



Auditor's Report to the Board of Trustees

Glenorchy School

Year Ended 31 December 2017

23 May 2018

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The Chairperson
Board of Trustees
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Dear Jennifer

Annual Financial Statement Audit for the Year Ended 31 December 2017

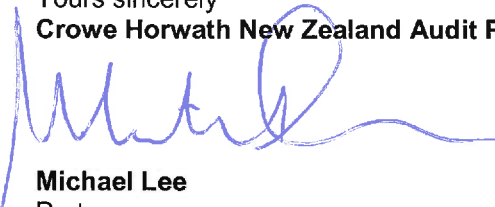
We have recently completed our financial statement audit of Glenorchy School (the "School") for the year ended 31 December 2017, and we have pleasure in providing our report on the results of the audit process.

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 Horwath New Zealand Audit Partnership



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1. Executive summary

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 2017 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 2017 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 Trustees' responsibilities

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 2017 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 Horwath have confirmed their independence from the School for the year ended 31 December 2017.

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.

For the 31 December 2017 audit the materiality level was set in accordance with the guidelines issued by the Office of the Auditor General in the range of 1% to 3% of expenditure. We consider that the cumulative and individual effect of all balances and movements above materiality to be significant.

1.5 Commentary from issues noted

All issues raised in this report have been discussed with Management. We acknowledge that by the date of formal issue of this report, Management may have already implemented some of our recommendations. Management's response, in relation to the matters raised, is included in the respective sections of the report.

This report, by its nature, is critical in that it only contains comments on deficiencies observed and does not include comments on the many strong features of internal control also observed during our examination.

In issuing this report, we would stress that we have no reason to question the integrity of any of the School's staff members.

1.6 Audit findings

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

- Fraud in revenue recognition
- Management override of controls
- Probity in expenditure

Our uncorrected and corrected audit differences are included in Section 6 of this report for the consideration of the Trustees.

1.7 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 Trustees of the School directly.

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

2. Outcomes from audit of key financial statement risk areas

Our audit procedures include testing of all material balances. In our addition our risk based approach requires us to identify areas we consider to being subject to significant risk of material misstatement. These areas are given additional focus during the audit, a summary of key outcomes is provided below:

1. Fraud in revenue recognition

Audit risk	Audit response
<ul style="list-style-type: none"> 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. There are specific accounting judgements in the application of the School's accounting policies for key revenue streams. 	<ul style="list-style-type: none"> We reviewed the reliability of the accounting controls and systems for each significant revenue stream. We verified a sample of revenue transactions from underlying documents to the general ledger and bank statements. We analytically reviewed revenue categories against budget and prior year. We compared an external confirmation of government grants paid to the School to the revenue recorded in the School's financial statements. 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. <p>No evidence of material misstatement of revenue was found as a result of our procedures.</p>

2. Management override of controls

Audit risk	Audit response
<ul style="list-style-type: none"> The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor. Material misstatement of financial statements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or 	<ul style="list-style-type: none"> Professional scepticism was maintained while undertaking audit procedures on subjective balances in the School's financial statements, including the provision for cyclical maintenance. Journals posted into the general ledger were selected on a sample basis and traced back to supporting documents to verify that they were appropriate. <p>No indication of bias with regard to accounting estimates was noted during our audit. From our sample of journal entries posted during the year, we noted no evidence of material misstatement.</p>

2. Management override of controls

Audit risk	Audit response
<p>unauthorised journal entries, bias in accounting estimates and the existence of significant transactions outside the normal course of business.</p>	

3. Probity of expenditure

Audit risk	Audit response
<ul style="list-style-type: none"> The probity of expenditure is a specific requirement of the Office of the Auditor General and considers the appropriate use of public funds. 	<ul style="list-style-type: none"> We maintained alertness for, and an awareness of, issues and risks with effectiveness and efficiency, waste, and a lack of probity or financial prudence We tested on a sample basis areas of sensitive expenditure and assessed whether individual staff members had been provided with actual or perceived private benefits. Ensured all selected expenses met probity guidelines set by the Ministry of Education and the Office of the Auditor General. <p>No evidence of material probity concerns were identified as a result of our procedures.</p>

3. Observations and recommendations arising from the audit

We highlight the following matters for the Trustees' attention together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved, or still require further attention of the Trustees.

We have classified the findings based on their impact on the School based on the following scale:

Classification	Description of Classification
HIGH	<i>Significant weakness that requires immediate attention; has the potential to have a serious adverse effect on the School.</i>
MODERATE	<i>Weakness that should be addressed; could negatively affect the company or reduce efficiency of the School's operations.</i>
LOW	<i>Weakness that results in a control falling short of best practice.</i>

3.1 Activities Revenue

RATING: LOW

2016 & 2017 Observation

We have observed that the school has been running activity revenue at a loss

Recommendation

We recommend that the school review how to raise activity funds in order to compensate for activity costs. It may be that some of these costs would not be considered fundraising costs and if so should be reclassified to a different area of the financial statements.

Management comments

Every third year the school goes on a regional camp for which \$10,000 is usually budgeted (for local camp years we budget \$6,000). In 2017, we had a regional camp. However the previous principal, when budgeting for 2017, inadvertently only budgeted \$6,000, instead of the \$10,000. The new Principal is fully aware of the necessity to increase the activity revenue budget every third year to cover the regional camp costs.

3.2 Under use of MOE Capital works fund

RATING: **LOW**

2017 Observation

During 2016 the school had toilet block replacement project which the Ministry of education funded. Excess funds from this project was classified as funds for future use during 2017. Excess funds from the projects that had been completed are required to be returned to the Ministry.

Recommendation

Excess funds for completed projects should be returned to the Ministry of Education and remain as a liability until this is done. Or a Ministry approval attained to use this fund towards another project.

Also looking through last two years documentation, we also noted that extra funds were applied for, which indicated that cost relating to this project may have been expensed previously or this was just an extra funds applied for this project. Please contact your accounting provider to review this.

Management comments

We are in the process of discussing this issue with our accountants and the MOE.

4. Update on prior year observations and recommendations

In our audit for the year ended 31 December 2016, we identified a number of matters for the Trustees' attention together with recommendations for management to consider. We consider the following matters to have been sufficiently addressed.

Prior year recommendation	2017 observation
<p>Segregation of Duties</p> <p>2016 Recommendation We recommend that at random the school principal also review the banking summary against the till registers and counting of the actual money received.</p>	<p>2017 observation. Small school, there are very few staff. Over sight of board in place.</p>
<p>GST on School house</p> <p>2016 Recommendation We recommend that the School review whether they are correctly claiming GST on these expenses</p>	<p>2017 observation. Reviewed General Ledger, transactions were coded correctly with no GST.</p>

5. 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 Horwath comments
Significant accounting policies adopted or changed	No changes or new accounting policies were adopted during the year.
Management judgements and estimates	Other than what has been disclosed in Section 2 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.

6. Summary of adjusted and unadjusted audit differences

6.1 Adjusted audit differences

As a result of our audit procedures, the following adjusting journals were posted for the year end 31 December 2017:

#	Description	\$						Net Profit Increase/ (decrease)
		Asset		Liability/Equity		Profit Effect		
		DR	CR	DR	CR	Revenue	Expense	
1	Classification of Term deposit #002 from Non-current to Current	42,853	42,853	-	-	-	-	-
2	Correction of Cyclical maintenance provision	-	-	19,007	-	-	19,007	-
TOTAL		-	-	-	-	-	-	-
Total Profit Effect								-

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

6.2 Unadjusted audit differences

In performing our audit for the year ended 31 December 2017, 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.

Contact Us

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