

1 August 2017

The Chairperson
Owhata Primary School Board of Trustees
Brent Road
Owhata
Rotorua 3010

Dear Sir/Madam

Audit Management Letter For The Year Ended 31 December 2016

1. Introduction

We have completed the audit of Owhata Primary School for the year ended 31 December 2016.

This letter provides a summary of:

- the audit scope
- the audit opinion
- the issues arising from the audit

You will appreciate that while our audit is carried out in accordance with the Auditor-General's auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for public accountability and the implementation and monitoring of internal and management controls rests with management and the Board of Trustees.

2. Audit Scope

The audit aimed to:

- provide an audit opinion on whether the financial statements fairly reflect your school's reported financial results and financial position.
- assess and report on aspects of the school's financial management and controls.

3. Audit Opinion

We have issued our audit opinion on the financial statements for the year ended 31 December 2016 without any modification.

4. Going Concern Assumption

The financial statements were prepared on the basis that the school is a going concern. As required by the Office of the Auditor-General, we reviewed this assumption in terms of the criteria set out in the Auditing Standard ISA (NZ) 570. Based on the supporting evidence we concluded that the use of the going concern assumption was appropriate.

5. Issues Arising from Audit

Payroll Issues – Novopay System

The assurance work carried out centrally on behalf of the Auditor-General has found that the Novopay system places substantial reliance on schools to check the accuracy of their payroll. It is therefore important that the

91 Clarence Street Hamilton 3204
PO Box 389 Hamilton 3240

Telephone 07 839 1235
Facsimile 07 839 1237

Freephone 0800 269 139

enquiries@owenmcleod.co.nz
www.owenmcleod.co.nz



fortnightly transactions and expenditure reports are scrutinised thoroughly by people independent of the routine payroll processing in a timely manner. We found that appropriate controls were operating in your school.

Assurance work relating to Novopay that is carried out centrally on behalf of the Auditor-General, hasn't identified any major anomalies for investigation. We have received confirmation from the Board that the people on the end of year payroll report were employed during the year, and the total shown against each person is substantially correct.

Independent Checking of Transactions

As there have been a number of high profile school frauds in the news recently we are taking this opportunity to remind all schools of the need to ensure that there is adequate segregation of duties and independent review of transactions throughout the year (even for small schools).

This applies not only to inwards cash, payroll and expenditure but also to contracts and credit / debit card statements and invoices.

With regard to credit / debit card we recommend that a "one up" principle of authorisation applies. This means for example that the credit / debit card transactions of a Principal should be approved by either the Treasurer, Board or the finance sub-committee.

Library System

The information produced from the Access-it Library system does not match the fixed asset register for library books. All library books purchased during the year need to be added to the fixed asset register and the Access-it system and any books disposed of/lost need to be removed from both of the systems also. The value in the register and the system should reconcile.

Leases

It was noted during the period that the school entered into several finance leases, however these were accounted for as operating leases. The school need to ensure that they are accounting for leases correctly, going forward.

Expenses claims

It was noted during our testing that the Principal's Expense Claims are signed off by the Administration Officer. Please refer to above, for recommended procedure.

Working Capital Deficit

It was noted that the school has a working capital deficit of \$2,829. The school obviously needs to budget for and achieve surpluses to correct this situation.

Required Communications

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any instances of fraud involving senior management or any other frauds that have caused material misstatement in the financial statements.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.
- We are also required to advise you of any uncorrected misstatements. There are none to report.

We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.

6. **Conclusion**

We remind the school to submit a single PDF file of your annual report, including audited financial statements and required signatures to the Ministry of Education via the Ministry's [School Data Portal \(external link\)](#). These audited accounts must be minuted at your next Board of Trustees meeting.

Please advise us in due course of the actions you propose to take in relation to the matters raised in this letter.

We wish to acknowledge the friendly assistance provided by the school staff during the audit. If there is any further information you require, please do not hesitate to contact me.

Yours faithfully
OWEN McLEOD & CO



Richard Owen