

**Deloitte.**



**Combined Board of Halswell Residential  
College and Westbridge Residential School**  
Report to the Board of Trustees for  
the year ended 31 December 2017

31 May 2018

The Board of Trustees of the Combined Board of Halswell Residential College and Westbridge Residential School

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 2017 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 2017 financial statements is now complete.

## 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:

- Provisions for cyclical maintenance;
- additional school activities including clusters;
- sensitive expenditure;
- cyclical maintenance
- legislative compliance.

Our audit procedures considered these matters to the extent that each relates to the School. No specific concerns or findings on these matters were noted other than those identified below.

## **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 Provision of Cyclical Maintenance – Halswell Residential College**

#### **Observation**

The School has an obligation to the Ministry of Education to maintain in good order and repair at all times the land, buildings and other facilities on the School site. The School's financial statements do not include a cyclical maintenance provision in respect of Halswell Residential College because there is significantly uncertainty about what property maintenance the School is obliged to carry out because it has recently emerged from the Christchurch Schools Rebuild Programme. The obligation to maintain those building that were rebuilt and the School needs to ensure that it plans for this maintenance as best it can, so that the School has the necessary resources to carry out maintenance in the future when it falls due.

#### **Implication**

We understand this is a complex area for Christchurch schools, however ensuring this balance appropriately reflects likely maintenance is paramount from a school and audit perspective.

#### **Recommendation**

We recommend that the School and Ministry of Education work together to obtain a 10 year property plan for Halswell Residential College that includes an assessment around the effect of the 10 year property plan on the required balance sheet provision at year end.

### **3.2 Lease Schedule – Westbridge Residential School**

#### **Observation**

We were not able to obtain a lease repayment schedule from Solutions & Services for Westbridge Residential School that relates to the schools leases they hold.

#### **Implication**

Without a lease schedule, there is the risk the wrong amounts are recognised for the current and non-current portions of the finance lease and repayments are not being watched to ensure they cease and start when required by the finance lease terms and conditions.

#### **Recommendation**

The school ensures that a lease schedule of repayments is prepared for all finance leases and updated at least annually as part of year end procedures.

## **4. Summary of unadjusted differences**

In performing our audit we have identified no misstatements that have not been adjusted in the financial statements for the year ended 31 December 2017.

## 5. Other communications

The following matters relevant to our audit for the year ended 31 December 2017 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	<p>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 following material inconsistencies:</p> <ul style="list-style-type: none"> <li>• None noted.</li> </ul> <p>As at the date of preparing this report we have not yet read the other information (the financial and non-financial information other than the financial statements) contained within the annual report. If when doing so we identify any material inconsistencies, we will bring them to your attention.</p>