

27 July 2018

The Chairperson  
The Board of Trustees  
Mission Heights Junior College  
PO Box 64 448  
Botany  
Auckland 2163

Dear Blair

## **AUDIT FOR THE YEAR ENDED 31 DECEMBER 2017**

The audit of the financial statements Mission Heights Junior College for the year ended 31 December 2017 is now complete. This letter provides a summary of the significant issues arising from the audit.

### **1. SCOPE OF THE AUDIT**

#### **Methodology**

In conducting our audit we evaluated those systems and controls in the organization upon which we wish to rely for the purpose of determining our audit procedures in forming our audit opinion. Accordingly, our audit may not have identified all the weaknesses that may exist.

Our audit was performed in order to form an opinion as to the truth and fairness of the financial statements. The work we performed was not specifically planned to detect instances of fraud or other irregularities. Accordingly, our opinion should not be relied upon to have uncovered acts of fraud and dishonesty.

#### **Auditor's Responsibility**

Our assessment of management control systems is performed at a level designed to maximize the efficiency of our audit. As a result, our reviews should not be relied upon to detect every instance of misstatement, fraud or irregularity. Our audit was conducted in accordance with generally accepted auditing standards and practices in New Zealand.

#### **Board of Trustees' Responsibility**

The implementation and maintenance of strong systems of internal control is the responsibility of the Board of Trustees. The ultimate responsibility for accountability rests with the Board of Trustees. The responsibility of the Board of Trustees is specified in the Education Act 1989.

We bring the following matters that have arisen from the audit to your attention.

## **2. MATTERS ARISING FROM THE AUDIT**

We did not find any significant issues other than that mentioned in this letter to report on during the audit. All minor matters have been discussed with the principal and executive officer and have been resolved to our satisfaction.

### **2.1. Payroll – Novopay – SUE reports not being reviewed by independent reviewer**

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 fortnightly SUE reports are reviewed by an independent reviewer as a check that the employees and the amounts paid are reasonable.

Although the fortnightly SUE reports have been reviewed by the Principal, we consider that the Principal is not an “independent reviewer” because the Principal also has access to the Novopay system.

We recommend that the fortnightly transactions and SUE reports are scrutinised thoroughly by people independent of the routine payroll processing, if necessary by board members.

### **2.2. Legislative Compliance**

As a Crown entity, your school is required to comply with a significant amount of legislation covering a wide variety of issues.

Under the Office of the Auditor-General’s mandate, we review your school’s approach to complying with your statutory obligations, as they relate to your financial reporting obligations. Our review does not guarantee that the Board is currently meeting all its legislative responsibilities.

We are pleased to advise that, based on our review, the Board appears to have a good general understanding of applicable legislation and has mechanisms in place to monitor compliance. We urge you to continue to ensure that any potential legislation issues are always considered before the Board makes any significant decisions. Legislative compliance is an important dimension of the Board’s overall risk management.

### **2.3. Probity**

As part of the audit on behalf of the Office of Auditor General (OAG), we have been asked by them to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity and financial prudence by the Board of Trustees.

We do not have any issue to report under probity.

#### **2.4. Ongoing Deficit Budgeting where Surpluses Achieved**

As in previous years, your school had budgeted for deficit results but has been able to return a surplus. We would like to congratulate the school on being able to achieve continued surpluses.

We note that the Board has again prepared and approved a deficit budget for the coming financial year.

In our view, budgeting for deficits where in fact surpluses are expected or likely does not lend itself to accurate monitoring and optimal management of the income and expenditure during the year.

We recommend that the Board review its budget-setting approach so that its estimates for income and expenditure take into account past performance and the best realistic estimates for the coming year.

We have not noted any other issues during our audit.

### **3. CONCLUSION**

We take this opportunity to thank Ian Morrisson, Geeta Patel and school staff for their assistance and co-operation during the course of the audit.

If you have any queries in relation to the points raised above please do not hesitate to contact Pradeep Singh or myself.

Yours sincerely

**JOLLY DUNCAN & WELLS**



**Brian Sheridan**  
Partner