



Mount Somers Springburn School

Report to the Board of Trustees for
the year ended 31 December 2018



31 May 2019

The Board of Trustees
Mount Somers Springburn School
Ashburton George Road, RD 1
Ashburton 7771

Dear Trustees

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the school financial statements for the year ended 31 December 2018, 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 staff 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

Mike Hoshek
Appointed Auditor
On Behalf of the Auditor General

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1. Status of the audit and outstanding matters

Our audit of the 31 December 2018 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 financial statements by the Board of Trustees.

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

1.1 Office of the Auditor-General (“OAG”) audit brief matters

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.

Areas of focus this year remain similar to previous years including:

- classification of leases;
- additional school activities including clusters;
- sensitive expenditure;
- financial difficulty risk factors; and
- legislative compliance.

Our audit procedures considered these matters to the extent that each relates to the School.

2. Assessment of internal controls

Our audit requires us to obtain an undertaking of the Schools 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 many schools, the number of people involved in the administration and accounting functions is very limited. This brings with it an increased inherent risk that errors and omissions may occur and go undetected.

The inherent risks relating to income are greatest in relation to the receipt and recording of Local Raised Funds, Donations etc, and there are limited audit procedures we can adopt to ensure all money that should be received is properly accounted for.

Payment risks in relation to school costs and casual payroll are greatest through the small number of staff available to approve and process payments and typically some admin staff are involved in both of these functions.

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 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.

3. Accounting matters Arising

3.1 Conflicts of Interest Register

Observation

Through our testing of the controls at the school we noted that conflicts of interest were noted at every board meeting but there was no register kept of the conflicts that were noted.

Implication

If there are conflicts and the way they are dealt with is not recorded there is a risk that they are not appropriately addressed, and there is no evidence of how they were addressed for future reference.

Recommendation

We recommend that a formal conflicts of interest register is kept stating what the conflict is, how it arose, and how it was appropriately addressed, so that there is documentation for future reference.

3.2 Review of Supplier Masterfile Changes

Observation

The Supplier Masterfile holds details of suppliers, such as names, addresses, and bank details.

When a change is requested (such as a change in bank details or a new supplier is added), there is no separate review of this change to ensure it is reasonable and has been made accurately.

Implication

There is the potential that inappropriate suppliers are added to the Masterfile and / or inappropriate payments are made to incorrect bank accounts.

Recommendation

We recommend all a monthly / quarterly review of all changes to the Supplier Masterfile is performed by the Principal (or by someone who does not have access to make Supplier Masterfile changes).

4. Summary of unadjusted differences

In performing our audit we have identified the no misstatements or disclosures that have not been adjusted in the financial statements for the year ended 31 December 2018.

5. Other communications

The following matters relevant to our audit for the year ended 31 December 2018 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 came to our attention.
Accounting policies and financial reporting	There were no changes in accounting policies during the year ended. 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.
Other Information	We have read the other information (the financial and non-financial information other than the financial statements) contained within the annual report and identified the no material inconsistencies.