



24 November 2021

The Chairperson
Board of Trustees
Swanson School
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Dear Chairperson

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the statutory auditor of the Board under section 14 of the Public Audit Act 2001. The Auditor-General has appointed as the RSM representative, Elaine Yong, or one of RSM's other OAG appointed auditors, using the staff and resources of RSM Hayes Audit, under section 32 and 33 of the Act, to carry out the annual audits of the Board's financial statements for the three years ending 31 December 2021 to 31 December 2023.

The purpose of this letter is to outline:

- the terms of the audit engagement, including the nature and limitations of the annual audit; and
- our responsibilities as the appointed auditor, and your responsibilities as the Board for the financial statements.

This letter sets out the terms of engagement for the annual audits. **Please sign and return the enclosed copy of this letter to acknowledge that you understand the terms of engagement.**

Scope of the audit and our responsibilities

The objectives of the annual audit are:

- to provide an independent opinion on the Board's financial statements; and
- to report on other matters that come to our attention as part of the annual audit. Typically, those matters will relate to issues of financial management and accountability.

We will carry out the audit in accordance with the [Auditor-General's Auditing Standards](#), which incorporate the Professional and Ethical Standards and International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Board's financial statements are free from material misstatement. The Auditing Standards also require us to be alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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An audit involves obtaining evidence about the amounts and disclosures in the financial statements. We use our judgement to decide how to do this, including assessing the risks of material misstatement of the financial statements because of fraud or error. We will also evaluate the appropriateness of the accounting policies used, and the reasonableness of accounting estimates and related disclosures made by management, as well as evaluating the overall presentation of the financial statements.

We do not test every transaction or guarantee that the financial statements are completely accurate. Because of the inherent limitations of an audit, together with the inherent limitations of internal control systems, there is an unavoidable risk that we may not detect some material misstatements, even though the audit is properly planned and performed in accordance with the Auditing Standards.

In carrying out the audit, we consider internal control systems relevant to the audit in order to design audit procedures that are appropriate in the circumstances. However, we do not express an opinion on the effectiveness of your internal control systems, though we will write to you about any significant deficiencies in these systems that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Board and the School have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Board obtained and applied the resources of the School in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Board and the School have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and RSM Hayes Audit remain both economically and attitudinally independent of Swanson School, including being independent of management personnel and members of the Board. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and RSM Hayes Audit.

To protect our independence, specific limitations are placed on us in accepting engagements with the Board other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Board and RSM Hayes Audit.

Your responsibilities

We will carry out our audit on the basis that the Board acknowledges its responsibility for:

- preparing the financial statements in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control, as determined necessary, to enable the preparation of financial statements that are free from material misstatement, whether because of fraud or error; and

- providing us with:
 - access to all information relevant to the preparation of the financial statements, such as records, documentation, and other information;
 - all other information, in addition to the financial statements, to be included in the annual report;
 - additional information that we may ask for from the school for the purpose of the audit;
 - unrestricted access to Board members and employees that we consider necessary; and
 - written confirmation about representations made to us about the audit.

The Board's responsibilities extend to all resources, activities, and entities under its control, including ensuring that:

- the resources, activities and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Board and/or the individuals within the School with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

Reporting audit results

We produce two reports about the annual audit:

- **An audit report** attached to the financial statements containing an independent opinion that provides readers with reasonable assurance on whether the financial statements fairly reflect the financial position, the results of operations, and the cash flows of the School; and whether the financial statements comply with generally accepted accounting practice. The form and content of the audit report might need to be amended based on our audit findings. For example, we could include comments on financial difficulties, compliance with legislation, and other matters that we consider could be of interest to readers.
- **A management letter** to the Board raises matters that come to our attention during the audit that, in our opinion, are relevant to the Board – such as internal control weaknesses, probity matters, and compliance with legislation. We may send a copy of the management letter to the Ministry of Education if we consider that it contains information that is relevant to the Ministry's responsibilities for schools.

The Auditor-General may refer to matters that are identified in the annual audit, in a report to Parliament if it is in the public interest in accordance with section 21 of the Public Audit Act 2001.

We require your acknowledgement of the terms of engagement

Please acknowledge receipt of this letter, and the terms of engagement for the audits, by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new audit engagement letter is issued.

The Office of the Auditor-General's website ([Auditing schools — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](http://oag.parliament.nz)) provides a more detailed description of the respective specific and other responsibilities of the Board and the appointed auditor.

Please contact either Colin Henderson or Brendon Foy on 09 367 1656 as soon as possible if you wish to discuss the terms of engagement before replying, require further information, have any questions about the audits, or any concerns about the quality of the audits. If, after contacting me, you still have concerns, you can contact the Office of the Auditor-General at AuditorAppointments@oag.parliament.nz.

Yours sincerely

A handwritten signature in blue ink that reads 'RSM'.

For RSM Hayes Audit's Approved Auditors
On behalf of the Auditor-General

By signing this letter of engagement, I acknowledge the terms of engagement for these statutory audits and that I have the required authority to sign on behalf of the Board of Trustees.

Signed

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Name and title

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Date