

HARE KRISHNA SCHOOL

MANAGEMENT LETTER TO THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2017

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LIAISON

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1. PURPOSE OF THIS REPORT AND AUDIT SCOPE

1.1 Overview

This report has been prepared for discussion with the board and the management of Hare Krishna School (“the School”) and includes:

- Audit focus areas;
- A summary of audit differences identified; and
- Areas to bring to the attention of the board.

1.2 Acknowledgement

We can confirm that we were not restricted, in any way from being able to perform our audit and we were provided access to all information when requested.

We would like to express our thanks to Chris De La Mare and the staff for their co-operation and assistance provided to us during the course of the audit.

1.3 Disclaimer

This report has been prepared for the board and the management of the School only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the School.

1.4 Scope of the Audit

We have conducted an independent audit of the financial statements for the year ended 31 December 2017 in order to express an opinion on it to the readers of the School.

Our audit has been conducted in accordance with the Auditing Standards (<http://oag.govt.nz/2011/auditing-standards/index.htm>) published by the Auditor-General, which incorporates the International Standards on Auditing (New Zealand).

They require that we comply with ethical requirements, and plan and perform the audit to give reasonable assurance about whether the Board’s financial statements are free from material misstatement. The Auditing Standards also require us to be alert for issues of effectiveness and efficiency, waste and a lack of probity or financial prudence.

The scope of our audit was in accordance with the terms of our engagement letter dated 8 March 2016.

2. OVERVIEW OF THE AUDIT ENGAGEMENT

2.1 Status of the Audit

The audit work is complete except for the following list of matters which are required prior to completion of the audit:

- Completion of our subsequent events review to the date of signing of the audit opinion;
- Receipt of signed management representation letter; and
- Formal adoption of the financial statements by the board

We expect to sign an unmodified audit report after the above matters are completed.

2.2 UHY Haines Norton Audit Deliverables

We will provide the following deliverables on completion of our audit:

- Independent audit opinion; and
- The School's audited financial statements.

2.3 Focus Areas for the Audit

During our planning procedures and risk identification process, we identified a number of focus areas for the audit and accordingly, we designed appropriate audit procedures to identify any errors and reduce the level of material misstatement to an acceptably low level.

Our risk areas and procedures performed are included below:

- Waste and probity of expenditures;
- Completeness and fraud risk of locally raised funds;
- Accuracy of payroll expenditure;
- Understatement of cyclical maintenance provision; and
- Classification of finance and operating leases.

3. MATTERS ARISING FROM THE AUDIT

3.1 Introduction

During our audit procedures, we placed particular focus on the areas listed in section 2.3. No significant matters arose in relation to these areas. Other findings are detailed in **Appendix A**.

3.2 Summary of Unadjusted Audit Differences

Management will represent to us in writing that there are no unadjusted audit differences in the financial statements that they are aware of, which need to be brought to our attention. We concur with this view.

4. SPECIFIC REPORTING TO THE BOARD

4.1 Responsibility for the Prevention and Detection of Fraud

The primary responsibility for the prevention and detection of fraud rests with both the board of the School and its management. It is important that the management, with the oversight of the board, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which can be reinforced by an active oversight by the board. Oversight by the board includes considering the potential for override of controls or other inappropriate influence over the financial reporting process, maintaining adequate accounting records, proper application of accounting policies and the safeguarding of the assets of the School.

4.2 Errors, Irregularities and Illegal Acts

We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.

4.3 Going Concern

As part of our audit, we have assessed the conclusions reached by management concerning the application of the going concern assumption.

It was concluded that the governance team and the management correctly applied the going concern assumption to the financial statements for the year ended 31 December 2017.

4.4 Appropriateness of Accounting Policies

We consider the board has fulfilled their responsibilities for preparing and presenting the financial statements as required by section 87(3) of the Education Act 1989 and, in particular, that the financial statements comply with generally accepted accounting practice and fairly reflect the financial position of the School as at 31 December 2017.

4.5 Disagreements with Management

There have been no significant disagreements with management during the course of the audit.

4.6 Financial Statement Disclosure

We conclude that the financial statements of the School have been prepared in accordance with Public Benefit Entity Standards with disclosure concessions. We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

5. INDEPENDENCE

5.1 Overview

Our audit services are subject to UHY Haines Norton's and the profession's strict rules and policies regarding auditor independence.

We enforce these rules and policies in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

5.2 Declaration

We confirm that, to the best of our knowledge and belief, that the engagement team, and others in the firm as appropriate, the firm, and when applicable, network firms are independent having regard to UHY Haines Norton's policies, professional rules and relevant statutory requirements regarding auditor independence. We, therefore, confirm that there have been no contraventions of the independence requirements of either the Financial Reporting Act or professional standards.

APPENDIX A – AUDIT OBSERVATIONS & INTERNAL CONTROL DEFICIENCIES

OBSERVATIONS FROM OUR FIELDWORK

ISSUE 1 – RELATED PARTY TRANSACTIONS

We recommend that your board put mechanisms in place to identify related party transactions, such as a register for the trustees and senior management to disclose (at least annually) any actual or potential related party relationships with the School. Ideally, this register should be updated immediately when circumstances change.

If such a register is maintained, then this should be checked at year-end to ensure that all such relationships are adequately disclosed in the financial statements. We remind the board that such disclosures require the nature of the relationship as well as the amounts involved.

ISSUE 2 – FIXED ASSET REVIEW

With the volume of assets held by your school, checking assets each year is an important step. It identifies those assets that have decreased in value as a result of events other than normal wear and tear, such as significant damage, loss, technological obsolescence or theft. It is an important step in the management of the school's fixed assets.

A school of your size should aim to perform a complete fixed asset stock-take each year, with a review of high-value or high-risk fixed assets, such as computer equipment, performed perhaps six-monthly. This review will ensure that your school is kept up to date of the state of its fixed assets, act as a check and/or deterrent to theft and also ensure that amounts presented in the financial statements are fair.

In addition, during the review of the Fixed Asset Policy, we noted there was no review of the useful lives of the assets held by the School. The determination of useful lives of assets is a requirement of financial reporting standards and assists in the determination of book values of the assets.

We suggest the board reviews the assets for their useful lives which is an integral component in achieving the fair presentation of assets' values in the financial statements.

ISSUE 3 – GOVERNANCE – POSITIVE

We would like to commend the board on the steps it has taken to enhance its governance structures and reporting mechanisms. In particular, we note the improvements implemented after the recent independent governance review report / ERO report dated 19 May 2017. We encourage you to continue to look for ways to improve the board's governance policies and practices.

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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