



31 December 2020

# Audit Management Letter to the Board of Trustees.

West Gore School

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20 April 2021

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Via email: cmacleod@westgore.school.nz  
CC: Linda Fraser, Principal: lfraser@westgore.school.nz

Dear Ceri

**Annual Financial Statement Audit for the Year Ended 31 December 2020**

We have recently completed our financial statement audit of West Gore School (the "School") for the year ended 31 December 2020, and we have pleasure in providing our report on the results of the audit process.

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

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

Yours sincerely  
**Crowe New Zealand Audit Partnership**



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## 1. Results of the Audit Process

### 1.1 Scope and purpose of audit engagement

We have completed our audit of the School's annual financial statements for the year ended 31 December 2020 and issued our audit opinion. Based on our audit procedures we can confirm the annual financial statements presents fairly, in all material respects, the financial position of the School as at 31 December 2020 and its financial performance and cash flows for the year then ended.

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

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

### 1.2 Responsibilities of the Trustees

The Trustees are responsible for the preparation and fair presentation of the financial statements which fairly reflect the financial position of the School as at 31 December 2020 and the financial performance for the year ended on that date.

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

### 1.3 Independence statement

Members of the Audit Team and Partners of Crowe have confirmed their independence from the School for the year ended 31 December 2020.

### 1.4 Materiality

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

### 1.5 Outcomes from audit of key performance report risk areas

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

Audit Risk	Audit Response
<p><b>Fraud in revenue recognition</b></p> <ul style="list-style-type: none"> <li>Locally raised funds are a specific audit risk identified by the Office of the Auditor General. This revenue stream is susceptible to fraud risks over completeness of revenue.</li> <li>There are specific accounting judgements in the application of the School's accounting policies for key revenue streams.</li> </ul>	<ul style="list-style-type: none"> <li>We verified a sample of revenue transactions from underlying documents to the general ledger and bank statements.</li> <li>We analytically reviewed revenue categories against budget and prior year.</li> <li>We compared an external confirmation of government grants paid to the School to the revenue recorded in the School's financial statements.</li> <li>We prepared an independent expectation of the School's revenue for the year and compared against actual revenue recorded. Explanations were sought for differences in excess of our tolerable variance.</li> </ul>
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor.</li> <li>Material misstatement of financial statements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries, bias in accounting estimates and the existence of significant transactions outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>Professional scepticism was maintained while undertaking audit procedures on subjective balances in the School's financial statements, including the provision for cyclical maintenance.</li> <li>Journals posted into the general ledger were selected on a sample basis and traced back to supporting documents to verify that they were appropriate.</li> </ul>
<p><b>Cyclical Maintenance</b></p> <ul style="list-style-type: none"> <li>The cyclical maintenance provision does not contain all obligations of the school and does not reflect management's best estimate.</li> </ul>	<ul style="list-style-type: none"> <li>We reviewed the calculation of the School's provision for cyclical maintenance and it's alignment with the School's 10YPP.</li> </ul>

## 1.6 Observations and recommendations arising from the audit

We highlight the following matters for the attention of the Trustees together with recommendations for management to consider, to further strengthen the internal control environment of the School.

### 1.6.1 School Policies

During the audit we enquired with management on how the school maintains, review, and ensure compliance with school policies. We understand that a Board of Trustees workplan is being developed, and that COVID-19 has interrupted your planned schedule.

It is important for the School to regularly review and update its policies and procedures, as operations needs may change over time, and new best practices are shared across the sector.

We acknowledge that the School already makes available to the public high level information on the school's website (e.g. 'Our Philosophy', enrolment handbook), and that the Ministry of Education offers guidance to governance best practices through regular communication. Existing policies are reviewed when significant changes occur (for example, the School revised its religious education policy in December 2020).

**Recommendation**

That when practical, the school's policies and procedures review workplan is brought up to date. These policies and procedures should be readily available to governance, staff, and school community as appropriate so all parties understands what behaviors represents the best interest of the school.

**Management comments**

*All policies are current and up to date.*

### 1.6.2 Fixed Asset Schedule Review

The fixed asset schedule is an important list of assets owned and used by the School. We note that there is no record of the fixed assets being reviewed by the Board of Trustees to ensure that all assets owned by the School are included and that all obsolete assets are removed from the fixed asset schedule. Through enquiries with management we understand that the School has deferred its full fixed asset stock take to 2021.

Checking assets each year is a requirement of financial reporting standards. It is an important step in fixed asset management for the school because it identifies those assets that have decreased in value. This may be as a result of events other than normal wear and tear, such as significant damage, loss, technological obsolescence or theft.

**Recommendation**

We recommend that the fixed asset schedule be reviewed on an annual basis to ensure that all of the assets owned by the School are included and that the obsolete assets are removed from the schedule. Assets included in the fixed asset schedule that are at a nil value but still used by the School should be retained in the fixed asset schedule.

The register should then be used to periodically check the existence of all fixed assets, through a fixed asset count. We recommend that you do this at least annually for valuable and mobile items and perhaps on a rotation basis for other items.

We recommend that it would be prudent to review the insurance of the School at this time to ensure that adequate insurance is maintained.

The Minutes of the Board meeting should note that the review has been completed.

**Management comments**

*All new assets are added to the register as purchased. This is notified at time of purchase to Solutions & Services. Any assets being disposed of are also notified.*

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

## 1.7 Update on prior year observations and recommendations

In our audit for the 31 December 2019, we identified a number of matters for the attention of the Trustees together with recommendations for management to consider. We consider the following matters to have been sufficiently addressed.

Prior Year Recommendation	Current Year Observation
<b>Limited segregation of duties over cash receipts</b>	<p>After opting into the MOE Donations Scheme, the volume of cash received by the School has drastically reduced.</p> <p>Furthermore, we made an assessment after performing a walkthrough of the School's 2020 revenue control system, and assessed that the level of segregation of duties is appropriate for the volume of transactions processed.</p>
<b>Review and approval of sensitive expenditure</b>	No issues noted during 2020 sample testing.
<b>Approval of cyclical maintenance provision</b>	Cyclical maintenance plan was reviewed and timing approved at November 2020 Trustees' meeting.
<b>Publish annual report online</b>	2018 and 2019 annual reports have been published on the School's website.

## 1.8 Confidentiality

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

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

## 2. Other matters to be communicated

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

Matter to be communicated	Crowe comments
Significant accounting policies adopted or changed	There were no changes to accounting policies in the 2020 financial year
Management judgements and estimates	Other than what has been disclosed in Section 1.5 no material accounting judgements identified.
Disagreement with management over the application of accounting principles, scope of the audit and disclosures	There have been no disagreements with management during the audit.
Any instances of fraud or non-compliance with legislative, regulatory or contractual requirements	No instances of fraud or non-compliance were detected during the audit.
Material uncertainty related to going concern	No matters of material uncertainty were noted.

## 3. Summary of adjusted and unadjusted audit differences

### 3.1 Adjusted audit differences

In performing our audit for the year ended 31 December 2020, we have not identified any uncorrected adjustments or errors that could, in our judgement, either individually or in aggregate have a significant effect on the financial statements.

We have communicated all amendments to financial statement disclosures that were identified during the audit and all have been updated in the financial statements.

### 3.2 Unadjusted audit differences

No uncorrected adjustments or errors remain in the financial statements for the year ended 31 December 2020.