



27 May 2020

Hamish Anton
Deloitte Limited
Chartered Accountants
PO Box 1990
WELLINGTON 6011

REPRESENTATION LETTER FOR THE YEAR ENDED 31 DECEMBER 2019

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements of Island Bay School (the School) for the year ended 31 December 2019 for the purpose of expressing an independent opinion about whether the financial statements:

- present fairly, in all material respects:
 - the financial position as at 31 December 2019; and
 - the 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.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand).

General representations

To the best of our knowledge and belief:

- the resources, activities, under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the School) to prevent and detect fraud.

Representations for the financial statements

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements as required by section 87(3) of the Education Act 1989 and, in particular, that the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 31 December 2019; and
 - the 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.
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed the related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to the date of the financial statements that require adjustment or disclosure; and
- we believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with Public Sector – Public Benefit Entity Standards, Reduced Disclosure Regime.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware; and
- we have provided you with all the other documents ("other information") which will accompany the financial statements which are consistent with one another, and the other information does not contain any material misstatements.

Going concern basis of accounting

We confirm that, to the best of our knowledge and belief, the School has adequate resources to continue operations at its current level for the foreseeable future. For this reason, the Board of Trustees continues to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2019. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the School during the period of one year from the date of signing the financial statements, and to circumstances that we know will occur after that date which could affect the validity of the going concern basis of accounting.

We consider that the financial statements adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern basis of accounting by the School.

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the School and to confirm information given to you orally.

Publication of the financial statements and related audit report on a website

We confirm that we are responsible for the electronic presentation of the audited financial statements, and:

- that the electronic version of the audited financial statements and the related audit report presented on the website are the same as the final signed version of the audited financial statements and audit report.
- that the audited and unaudited information on the website has been clearly differentiated and we understand the risk of potential misrepresentation without appropriate controls.
- that we have assessed the security controls over audited financial information and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.
- that the full financial statements have been provided on the website.

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the School and to confirm information given to you orally.

Yours faithfully

Chairperson

Principal

ISLAND BAY SCHOOL

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



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 2019

Index

Page	Statement
1	Statement of Responsibility
2	Statement of Comprehensive Revenue and Expense
3	Statement of Changes in Net Assets/Equity
4	Statement of Financial Position
5	Statement of Cash Flows
6 - 10	Statement of Accounting Policies
11 - 20	Notes to the Financial Statements
	Other Information
21	Members of the Board of Trustees
22	Kiwisport
23 - 25	Independent Auditors Report
26	Analysis of Variance

ISLAND BAY SCHOOL

Statement of Responsibility

For the year ended 31 December 2019

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 2019 fairly reflects the financial position and operations of the School.

The School's 2019 financial statements are authorised for issue by the Board.



Full Name of Board Chairperson



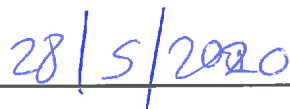
Full Name of Principal



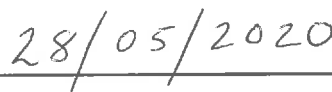
Signature of Board Chairperson



Signature of Principal



Date:



Date:

ISLAND BAY SCHOOL

Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2019

	Notes	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Revenue				
Government Grants	2	3,324,369	3,199,390	3,161,894
Locally Raised Funds	3	328,664	176,000	366,924
Interest Earned		3,775	3,500	2,781
		<u>3,656,808</u>	<u>3,378,890</u>	<u>3,531,599</u>
Expenses				
Locally Raised Funds	3	144,833	-	141,099
Learning Resources	4	2,386,022	2,284,450	2,364,733
Administration	5	153,937	147,665	140,249
Finance Costs		11,328	-	8,533
Property	6	838,412	814,273	785,701
Depreciation	7	110,181	122,000	106,368
Loss on Disposal of Property, Plant and Equipment		521	-	-
		<u>3,645,234</u>	<u>3,368,388</u>	<u>3,546,683</u>
Net Surplus/Deficit		11,574	10,502	(15,084)
Total Comprehensive Revenue and Expense for the Year		<u><u>11,574</u></u>	<u><u>10,502</u></u>	<u><u>(15,084)</u></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 2019

<u>School</u>	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Balance at 1 January	842,394	842,394	857,478
Total Comprehensive Revenue and Expense For The Year	11,574	10,502	(15,084)
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	6,991	-	-
Equity at 31 December	860,959	852,896	842,394
Total Equity At The End Of Year	860,959	852,896	842,394
Retained Earnings - School	860,959	852,896	842,394
Retained Earnings - Music Centre	-	-	-
Equity at 31 December	860,959	852,896	842,394

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 2019

		2019	2019	2018
	Notes	Actual \$	Budget (Unaudited) \$	Actual \$
Current Assets				
Cash and Cash Equivalents	8	147,327	300,172	151,442
Accounts Receivable	9	139,981	151,010	150,643
Funds held for Capital Works Projects	17	8,397	-	-
GST Receivable		6,366	-	-
Inventories	10	3,150	8,000	7,830
Prepayments		26,315	9,000	9,196
Investments	11	55,858	-	-
		387,394	468,182	319,111
Current Liabilities				
Accounts Payable	13	171,167	158,500	161,691
GST Payable		-	1,000	1,131
Revenue Received in Advance	14	31,451	31,000	30,860
Provision for Cyclical Maintenance	15	40,000	34,286	34,286
Finance Lease Liability - Current Portion	16	41,309	45,000	44,986
		283,927	269,786	272,954
Working Capital Surplus		103,467	198,396	46,157
Non-current Assets				
Property, Plant and Equipment	12	847,801	730,000	851,510
		847,801	730,000	851,510
Non-current Liabilities				
Provision for Cyclical Maintenance	15	45,000	57,500	37,500
Finance Lease Liability	16	45,309	18,000	17,773
		90,309	75,500	55,273
Net Assets		860,959	852,896	842,394
Equity		860,959	852,896	842,394

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 2019

		2019	2019	2018
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Cash flows from Operating Activities				
Government Grants		651,438	647,508	656,691
Locally Raised Funds		344,684	261,143	363,179
Goods and Services Tax (net)		(7,497)	(131)	66,363
Payments to Employees		(370,200)	(392,300)	(506,763)
Payments to Suppliers		(474,375)	(370,741)	(424,955)
Interest Paid		(11,328)	-	(8,533)
Interest Received		3,562	3,500	2,781
Net cash from / (to) the Operating Activities		136,284	148,979	148,763
Cash flows from Investing Activities				
Proceeds from Sale of PPE (and Intangibles)		(521)	-	-
Purchase of PPE (and Intangibles)		(20,229)	(10,693)	(24,257)
Purchase of Investments		(55,858)	-	-
Net Cash From / (To) The Investing Activities		(76,608)	(10,693)	(24,257)
Cash flows from Financing Activities				
Furniture and Equipment Grant		6,991	-	-
Finance Lease Payments		(62,385)	10,444	(56,243)
Funds Held for Capital Works Projects		(8,397)	-	-
Net Cash From Financing Activities		(63,791)	10,444	(56,243)
Net Increase/(Decrease) In Cash and Cash Equivalents		(4,115)	148,730	68,263
Cash and Cash Equivalents At The Beginning Of The Year	8	151,442	151,442	83,179
Cash and Cash Equivalents At The End Of The Year	8	147,327	300,172	151,442

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 2019

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 Act 1989. 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 2019 to 31 December 2019 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 Act 1989 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".

Standard Early Adopted

In line with the Financial Statements of the Government, the School has elected to early adopt PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Information about the adoption of PBE IFRS 9 is provided in Note 25.

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.

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.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

1. Statement Of Accounting Policies

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.

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.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

1. Statement Of Accounting Policies

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. The school applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

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.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

1. Statement Of Accounting Policies

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.

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 2019

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, annual leave earned 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 Assets and Liabilities

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

Investments that are shares are categorised as "fair value through profit or loss" 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 2019

2. Government Grants

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Operational Grants	538,685	560,890	544,287
Other MoE Grants	107,350	88,500	118,059
Teachers' Salaries Grants	2,062,159	1,950,000	1,916,933
Use of Land and Buildings Grants	616,175	600,000	582,615
	3,324,369	3,199,390	3,161,894

3. Locally Raised Funds

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

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Revenue			
Activities	150,748	-	157,704
Donations	133,683	147,000	135,025
Fundraising	5,809	10,000	4,040
Grant - McCarthy Trust	4,000	-	-
Teacher Assistance Grants	11,443	5,000	50,469
Trading	22,981	14,000	19,686
	328,664	176,000	366,924
Expenses			
Activities	130,367	-	133,685
Fundraising (costs of raising funds)	857	-	3,041
Trading	13,609	-	4,373
	144,833	-	141,099
<i>Surplus for the year</i>	183,831	176,000	225,825

4. Learning Resources

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Curricular	60,049	60,000	43,958
Employee Benefits - Salaries	2,276,725	2,177,500	2,277,635
Information and Communication Technology	14,845	16,650	18,979
Library Resources	2,955	3,000	1,587
Staff Development	31,448	27,300	22,574
	2,386,022	2,284,450	2,364,733

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

5. Administration

	2019	2019	2018
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Audit Fee	5,676	5,676	5,511
Board of Trustees Expenses	10,974	6,500	6,980
Board of Trustees Fees	2,215	3,000	2,340
Communication	5,235	4,800	3,821
Consumables	21,491	26,764	21,357
Employee Benefits - Salaries	77,150	65,000	65,789
Insurance	6,521	5,675	6,490
Operating Lease	8	-	3,152
Other	15,377	22,250	17,009
Service Providers, Contractors and Consultancy	9,290	8,000	7,800
	153,937	147,665	140,249

6. Property

	2019	2019	2018
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Caretaking and Cleaning Consumables	8,803	6,200	7,827
Consultancy and Contract Services	58,232	52,323	55,823
Cyclical Maintenance Provision	13,214	20,000	14,286
Employee Benefits - Salaries	41,599	40,000	42,397
Grounds	15,899	6,750	9,213
Heat, Light and Water	18,244	15,500	17,749
Rates	8,044	9,500	10,679
Repairs and Maintenance	49,997	56,000	31,402
Security	8,205	8,000	13,710
Use of Land and Buildings	616,175	600,000	582,615
	838,412	814,273	785,701

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 2019

7. Depreciation of Property, Plant and Equipment

	2019	2019	2018
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Building Improvements - Crown	7,782	9,000	7,782
Classroom Furniture	14,288	18,500	16,125
Grounds Improvements	3,357	4,000	3,305
Information Technology	8,592	9,500	8,481
Leased Assets	54,811	56,500	49,401
Library Resources	3,283	4,500	3,763
Music Equipment	1,221	1,000	754
Office Furniture & Equipment	1,654	2,000	1,741
Plant & Grounds Equipment	10,661	11,500	10,144
Sports Equipment	411	500	353
Teaching Equipment	4,121	5,000	4,519
	110,181	122,000	106,368

8. Cash and Cash Equivalents

	2019	2019	2018
	Actual	Budget	Actual
	\$	(Unaudited)	\$
ASB Current Account	65,376	236,272	87,635
ASB Call Account	97	100	97
ASB Music Centre Accounts	80,715	63,500	63,448
ASB Streamline Account	1,139	300	262
Net Cash and Cash Equivalents For Cash Flow Statement	147,327	300,172	151,442

9. Accounts Receivable

	2019	2019	2018
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Receivables	574	16,000	16,003
Receivables from the Ministry of Education	12,715	20,000	18,118
Interest Receivable	223	10	10
Teacher Salaries Grant Receivable	126,469	115,000	116,512
	139,981	151,010	150,643
Receivables from Exchange Transactions	797	16,010	16,013
Receivables from Non-Exchange Transactions	139,184	135,000	134,630
	139,981	151,010	150,643

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

10. Inventories

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Stationery	-	3,000	3,322
School Uniforms	3,150	5,000	4,508
	<u>3,150</u>	<u>8,000</u>	<u>7,830</u>

11. Investments

The School's investment activities are classified as follows:

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Short-term Bank Deposits	55,858	-	-

The carrying value of long term deposits longer than 12 months approximates their fair value at 31 December 2019.

12. Property, Plant and Equipment

	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	-	-	-	(1,654)	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	<u>851,510</u>	<u>106,992</u>	<u>(520)</u>	<u>-</u>	<u>(110,181)</u>	<u>847,801</u>

The net carrying value of equipment held under a finance lease is \$85,485 (2018: \$54,051).

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

12. Property, Plant and Equipment (Continued)

	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

12. Property, Plant and Equipment (Cont.)

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
2018						
Building Improvements - Crown	260,459	282,284	-	-	(7,782)	534,961
Classroom Furniture	101,427	-	-	-	(16,125)	85,302
Grounds Improvements	42,676	-	-	-	(3,305)	39,371
Information Technology	27,425	15,991	-	-	(8,481)	34,935
Leased Assets	68,584	34,868	-	-	(49,401)	54,051
Library Resources	28,150	1,456	-	-	(3,763)	25,843
Music Equipment	3,659	4,000	-	-	(754)	6,905
Office Furniture & Equipment	10,770	-	-	-	(1,741)	9,029
Plant & Grounds Equipment	47,157	10,302	-	-	(10,144)	47,315
Sports Equipment	4,368	-	-	-	(353)	4,015
Teaching Equipment	14,302	-	-	-	(4,519)	9,783
Balance at 31 December 2018	608,977	348,901	-	-	(106,368)	851,510

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
2018			
Building Improvements - Crown	593,564	(58,603)	534,961
Classroom Furniture	227,723	(142,421)	85,302
Grounds Improvements	60,091	(20,720)	39,371
Information Technology	111,643	(76,708)	34,935
Leased Assets	160,203	(106,152)	54,051
Library Resources	98,188	(72,345)	25,843
Music Equipment	8,207	(1,302)	6,905
Office Furniture & Equipment	33,098	(24,069)	9,029
Plant & Grounds Equipment	159,571	(112,256)	47,315
Sports Equipment	12,886	(8,871)	4,015
Teaching Equipment	52,858	(43,075)	9,783
Balance at 31 December 2018	1,518,032	(666,522)	851,510

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

13. Accounts Payable

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Operating Creditors	37,319	35,000	36,868
Accruals	3,406	5,500	5,511
Employee Entitlements - Salaries	126,469	115,000	116,512
Employee Entitlements - Leave accrual	3,973	3,000	2,800
	<u>171,167</u>	<u>158,500</u>	<u>161,691</u>
Payables for Exchange Transactions	171,167	158,500	161,691
	<u>171,167</u>	<u>158,500</u>	<u>161,691</u>

The carrying value of payables approximates their fair value.

14. Revenue Received in Advance

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Grants in Advance - Ministry of Education	8,944	-	10,000
Music Centre Fees	20,446	31,000	20,457
Student Fees	2,061	-	403
	<u>31,451</u>	<u>31,000</u>	<u>30,860</u>

15. Provision for Cyclical Maintenance

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Provision at the Start of the Year	71,786	71,786	57,500
Increase to the Provision During the Year	13,214	20,000	14,286
Provision at the End of the Year	<u>85,000</u>	<u>91,786</u>	<u>71,786</u>
Cyclical Maintenance - Current	40,000	34,286	34,286
Cyclical Maintenance - Term	45,000	57,500	37,500
	<u>85,000</u>	<u>91,786</u>	<u>71,786</u>

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

16. Finance Lease Liability

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

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
No Later than One Year	41,309	45,000	44,986
Later than One Year and No Later than Five Years	45,309	18,000	17,773
	<u>86,618</u>	<u>63,000</u>	<u>62,759</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

	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>

Represented by:

Funds Due from the Ministry of Education (Current)	(8,397)
	<u>(8,397)</u>

	2018	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Capitalised) \$	Closing Balances \$
Rimu Block <i>Completed</i>		(289,776)	52,932	(45,440)	282,285	-
Totals		<u>(289,776)</u>	<u>52,932</u>	<u>(45,440)</u>	<u>282,285</u>	<u>-</u>

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.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

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.

	2019 Actual \$	2018 Actual \$
<i>Board Members</i>		
Remuneration	2,215	2,340
Full-time equivalent members	0.27	0.27
<i>Leadership Team</i>		
Remuneration	289,688	285,018
Full-time equivalent members	3.00	2.70
Total key management personnel remuneration	291,903	287,358
Total full-time equivalent personnel	3.27	2.97

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:

	2019 Actual \$000	2018 Actual \$000
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments	130 - 140	130 - 140
Benefits and Other Emoluments	4 - 5	3 - 4

Other Employees

No other employee received a total remuneration greater than \$100,000 (2018: \$nil).

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

20. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2019 (Contingent liabilities and assets at 31 December 2018: \$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 has commenced a review of the schools sector payroll to ensure compliance with the Holidays Act 2003. The initial phase of this review has identified areas of non-compliance. The Ministry has recognised an estimated provision based on the analysis of sample data, which may not be wholly representative of the total dataset for Teacher and Support Staff Entitlements. A more accurate estimate will be possible after further analysis of non-compliance has been completed, and this work is ongoing. Final calculations and potential impact on any specific individual will not be known until further detailed analysis has been completed.

To the extent that any obligation cannot reasonably be quantified at 31 December 2019, a contingent liability for the school may exist.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

21. Commitments

(a) Capital Commitments

As at 31 December 2019 the Board had entered into a contract to replace roofing and spouting. This project is fully funding by the Ministry with a total project value of \$83,956. At balance date the school had spent \$63,397.

(Capital commitments at 31 December 2018: \$Nil)

(b) Operating Commitments

As at 31 December 2019 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.

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 (2018: Loans and receivables)

	2019 Actual \$	2019 Budget (Unaudited) \$	2018 Actual \$
Cash and Cash Equivalents	147,327	300,172	151,442
Receivables	139,981	151,010	150,643
Investments - Term Deposits	55,858	-	-
Total Financial Assets Measured at Amortised Cost	343,166	451,182	302,085

Financial liabilities measured at amortised cost

Payables	171,167	158,500	161,691
Finance Leases	86,618	63,000	62,759
Total Financial Liabilities Measured at Amortised Cost	257,785	221,500	224,450

24. Events After Balance Date

On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown all schools were closed. While the disruption is currently expected to be temporary, there is a level of uncertainty around the duration of the closure.

At the date of issuing the financial statements, the school has been able to absorb the majority of the impact from the nationwide lockdown as it was decided to start the annual Easter School holidays early. In the periods the school is open for tuition, the school has switched to alternative methods of delivering the curriculum, so students can learn remotely.

At this time the full financial impact of the COVID-19 pandemic is not able to be determined, but it is not expected to be significant to the school. The school will continue to receive funding from the Ministry of Education, even while closed.

ISLAND BAY SCHOOL

Notes to the Financial Statements

For the year ended 31 December 2019

25. Adoption of PBE IFRS 9 Financial Instruments

In accordance with the transitional provisions of PBE IFRS 9, the school has elected not to restate the information for previous years to comply with PBE IFRS 9. Adjustments arising from the adoption of PBE IFRS 9 are recognised in opening equity at 1 January 2019. Accounting policies have been updated to comply with PBE IFRS 9. The main updates are:

- Note 9 Receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.

- Note 11 Investments:

Term deposits: This policy has been updated to explain that a loss allowance for expected credit losses is recognised only if the estimated loss allowance is not trivial.

Upon transition to PBE IFRS9 there were no material adjustments to these financial statements

ISLAND BAY SCHOOL

Members of the Board of Trustees

For the year ended 31 December 2019

Name	Position	How Position On Board Gained	Occupation	Term Expired/Expires
Elizabeth Cox	Parent Rep	Elected Dec 2017, elected Chairperson June 2019	Heritage Consultant	June 2022
Hamish Groves	Parent Rep	Elected June 2016, elected Chairperson Dec 2017	Accountant	Retired June 2019
Deborah Fenton	Principal	Appointed May 2017	Principal	
Lizzie Waipara	Staff Rep	Elected June 2019	Teacher	June 2022
Jarryd Bradford	Staff Rep	Elected Nov 2016	Teacher	Retired June 2019
Fleur Fitzsimons	Parent Rep	Co-opted Nov 2016, elected Nov 2017	Lawyer	June 2022
Cristin Jamieson	Parent Rep	Elected June 2019	Lawyer	June 2022
Devon Heaphy	Parent Rep	Elected June 2019	Architect	June 2022
Anna Bordignon	Parent Rep	Elected June 2019		June 2022
Tai Samaeli	Parent Rep	Co-opted June 2019		June 2022
Craig Rofe	Parent Rep	Co-opted 2015, re-elected June 2016	Senior Lecturer	Retired June 2019
Kate Scott	Parent Rep	Elected Nov 2017	Accountant	Retired June 2019
Justin Thirkell	Parent Rep	Elected May 2013, re-elected June 2016	IT Manager	Retired June 2019

ISLAND BAY SCHOOL

Kiwisport Funding

For the year ended 31 December 2019

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

In 2019 the School received funding of \$6,027 (2018: \$6,121) to increase our student participation in organised sport.

The Funding supported student swimming lessons (aquatics programme).



Island Bay School

Report to the Board of Trustees for
the year ended 31 December 2019

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May 2020

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 financial statements for the year ended 31 December 2019 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 correspondence is part of our ongoing discussions as auditor in accordance with our signed engagement letter and as required by the Office of the Auditor General requirements, which include New Zealand auditing standards. 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 audit of the financial statements does not relieve management or the Board of their responsibilities. The ultimate responsibility for the preparation of the financial statements rests with the Board.

We have prepared this report solely for the use of the Board and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and Accounting for Schools Ltd for their assistance and cooperation during the course of our audit.

Yours faithfully
DELOITTE LIMITED

Hamish Anton
Appointed Auditor

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Contents

1.	Status of the audit and areas of focus	1
2.	Assessment of internal controls	3
3.	Summary of financial statement matters arising	4
4.	Other professional communications	4

1. Status of the audit and areas of focus

Our audit of the 31 December 2019 financial statements is substantially complete, subject to the completion of the following matters which are 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 of Trustees.

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

Areas of focus	
Matter Identified	Audit Response
<p>1.1 Impacts of Covid 19 and Emphasis of Matter</p> <p>On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) a pandemic. Two weeks later, on 26 March, New Zealand increased its' COVID-19 alert level to level 4 and a nationwide lockdown commenced. As part of this lockdown all schools were closed. While the disruption is currently expected to be temporary, there is a level of uncertainty around the duration of the closure and the resultant impact.</p> <p>The Office of the Auditor General has determined that all Schools should disclose the fact the School has been disrupted and the impact is being assessed by School management and governance.</p> <p>The School will continue to receive funding from the Ministry of Education, even while closed.</p>	<p>The Office of the Auditor General has determined that all School audit opinions are to include an "Emphasis of Matter" drawing the reader's attention to the disclosure in the financial statements in respect of the disruption and impact of Covid 19.</p> <p>The School has prepared its financial statements on a going concern basis and is evaluating the impacts of the disruption. The School has continued to receive funding during the lock down from the Ministry of Education.</p> <p>We have performed audit procedures on these matters as relevant and in accordance with OAG expectations. Our report includes an Emphasis of Matter in accordance with those guidelines.</p>
<p>1.2 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 on line. We have been asked to remind you of this requirement.</p> <p>Other areas of focus this year 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. The MoE has issued specific guidance on the approval of overseas travel which may be of assistance to Board processes in this area. Where significant the Board is required to disclose overseas travel separately.</p> <p>You are reminded that your Annual Report is required to be provided on line in a timely manner each year and are asked to ensure a process of compliance is put in place.</p> <p>No specific concerns or findings were noted.</p>

2. 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.

2.1 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 system and creditor process 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. This historical lack of oversight in this area should be specifically considered by the Board as part of its regular financial monitoring.

2.2 Update on matters raised in the prior year

We have made enquiries and observations about the remedial action taken on last year's management letter observations and report as follows:

Issue raised in the prior year	Current year update
School paid for a towage fee of the rental car used by teachers attending a Senior Leadership Conference in Auckland.	We note that no fees/fines have been paid as expenses by Island Bay School in 2019
Not all music teachers included in the Novopay time sheeting system	Starting from April 2019, all music teachers have been loaded into Novopay, including relievers. This has been in conjunction with the updating of the Schools Policies around the Music School.
No balance sheet budget	A 2019 Balance sheet budget has been prepared

No evidence of review of supplier Masterfile when changes are made to it.

A random check on invoice and account number is performed for each batch run. Note this is in line with recommendation

3. Summary of financial statement matters arising

In performing our audit of Island Bay School for the year ended 31 December 2019 we have not identified any uncorrected misstatements that management believe could, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2019.

4. Other professional communications

The following matters relevant to our audit for the year ended 31 December 2019 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.
Going concern	We have not become aware of any events or conditions that may cast significant doubt on the School's ability to continue as a going concern.
Fraud	No matters relating to fraud, concerning either employees or management have been advised or came to our attention.
Accounting policies and financial reporting	For the year ended 31 December 2019 the school has elected to early adopt PBE IFRS 9 Financial instruments. We have not identified any issues in regard to the adoption of PBE IFRS 9 during our audit procedures. We have not become aware of any significant qualitative aspects of the entity'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, needs to be communicated to the Board.

