-General ("OAG") audit brief matters</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>Schools are required to publish its Annual Report online. We have been asked to remind you of this requirement.</p> <p>These areas of focus remain similar to previous years including:</p> <ul style="list-style-type: none"> • classification of associated entities such as fundraising trusts; • overseas travel; • sensitive expenditure; • financial difficulty risk factors; and • legislative compliance. 	<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>

3. Assessment of internal controls

Our audit requires us to obtain an undertaking of the School's internal controls, sufficient to identify and assess the risks of material misstatement in the financial statements.

We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the School, although we have reported to management any recommendations on controls that we identified during the course of our audit work. Any of our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

We have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion.

3.1 Segregation of duties

As is the case for most schools, the number of people involved in the administration and accounting functions is very limited, meaning that there is an increased inherent risk that errors and omissions may occur and go undetected.

The number of people involved in the schools administration and accounting functions also imposes limitations on the controls and processes schools have in place to monitor and approve changes made to information technology ("IT") systems responsible for processing transactions. These systems include but are not limited to the Novopay and Edpay systems and creditor processes and bank payment systems. The absence of controls to monitor and approve changes within these systems increases the risk of assets being misappropriated.

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 financial 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.

This oversight should include consideration of payment approval and bank authorisation monitoring. As a simple example, we encourage all Boards to specifically review the electronic banking system authorities and levels as part of their consideration of the delegated authority considerations. Our experience is that the frauds being perpetrated are often arising from changes to bank account details after invoice approval. The historical lack of oversight in this area should be specifically considered by the Board as part of its regular financial monitoring.

4. Accounting matters arising

4.1 Missing Signature

Observation:

Deloitte noted that one of the invoices relating to an annual Wellington region principal's association subscription had not been signed by the principal.

Implication:

If all invoices are not signed by the appropriate delegated authority, there is a risk that an inappropriate and unauthorised payments could be leaving the school.

Recommendation

We recommend that all invoices are signed by the appropriate delegated authority to ensure all payments are appropriate.

School Response

This is a regular payment of the same amount and was authorised, but not signed. This is due to human error and has now been signed by the Principal.

4.2 Segregation of Duties

Observation:

Deloitte note that there is a lack of segregation of duties around the handling of cash. Currently one person can collect cash in the office and performs the reconciliation of the cash.

Implication:

A lack of segregation of duties around cash handling can result in the misappropriation of cash.

Recommendation:

We recommend that the person who collects the cash is not the same person performing the reconciliation.

School Response

The School feel the current process is satisfactory given there is significantly less cash is coming into the office due to more parents signing up to the school's parent payment system Kindo, allowing them to pay online. Kindo is used for most items sold at the school, including stationery.

4.3 Missing Accounting Records

Observation

Accounting records must be maintained to explain the transactions of the school. We observed during our testing that the Donations Receipt book used for the Wellington Music Centre was not kept by the school, and copies of the receipts were not made.

Implication

This increases the risk that income is not recorded correctly.

Recommendation

We recommend that the School maintains accounting records.

School Response

The receipt books were kept by the Wellington Music Centre which is no longer part of the School. The Wellington Music Centre took it with them when they left the premises, for their records. Given the Music Centre is gone, this will not be an issue in future years.

5. Summary of financial statement matters arising

In performing our audit for the year ended 31 December 2020 we have not identified any uncorrected misstatements or omitted disclosures that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2020.

6. Other professional communications

The following matters relevant to our audit for the year ended 31 December 2020 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.
Non-compliance with applicable laws and regulations	We did not become aware of any non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures in the financial statements.
Fraud	No matters relating to fraud, concerning either employees or management have been advised or came to our attention.
Accounting policies and financial reporting	<p>There were no changes in the accounting policies during the year ended 31 December 2020.</p> <p>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.</p>
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, needs to be communicated to the Board.

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