



St Michael's Catholic School

AUDIT COMPLETION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

Letter From the Engagement Partner

18 June 2025

Joseph Assen
The Presiding Member
St Michael's Catholic School

cc. Rachael McLanachan

Dear Joseph,

It is our pleasure to present our Audit Completion report for our audit of St Michael's Catholic School's Financial Statements for the year ended 31 December 2024.

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

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

Yours faithfully,
BDO Rotorua Limited



Mark Peterson
Partner
Audit & Assurance Services

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1. Executive Summary

Status

Audit complete

Opinion

Unmodified opinion issued

Adjustments

Refer Appendix 1

SUMMARY OF FINDINGS



Internal Controls
Moderate and low
rated matters
reported



Co-operation
Full

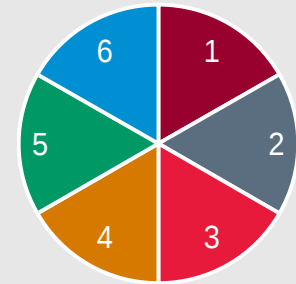


Fraud
None identified

AUDIT FOCUS AREA

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:

1. Locally Raised Funds – Revenue recognition
2. Locally Raised Funds – Completeness
3. Cyclical Maintenance Provision
4. Significant Estimates
5. Management Override
6. Inappropriate or Wasteful Expenses



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.

1. Executive Summary

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.

AUDIT SCOPE & OBJECTIVES

Our audit objectives are to:

- o report on whether the financial statements are presented fairly in all material respects; and
- o 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. Control weaknesses identified during the audit have been included in the audit findings section of this report.

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.

2. Key Audit Risks & 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 - REVENUE RECOGNITION

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
There is a risk that locally raised funds may not be recognized in the proper period due to opportunity or motivation to distort reported locally raised funds figures.	We found no issues regarding the recognition of locally raised funds balances recorded in the financial statements.

LOCALLY RAISED FUNDS - COMPLETENESS

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
Due to the nature of locally raised funds, with a portion being cash revenues, there is a risk that cash received is not deposited due to lack of segregation of duties with respect to cash receipts, deposit of funds, posting and reconciliation, resulting in increased risk for cash misappropriation.	We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.

CYCLICAL MAINTENANCE PROVISION

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
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 School Property Plan (SPP) and cyclical maintenance calculation need to be prepared and/or reviewed by an expert.	We found no issues regarding the provision for cyclical maintenance recorded in the financial statements.

2. Key Audit Risks & Areas of Audit Emphasis

SIGNIFICANT ESTIMATES

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
Risk of high estimation uncertainty related to significant estimates. Management bias may result in override of controls.	In regards to schools the main financial area subject to significant estimates relates to Cyclical maintenance provision. As noted above, audit work completed to ensure there are no indications that would result in the provision included in the financial statements being materially misstated.

MANAGEMENT OVERRIDE

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
There is a non-rebuttable presumption under the Auditing Standards that management override presents a significant risk of material misstatement to the financial statements.	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. We also refer you to Appendix 2 Management Override – Review of Journals Advisory point.

INAPPROPRIATE OR WASTEFUL EXPENSES

AREA OF AUDIT EMPHASIS	CONCLUSION / RESPONSE
Risk that expenditure incurred by the school does not meet the efficiency, probity, and financial prudence requirements of AG-3, and is inappropriate or wasteful.	We have reviewed a sample of costs incurred by the school, including capital expenditure and costs incurred on credit cards, and noted no instances of significant wasteful expenditure incurred by the school.

3. 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 the final year end audit procedures:

Write off Lost or Damaged Library Books

FINDING	CONCLUSION / RECOMMENDATION
As noted in prior year, the school has a large quantity of library books held on the fixed asset register. Although there is no material impact on the financial statements as a whole it is best practice to ensure that movements in library books are also reflected in the fixed asset movements in the school's financial statements, and on the schools fixed asset register. Guidance from the Office of the Auditor General recommends this as best practice as it also provides the opportunity to assess if there is any impairment that needs to be considered.	We recommend that the School records lost or damaged books as disposals, and subsequently removes these books from the fixed asset register.

Principal's Reimbursements

FINDING	CONCLUSION / RECOMMENDATION
For a sample of Principal's reimbursements we noted that they had been signed by the principal and office manager. It is best practice for reimbursements, like credit cards, to be subject to one-up approval. For principal expenses we would expect these to be signed by the presiding member.	We recommend that a 'one-up' approval process is applied to Principal reimbursements.

4. Update on Findings from Prior Reports

The following findings were reported in previous reports issued by BDO Rotorua Limited and an update from our most recent work is provided below.

Credit Card Statements		
FINDING	RECOMMENDATION	2024 UPDATE
Although we noted, from our review of the credit card statements, that there were instances of schedules attached to monthly credit card statements which were reviewed and signed off by the presiding member, this was not available for all months. Credit cards can be reasonably easily subject to error and fraud and have led to allegations of inappropriate expenditure for some schools. It is important that you have all appropriate supporting documents and are checking statements thoroughly on a timely basis to prevent errors or unauthorised payments.	We recommend that you continue to apply a “one-up” principle of approving credit card expenditure and ensure all approved schedules are included in the monthly payment files.	From work performed on Credit Card statements during the Audit we noted all statements were reviewed and signed off by the presiding member.

Appendices

Adjusted and Unadjusted Differences

ADJUSTED DIFFERENCES

The following misstatements have been identified and adjusted during the course of our audit.

	Assets	Liabilities	Reserves	Profit
	Dr(Cr)	Dr(Cr)	Dr(Cr)	Dr(Cr)
	\$	\$	\$	\$
				-
Increase of Audit Fee Accrual to agree to APL	-	(2,670)	-	2,670
TOTAL ADJUSTED DIFFERENCES	-	(2,670)	-	2,670

UNADJUSTED DIFFERENCES

There were no unadjusted differences outstanding at the conclusion of our audit.

Advisory Points

We include the following points as general advisory points. These are points which are relevant to majority of schools.

BDO ROTORUA AS THE SCHOOLS AUDITOR

The Auditor-General is the statutory auditor of the Board under section 14 of the Public Audit Act 2001. The Auditor-General has appointed BDO Rotorua Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Board's financial statements for the three years ended 31 December 2024, 31 December 2025 and 31 December 2026.

As part of the appointment process the school was required to sign a new engagement letter. This engagement letter was signed by the Principal at the time (3 March 2025).

However, as this letter remains in effect for the full year cycle during which there may be changes in the schools Principal and/or Presiding Member it should be approved by the full board.

We therefore recommend the board table the signed engagement letter and approve the motion below at their next Board meeting.

'Motion to Approve Audit Engagement

I move from the Chair that the board approve the audit engagement with BDO Rotorua Limited for the years ending 31 December 2024 to 31 December 2026.'

MANAGEMENT OVERRIDE - REVIEW OF JOURNALS ADVISORY

Many school finance administrators have access to record journals in the school's general ledger. A common audit finding, however, is that there is no independent review of the journals posted.

The Ministry of Education (MOE), in their publication "Internal Control Checklist" notes that a good control includes an appropriate segregation of duties. This is the concept of having more than one person required in the process to complete a task, which reduces the risk of error and fraud because it requires more than one person to participate in the error or fraud. This control applies to manual journal entries recorded in the school's general ledger.

The key internal controls recommended for financial reporting are:

1. The board review monthly management accounts prepared by management or service provider
2. The review of monthly management accounts includes a review of actual income or expenditure against the approved budget, with an explanation of variances
3. The board review the draft financial statements prepared by management or service provider before providing to the auditors, before the statutory deadline of 31 March each year
4. The listing of manual journals is included in the monthly financial report and reviewed by the board

The MOE Internal Control Checklist is located here:

<https://www.education.govt.nz/education-professionals/schools-year-0-13/funding-and-financials/day-day-financial-management#protecting-your-school-from-fraud-1>

Advisory Points

CONSTRUCTION CONTRACTS (RETENTION MONEY) AMENDMENT ACT 2023

The Construction Contracts (Retention Money) Amendment Act 2023 (2023 Amendment Act) ("the "Act"), which applies to all contracts entered into or renewed from 5 October 2023.

The Act introduces new requirements for retention money held. Schools that hold retentions on their construction projects will have to comply with the new requirements from 5 October 2023. This includes holding retention money in a separate bank account and reporting obligations. It is important to note that the Act introduces harsh penalties for entities that do not comply.

For schools that hold retention money for capital works projects, we recommend that you discuss the requirements with your Accounting Service Provider. If applicable, you need to establish systems to ensure compliance.

For advice on how to set up bank accounts for this purpose, you can get in touch with your Ministry School Finance Advisor.

Required Communications

AUDITORS RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

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.

CONFIRMATION OF AUDIT INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of AG PES-1 Code of Ethics for Assurance Practitioners issued by the External Reporting Board.

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.

For the comfort of the Board, we note that the following processes assist in maintaining our independence:

- o No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner or the OAG.
- o All services performed by any national BDO office will be reported to the governing body.

There were no other services provided by BDO Rotorua Limited during the year.

MANAGEMENT JUDGEMENTS AND ESTIMATES

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 2024 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.

ACCOUNTING POLICIES

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.

MATTERS REQUIRING BOARD OF TRUSTEE INPUT

We have placed reliance on the Board's review and approval of the following matters:

- o Minutes of the Board meetings;
- o Implementation of such controls as is needed to ensure that financial statements are presented fairly;
- o Management accounts;
- o Annual budget;
- o School Property Plan (SPP)/maintenance plan;
- o Notification of fraud; and
- o Financial statements.

Required Communications

GOING CONCERN

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.

We identified no issues or concerns that led us to conclude the going concern assumption could not be relied upon.

FRAUD

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.

COMPLIANCE WITH LAWS AND REGULATIONS

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.

SIGNIFICANT FINDINGS FROM THE AUDIT

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.

DISAGREEMENTS WITH MANAGEMENT

There have been no disagreements with management over matters of significance to the audit.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

There have been no significant difficulties encountered during the audit.

CONSULTATIONS WITH OTHER ACCOUNTANTS AND CONSULTANTS

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.

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

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, list of board members, Statement of Responsibility, Statement of Variance, Evaluation of the school's student's progress and achievement, statement of compliance with employment policies, report on how the school has given effect to Te Tiriti o Waitangi and Kiwisport statement.

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.

We note that you have published your prior year Annual Report on the School's website.



CONTACT

For more information please contact:

Mark Peterson

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We have prepared this report solely for the use of St Michael's Catholic School. This report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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