



31 December 2019

Audit Management Letter to the Board of Trustees.

Salford School

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12 May 2020

Mary Foley
Chairperson
Salford School
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CC: Sarah Gibbs, Principal:

Dear Mary

Annual Financial Statement Audit for the Year Ended 31 December 2019

We have recently completed our financial statement audit of Salford School (the "School") for the year ended 31 December 2019, 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 2019 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 2019 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 Board of Trustees

The Board of 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 2019 and the financial performance for the year ended on that date.

To meet this objective, the Board of 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 2019.

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>Fraud in revenue recognition</p> <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 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>Management override of controls</p> <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 unauthorised journal entries, bias in accounting estimates and the existence of significant transactions outside the normal course of business. 	<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>Cyclical Maintenance</p> <p>The cyclical maintenance provision does not contain all obligations of the school and does not reflect management's best estimate.</p>	<ul style="list-style-type: none"> We reviewed the calculation of the School's provision for cyclical maintenance and it's alignment with the School's 10YPP.

1.6 Observations and recommendations arising from the audit

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

1.6.1 Xero User

Observation

While reviewing the Xero user list, Crowe noted that Judi Devine had two xero user access. One under Judi Devine with email admin@salford.school.nz which was last logged in 6 months ago, second is Judi Devine – user 2 with email finance@salford.school.nz. Both this access has ability to change bank account details and also both this user access has generic email address. After discussion with the principal she had this sorted and with the suggestion from Solution and service, an email account with Judi's name was created. Crowe has sighted this change online which is correct.

We applaud on the school's management's efficiency in fixing the matter.

Management comments

This was an easy fix as only one account was being used by Judi and Solutions and Services were able to make the amendment quickly.

1.6.2 Good Administration/Accounting system

Observation

We take this opportunity to comment on the efficient and well-controlled nature of your team's administration and accounting function. This is a credit to the people involved as well as the disciplines put in place by your Board. As your auditors, we appreciate your openness to external advice and congratulate your school for your good efforts in ensuring the efficient and effective operation of this important part of your school.

Management comments

Despite the unusual circumstances with isolation etc we are pleased with the process for the audit and confirmation that our systems are robust and comprehensive with expertise and knowledge in the team to utilize.

Our uncorrected and corrected audit differences are included in Section 3 of this report for the consideration of the Board of 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 the Board of 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	During the year the School adopted PBE IFRS 9 Financial Instruments. This did not have a material effect on the Financial Statements for the year ended 31 December 2019.
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

As a result of our audit procedures, the following adjusting journals were posted for the year ended 31 December 2019:

#	Description	\$				
		Balance Sheet		Income Statement		Profit Impact
		DR	CR	DR	CR	
1	To increase teacher's salary accrual, error by the accountant on the amount to be accrued	10,000	10,000	-	-	Nil
2	School adjustment – 2019 late creditors		9,532	9,532	-	-9,532
TOTAL		10,000	19,532	9,532	-	-9,532

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

In performing our audit for the year ended 31 December 2019, 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.