

8 May 2018

The Chairperson
Western Heights School
Board of Trustees
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Dear Mr Sullivan

Audit of your Financial Statements For the year ended 31 December 2017

We have substantially completed the audit of your financial statements for the year ended 31 December 2017.

Upon completion of your audit we will enclose a complete set of your school's financial statements together with our formal audit report issued on behalf of the Controller and Auditor-General, as required by legislation.

Please note that a PDF copy of the audit report and signed financial statements is required to be uploaded to the MOE's schools data portal 31 May 2018. We also bring to your attention that due to an amendment to the Education Act 1989, all schools are now required to publish their Annual Reports on their website. This requirement commences with your 2017 Annual Report which contains your audited annual financial statements including our audit opinion.

This letter and accompanying report of Audit Findings includes observations on the school's accounting procedures. As the trustees are responsible for the financial operations of the school we suggest this letter be considered at the next finance committee meeting and tabled at the next full board meeting.

Scope of the Audit

Our audit is designed to provide an independent opinion on the board's financial statements which are a public document. As a secondary output of this work we also report on matters relevant to your financial and management systems that have come to our attention and are significant.

We have performed procedures to audit the information presented in your annual financial statements. We have also relied on representations made by your school's management team, including your accounting service provider. We assess the results of procedures and representations made when forming our audit opinion.

To ensure your school receives the maximum benefit from our audit we have turned our focus to the future and set out in the attached report some matters for the attention of your board. Our motive is to offer objective and constructive advice so that the accounting function and related issues can be improved in the future. Please note that this letter is sent only to you, with a copy to the Office of the Controller & Auditor-General. We do not send a copy of this letter to the Ministry of Education or any other party.

The Audit Doesn't End With Our Audit Report

If you wish, we would be pleased to discuss with you our recommendations in this letter or any other aspect of the school's audit. If it is of value to your board, one of our audit directors or managers would be happy to attend a board meeting to discuss any finance related issues you have.

In recognition of the value we place on our association with your school, we think it is appropriate to waive our normal fee for attending a meeting. Please contact our office if you wish to take up this offer.

Our Sincere Thanks

We would like to take this opportunity to thank your principal, Ash Maindonald and executive officer, Joy Waddell for their assistance and co-operation during our audit. The assistance from the school team greatly influences the efficiency of the whole audit process.

We would also like to thank the trustees for selecting RSM Hayes Audit as your auditors. We appreciate our relationship with your school and look forward to continuing to provide a valuable service to you.

Yours sincerely



Kumar Aravinda
Audit Partner





Western Heights School

Audit Findings

For the year ended 31 December 2017

1. Introduction
2. Expected Content Of Our Formal Audit Report
3. Governance
4. The Financial Statements
5. The Day To Day Accounting System

1. Introduction

We set out below our findings from the audit work we have performed during the audit of your financial statements for the 2017 financial year. Matters raised in this report have been discussed with your management team during the audit fieldwork.

Our work focussed on the systems and controls set by your board and implemented by your management team, to the extent necessary in forming an audit opinion. Any matters arising from the audit are detailed in this letter.

2. Expected content of our formal audit report

Subject to receipt of signed financial statements, letter of representation and final update of events subsequent to balance date, we expect to issue an unmodified audit report in our standard wording.

3. Governance

Areas of Significant Audit Focus

We believe it is best practice to communicate with you as the governing body regarding matters which form an important part of our audit process.

An independent audit of your financial statements is a key part of ensuring that your organisation has appropriate controls in place regarding financial management and financial reporting. However, ultimately it is you, the governing body that remains responsible for your financial systems, internal controls including the detection and prevention of fraud, and financial statements.

While our audit necessarily involves evaluating your overall system of financial controls and reporting, the following are areas and issues we assessed as potentially significant risk areas in relation to your school during our audit. Accordingly we believe that they are important issues that should be of interest to you in your governance capacity. In the case of your organisation in the current year these assessed areas of significant focus were as follows:

- Payroll controls in place at your school and accurate recording of payroll accruals
- Recognition and recording of locally raised funds income and expenditure
- Risk from limited segregation of duties
- Revenue recognition and treatment of income in advance
- Expenditure being valid and appropriate for your school's purposes (probity of expenditure)
- Cyclical maintenance expense and provisioning being appropriate

In addition, we sought to ensure that your financial statements were in compliance with generally accepted accounting practice in New Zealand as appropriate to public benefit entities that qualify for Tier 2 reporting. That is that Public Benefit Entity Standards - Reduced Disclosure Regime (PBE Standards RDR) have been appropriately adopted and that the mandatory Kiwi Park model has been followed.

We are pleased to advise that our testing of these assessed risks did not identify any significant issues or concerns. Any observations and recommendations related to these topics are detailed below.

Required Communications

We are required by auditing standards to report specific matters to you as follows:

- We have had no disagreements with management during our audit nor any serious difficulties in dealing with management
- We have not identified any breaches of legislation during our audit
- We have not identified any instances of fraud involving management, or any other frauds that caused a material misstatement of the financial statements

- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

Audit Independence

We reaffirm we are independent of your school, and that we have no relationship with your school that could impair our independence.

Maintenance of an interest register

We noted that the school doesn't currently maintain an interest register to keep track of the related party entities, and transactions with such entities. To ensure the School has a robust system or process for capturing and reporting on any future related party transactions, and to ensure that the appropriate approval processes are in place where these are contemplated, an interest register is recommended. Such a register can be updated if required at board meetings and should ensure the identity of related parties is clearly identified.

4. The Financial Statements

Unadjusted differences

There were no errors noted in the financial statements that remained uncorrected.

Adjustments made

Appendix A identifies all journal adjustments posted at our request in the final financial statements.

Budgeted Cash Flow Statement

Schools are required by S87(3)(i) of the Education Act 1989 to report budgeted figures for the cash flow statement that is now mandatory in your financial statements. Further, we consider that it is important to monitor the cash position of your school to ensure that funds are always available to meet day to day financial obligations.

We note that while your school has presented a cash flow statement budget in your year-end financial statements, this has been generated from your income statement and balance sheet budgets as part of the financial statements preparation process.

In future, we recommend that the preparation of a cash flow budget be integrated into your annual budgeting cycle so that this is available to your board and management for monitoring purposes at the commencement of the year, as well as to enable this to easily be included in the annual financial statements.

5. The Day to Day Accounting System

It is important that we report any observations and areas for improvement in respect of the financial control environment at your school. As part of the RSM audit approach we review the accounting systems established by the board to the extent that they could have a significant impact on the annual financial statements. The following observation is brought to your attention.

Supporting Documents for Credit Card Transactions

From our sample of the Principal's credit card statements tested, invoices and supporting documents were not always attached to the credit card statements as evidence to support the transactions. We found nothing in our examination to bring into question the integrity of any individuals or the expenditure made.

Credit cards can be reasonably easily subject to error and fraud. Adequate supporting documentation of credit card purchases is important as it provides evidence of the expenditure and its validity. It also provides appropriate support to the person who is authorising the expenditure

All relevant supporting documents should be attached to credit card statements. This will ensure all documentation relevant to the credit card payment is kept together, presented to the authoriser, and appropriately retained. In addition, this will ensure an appropriate audit trail should this expenditure ever need to be revisited in the future.

Appendix A

Journal adjustments made in the final financial statements at our request

Name	Account No	Income Statement		Balance Sheet	
		DR	(CR)	DR	(CR)
Tchr Salaries - BOT	65086		(61,563)		
Accounts Receivable - Salary Accruals	91025			61,563	
To recognise banking staffing underuse for the year.					
Cyclical Maintenance-Increase Provision	71415	49,078			
Provision For Cyclical Maintenance	93057				(49,078)
To include exterior painting carried out in 2018 in the provision.					