

GREYMOUTH CATHOLIC SCHOOLS

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED

31 December 2022





2 June 2023

The Board of Trustees
Greymouth Catholic Schools
BY EMAIL: catholicbot@stpatricksgm.school.nz
cc. Principal

Dear Presiding Member,

We have pleasure in presenting our Audit Completion Report for our audit of St Patrick's School and John Paul II High School's financial statements for the year ended 31 December 2022.

We emphasise that our audit work involves the review of only those systems and controls in your School upon which we rely on for audit purposes. Our examination may not have identified, and should not be relied upon to identify, all control weaknesses that may exist.

We express our appreciation for the assistance and co-operation provided by the School and the School's service provider during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Christchurch

A handwritten signature in black ink, appearing to read 'M. Rondel', is written in a cursive style.

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Partner
Audit & Assurance Services

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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Christchurch ('BDO') is the Appointed Audit Firm of the Greymouth Catholic Schools (the "School").

BDO's responsibilities include a requirement to express an opinion on the School's financial statements arising from our audit conducted in accordance with the Auditor-General's Auditing Standards which incorporate International Standards on Auditing (NZ).

This report details the processes, findings and recommendations from our audit of the School in accordance with the Auditor General's Auditing Standards, and the terms of our engagement as set out in our audit engagement letter.

Our audit of the School's financial statements for the year ended 31 December 2022 is complete.

We have issued an unmodified audit opinion.

We welcome your feedback on the effectiveness of the audit process and we are available to discuss our performance.

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements presented fairly in all material respects; and
- report to Management about control environment issues that should be addressed by the School.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested, and assessed the controls supporting the School's key transaction streams, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks for the School, and their potential impact on the financial statements, as well as the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Locally raised funds
- Payroll controls
- Cyclical maintenance provision
- Management override of controls

We were able to obtain sufficient and appropriate audit evidence in respect to these items and we have no significant findings to bring to your attention. Refer to Section 2 for our comments in respect of each significant risk and area of audit emphasis.

SUMMARY OF UNCORRECTED MISSTATEMENTS

Our audit procedures have detected 1 uncorrected misstatement. Uncorrected misstatements are documented at Appendix 1 and will be included in the letter of representation to confirm that you agree with Management's assertion that they are immaterial to the readers understanding of your financial statements.

INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of the School's internal controls in order to assess the risk of material misstatement in the financial statements whether due to fraud or error. However, is not designed to provide assurance over the overall effectiveness of controls operating within the School.

We have included in Section 3 of this report, a summary of our findings and recommendations arising because of our audit procedures.

A number of topics of interest can also be found within Appendix 3 of this report. Further points can be located in our Audit plan issued following our interim work.

2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS

Our audit procedures were focused on those areas of the School’s activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through our Audit Plan issued to you at the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes, unless stated otherwise.

| Locally Raised Funds | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Area of Audit Emphasis | Conclusion/Response |
| Due to the nature of locally raised funds (often being cash, or having limited segregation of duties), there is a risk of material misstatement around the completeness of locally raised funds. | We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements. |

| Payroll not approved or checked | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Area of Audit Emphasis | Conclusion/Response |
| Payroll is processed centrally for all schools. The accuracy of payroll processing is therefore dependent on appropriate approval of payroll changes and checking of the fortnightly SUE report at the School. | Please refer to Section 3 of this report. |

Cyclical Maintenance Provision

| Area of Audit Emphasis | Conclusion/Response |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <p>Cyclical Maintenance is an area of significant judgment and estimation which could lead to material misstatement in the financial statements if not considered properly by management. For Schools to be able to calculate the appropriate cyclical maintenance provision, a 10 Year Property Plan (10YPP) and cyclical maintenance calculation need to be prepared and/or reviewed by an expert.</p> | <p>We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.</p> |

Management Override

| Area of Audit Emphasis | Conclusion/Response |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.</p> | <p>We have assessed the segregation of duties and risk of management override as part of our planning process and concluded that the risk of fraud from management override of controls primarily relates to the processing of manual journals. We have used a risk-based approach to testing manual journals and focused on any areas with a risk of cut-off error or those requiring judgement or estimation. No issues with management override were identified.</p> |

3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key findings we identified during the audit and highlights control deficiencies requiring attention from management. Our work has been limited to those controls relevant to the audit of your financial statements. The purpose of our audit work on controls is not to provide assurance and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

The following key findings were identified during this year’s audit:

| REVIEW OF EDPAY TRANSACTION REPORTS | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finding | Conclusion |
| <p>In March 2022, the EdPay transaction history reports replaced the Novopay Online transaction reports.</p> <p>Most schools had not incorporated a review of these new reports into their fortnightly SUE Report review and approval process.</p> <p>The EdPay system relies on the school checking the accuracy of the payroll transactions processed as this information is not checked centrally.</p> | <p>That the EdPay transaction reports be reviewed and approved by the persons responsible for authorising the school’s fortnightly payroll. This forms an important part of the schools system of internal controls in regards to payroll.</p> <p>We recommend that you access the updated guidance on school payroll controls, which has been developed in conjunction with Education Payroll Limited and is available on the EdPay website.</p> |

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

| Matter | How the matter was addressed |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Auditors responsibility under generally accepted auditing standards | <p>We are responsible for completing an audit in accordance with generally accepted auditing standards in New Zealand. The detailed terms of which are set out in our audit engagement letter.</p> |
| Confirmation of Audit Independence | <p>In conducting our audit, we are required to comply with the independence requirements of AG PES-1 <i>Code of Ethics for Assurance Practitioners</i> issued by the External Reporting Board.</p> <p>Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.</p> <p>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none"> • No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner or the OAG. • All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by BDO during the year.</p> |
| Management Judgements and Estimates | <p>Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by the School in formulating particularly sensitive accounting estimates, assumptions, or valuation judgements. Overall, we note that the judgements and estimates made by management in the preparation of the financial statements for the year ended 31 December 2022 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.</p> |

| Matter | How the matter was addressed |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Matters requiring Board of Trustee input | <p>We have placed reliance on the Board’s review and approval of the following matters:</p> <ul style="list-style-type: none"> • Minutes of the Board meetings; • Implementation of such controls as is needed to ensure that financial statements are presented fairly; • Management accounts; • Annual budget; • 10 Year Property Plan/maintenance plan; • Notification of fraud; and • Financial statements. |
| Accounting policies | <p>Auditing standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. We reviewed the financial statements of the School against the Kiwi Park Model and noted no material departures from the requirements.</p> |
| Materiality and adjusted/ unadjusted differences | <p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated, or not disclosed, it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and when evaluating the financial statements. Materiality is initially calculated at the planning stage of our audit and has an influence on the amount of work we do, as well as where we direct our efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>All adjusted and unadjusted differences identified during our audit (if any) have been detailed in Appendix 1 of this report.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements, we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p> |

| Matter | How the matter was addressed |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Going concern | <p>We have undertaken a review of the Board and management’s assessment of the ability of the School to continue as a going concern for at least 12 months from the date of signing the audit report, and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that led us to conclude the going concern assumption could not be relied upon.</p> |
| Fraud | <p>During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud; however, should instances of fraud come to our attention, we will report them to you.</p> |
| Compliance with laws and regulations | <p>We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the School.</p> |
| Significant findings from the audit | <p>Other than those documented in the executive summary and sections 2 and 3 of this report, there were no significant matters arising from the audit.</p> |
| Disagreements with management | <p>There have been no disagreements with management over matters of significance to the audit.</p> |
| Difficulties encountered during the audit | <p>There have been no significant difficulties encountered during the audit.</p> |
| Consultations with other accountants and consultants | <p>We have considered the need for other accounting specialists during our work and determined due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.</p> |

| Matter | How the matter was addressed |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management representation letter | We have not requested specific representation from management in addition to those areas normally covered by our standard representation letter. |
| Probity, waste and performance | We are required to consider whether any approved payments could be considered extravagant or wasteful, or show a lack of probity or financial prudence. We did not identify any issues of concern with respect to probity, waste and performance. |
| Publishing Annual Report on the School's Website | <p>The Education and Training Act 2020 requires you to publish your Annual Report online. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of trustees statement of compliance with employment policies and Kiwisport statement.</p> <p>Making your Annual Report accessible to the school community is important for transparency and accountability. The expectation is that your Annual Report is published as soon as possible after your audit is completed, as the value of good accountability lessens over time.</p> <p>We note that you have published your prior year Annual Report on the School's website.</p> |

APPENDIX 1 - ADJUSTED AND UNADJUSTED DIFFERENCES

JOHN PAUL II HIGH SCHOOL

UNADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have not* been adjusted as they were considered by management not to be material:

| Description | Assets | Liabilities | Reserves | Profit |
|---------------------------------------------|----------|-------------|----------|--------|
| | Dr(Cr) | Dr(Cr) | Dr(Cr) | Dr(Cr) |
| | \$ | \$ | \$ | \$ |
| Te Mana Tuhono Grant incorrectly recognised | (33,391) | | | 33,391 |
| Net Effect of Adjustments not made: | (33,391) | | | 33,391 |

ST PATRICK'S SCHOOL

ADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have* been adjusted:

| Description | Assets | Liabilities | Reserves | Profit |
|-----------------------------------------------------------------|---------|-------------|----------|--------|
| | Dr(Cr) | Dr(Cr) | Dr(Cr) | Dr(Cr) |
| | \$ | \$ | \$ | \$ |
| Reversing the incorrect recognition of the Te Mana Tuhono Grant | (9,525) | | | 9,525 |
| Net Effect of Adjustments made: | (9,525) | | | 9,525 |

APPENDIX 2 - UPDATE ON FINDINGS FROM PRIOR YEAR

REVIEW OF CYCLICAL MAINTENANCE PLAN - ADVISORY

Finding

During 2020, we understand that the Principal and Executive Officer completed a review of the Cyclical Maintenance Plan (the Plan). We understand a further review is scheduled.

Based on our inquiries, however, it appears there has been no review of the Plan by a “suitably qualified professional” e.g., a qualified painter.

The Office of the Auditor General requires that schools have their Plan reviewed by a suitably qualified property professional after 3 years to ensure they are still valid.

Update

We note that the new 10 Year Property Plan has been received by the school in early 2022. We note that this has been created by an approved MOE expert.

APPENDIX 3 - TOPICS OF INTEREST

CYBERCRIME

Background / Introduction

The Office of the Auditor General (the “OAG”) reports that instances of cybercrime continue to increase. More types of entities are being affected and the estimated dollar value of losses is also increasing. Cyber criminals tend to capitalise on events like wars, pandemics, and natural calamities. With fraudsters using more sophisticated techniques, it is essential that public entities remain vigilant and respond to the risks.

Recommendation

We recommend that schools access the following resources:

- A video on [how to identify phishing emails](#) and what you need to know to avoid them.
- Guidance on the Ministry’s website on [digital citizenship and cyber-safety](#), as well as an online [digital technology guide](#).
- NetSafe can give schools online safety advice and guidance on cybersecurity. It also provides a list of specialist organisations that can offer specialist ICT safety and security tools to schools.
- [The business.govt.nz website](#) and [Cert NZ](#) have some tips and measures that can be used to safeguard entities from cybersecurity threats. Cert NZ also has some useful information to support entities that provide a remote working option, which is becoming more prevalent in the public sector.

GOOD PRACTICE GUIDES FOR SENSITIVE EXPENDITURES

Background / Introduction

The Office of the Auditor General (the “OAG”) has found that many schools are not following good procurement practices and that conflicts of interest are not being appropriately managed. As a result, the OAG has updated a number of resources on these matters.

During 2022, the Ministry of Education added the following guidance for schools to its website:

- An internal control checklist and segregation of duties matrix to assist schools with assessing their internal control environment.
- Cyclical maintenance provision resources, including a cyclical maintenance provision calculator and some worked examples.

Recommendation

We recommend that schools' access and utilise the new guidance provided by the Ministry of Education. and the resources provided by the Office of the Auditor General.

The links to the OAG and MOE resources are here: [*sensitive expenditure; managing conflicts of interest; good governance; procurement; and severance payments*](#), [*https://www.education.govt.nz/school/funding-and-financials/school-finances/*](https://www.education.govt.nz/school/funding-and-financials/school-finances/)