

A photograph of a computer lab with several students sitting at desks, working on computers. The students are wearing blue school uniforms. The desks are equipped with monitors, keyboards, and mice. The text is overlaid on the image.

# Saint Joseph's School (Pukekohe)

Audit Closing Report to the Members of the Board  
Year ended 31 December 2022

**William Buck**

# Table of contents

Audit summary	3
Audit focus areas	4
Focus areas	5
Summary of adjusted and unadjusted audit differences	9
Areas for improvement	10
Communication of other matters	13
Helpful resources	15



# Audit summary

## Saint Joseph's School (Pukekohe)

We are pleased to present our report for the audit of Saint Joseph's School (Pukekohe) for the year ended 31 December 2022.

We'd like to express our appreciation for the cooperation and assistance which we received during the course of our audit from all the staff at the school and from the team at your accounting service provider.

This report summarises our audit approach and findings as well as providing any recommendations for areas of improvement identified during the audit process.

### Independence

William Buck's independence has been confirmed by all engagement team members through our internal workpapers.

### Audit Opinion

We issued an unmodified audit opinion over the financial report for the year ended 31 December 2022.

### Responsibility for the Financial Report

The Board is responsible for preparing financial statements in accordance with the Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR).

The responsibility for producing the financial report and ensuring adequate internal controls and sound business practices is the responsibility of management and is a part of management's overall responsibility for the ongoing activities of the School.

### Audit Focus Areas Identified

- Cyclical Maintenance
- Probity of Expenses
- Management Override of Controls
- Fraud Risk in Revenue

### Areas of improvement

- Annual Fixed Asset Count
- Review of Cyclical Maintenance Plan
- Employment Contracts
- Review of Journal Entries

Our audit work does not examine all transactions of the School. We test significant transactions and select a sample of other transactions. We apply a principal of materiality throughout our testing.

We trust that you find this report informative, and we appreciate the opportunity to be of service to you.

If you have any queries or wish to discuss any issues further, please do not hesitate to contact me.

Yours sincerely,



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Director

24 May 2023



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# Audit focus areas

We identified the following risk areas within the financial report. We have summarised areas with significant risk or material adjustments below:

Focus area	Risk	Management judgement	Material adjustment	Area of improvement
Cyclical maintenance provision	Higher	✓	✓	✓
Probity of expenses	Lower	-	-	-
Management override of controls	Lower	-	-	✓
Fraud risk in revenue	Lower	-	-	-

## Legend

Significant	Higher	Lower
Matters identified which had a high impact on the financial statements and/or audit.	Matters identified which had a moderate impact on the financial statements and/or audit.	Matter identified which had a low impact on the financial statements and/or audit

# Focus areas

## CYCLICAL MAINTENANCE

### Description of risk

One of the key areas of audit focus from the Office of the Audit General (OAG) is Cyclical Maintenance Provision (CMP). This is a key subjective item in the financial statements which requires annual assessment by both School Management and the Board.

### Audit approach

Our procedures include:

- Testing the methodology and calculations
- Reviewing experts' opinions
- Testing for completeness
- Testing of underlying assumptions
- Analysis of recent maintenance expenditure
- Review the Schools 10 year property plan
- Reviewing the Boards assessment of the Cyclical Maintenance programme.

### Testing approach

Purely  
Substantive



Purely  
Control

*A purely substantive approach, uses William Buck sample methodology to select samples for testing to supporting documents combined with analytical procedures which identify unexpected variances and changes year on year.*

*A more controls-based approach, uses William Buck sample methodology to test key controls over significant risk items.*

### Summary of results

Based on our testing we noted the provision for cyclical maintenance required an adjustment to account for inflation at 31 December 2022.

The CMP is not based on the schools 10 Year Property plan. We recommend that in future this must be included.

The CMP is based on the MOE approved property expert's knowledge of the school, and has been prepared and reviewed in the last 3 years.

# Focus areas

## PROBITY OF EXPENSES

### Description of risk

Whilst carrying out our audit, on behalf of the Office of the Controller and Auditor General (“OAG”), we have been asked to consider whether any approved payments could be considered extravagant or wasteful or show a lack of probity or financial prudence. One of the internal control objectives, and key audit risks, relates to Sensitive Expenditure.

### Audit procedures

Our audit approach includes significant focus on testing of the probity of expenditure. We pay particular attention to:

- Sensitive expense categories
- Credit card payments
- Payments to the Principal
- Staff reimbursements
- Expense claims
- Payments to consultants.

### Testing approach

Purely  
Substantive



Purely  
Control

### Summary of results

We have completed a detailed review of all sensitive expense categories and inspected numerous detailed supporting documentation.

No matters were identified in the course of the audit to report to you.

# Focus areas

## MANAGEMENT OVERRIDE OF CONTROLS

### Description of risk

Risk of management override of controls includes how those charged with governance exercise oversight of management's processes for identifying and responding to risk of fraud and the internal control that management has established to mitigate these risks. Journals, by nature, are higher risk because they can be posted to the general ledger to manipulate the accounting records, potentially to conceal errors, fraudulent behaviour or budget overspends. Many Schools contract out the accounting function to third party service providers, but ultimately it is the Board Members that are responsible for the School's accounting function.

### Audit approach

Our audit procedures included:

- Obtain a detailed listing of all Journal Entries recorded by the School in the year, whether prepared by the School or an external service provider.
- Testing the list for completeness.
- Reviewing the School's system of internal controls surrounding the Journal Entry process.
- Special focus is placed on reviewing journal entries posted at the end of the year.
- Detailed testing of any journals that we consider to be large, unusual, non-recurring or outside the School's normal operations.
- Examining underlying supporting documentation to Journal Entries.

### Testing approach

Purely  
Substantive



Purely  
Control

### Summary of results

We did not have any audit adjustments arising from our testing of Journal Entries.

We consider that the School has some weaknesses in internal controls surrounding the Journal Entry process. Refer to Areas of Improvement below.

# Focus areas

## FRAUD RISK IN REVENUE (COMPLETENESS)

### Description of risk

It is the obligation of the Board Members to ensure that management have established appropriate systems of internal controls to ensure the completeness of all income – regardless of source. This means that all funds due to, and paid to, the School are correctly and appropriately banked in the School's bank accounts and appropriately recorded. We consider that the risk for Schools relates to non-MOE items such as School donations, activity fees (if School did not opt into the Donation Scheme) and fundraising activities.

### Audit procedures

We perform the following procedures:

- Examine the Schools system of internal controls to ensure that all revenue due to the School is appropriately recorded.
- Audit the systems, processes and policies
- Complete Substantive Analytical Review procedures where applicable.
- Testing of reconciliations and other supporting information/documentation maintained by the School.
- Validation of revenue through expense testing.

### Testing approach

Purely  
Substantive



Purely  
Control

### Summary of results

No audit adjustments were identified as a result of our testing of Locally Raised Funds.



# Summary of adjusted and unadjusted audit differences

## Adjusted audit differences

Description	\$000's
Correction of notional lease (no effect on Surplus)	-
Increase provision of cyclical maintenance	11,277
<b>Impact on Surplus/(Deficit) for the Year (\$000's)</b>	<b>\$(11,277)</b>

There are no unadjusted audit differences.



# Areas of improvement



**William Buck**

# Areas of improvement



## Observations

### Annual Fixed Asset Stocktake

It has been observed that the school did not perform a full count of fixed assets at year-end.

It is a statutory requirement for schools to include fixed assets in their financial statements. To comply with the reporting standards, a complete stock take must be carried out each year to ascertain the precise quantities of fixed assets and their net book values.

### Review of Cyclical Maintenance

The Property Occupancy Document (POD) gazetted in accordance with section 70 of the Education Act 1989 requires the Board to prepare and annually review a property plan that includes all the maintenance requirements of the school over a continuous ten-year period. The expectation is that maintenance of the buildings and other facilities will be carried out in accordance with this plan. We noted from our review of the Board minutes that the property plan did not appear to have been reviewed by the board during the year.



## Recommendations

The register should be used to periodically check the existence of all fixed assets recorded by the school, through a fixed asset count. We recommend that you do this at least annually for valuable and mobile items and perhaps on a rotation basis for other items.

Any items that have been lost, discarded or are no longer in use should be written off.

We suggest that the board annually review the cyclical maintenance plan to ensure the board meets the requirements of the POD.

# Areas of improvement



## Observations

### **Employment Contracts**

From our audit testing, we found that a number of your staff employment contracts had not been signed by both parties.

This could lead to difficulties and uncertainties in the future when dealing with employment issues.

### **Review of journal entries**

From our review, we noted there is a lack of independent review surrounding journal Entries



## Recommendations

We recommend that you ensure that all employment contracts are signed and dated by both parties.

We recommend that, in conjunction with reviewing the monthly financial statements, the Board (or a member with appropriate financial accounting expertise) obtains and reviews a listing of manual journals posted for the period. Evidence of this review could then be to simply note in the minutes the review and approval of the financial statements including the review and approval of the journals processed.

# Communication of other matters



## Required communications with management and governance

### Disagreements with management or significant difficulties

There have been no disagreements with management in completing the audit.

### Independence

The engagement team and others in the firm as appropriate, the firm and network firms are independent in accordance with relevant ethical requirements and any regulatory requirements that apply to the audit engagement.

### Other communications with management

There have been no other significant discussions with management that have not been reported to you or included in this report.

### Non-audit fees

We have not charged any non-audit related fees to the School in the period under review.

### Fraud

During the audit we have not identified or been notified by your office of any circumstances of fraud.

### Going concern

During the audit there have been no material uncertainties that may cast significant doubt on the School's ability to continue as a going concern and require further consideration or disclosure within the financial report.

### Use of other auditors and specialists

William Buck did not require the assistance of another audit firm or specialist in performing the audit of the School.

### Laws and regulations

During the audit there has been no evidence that the School has not complied with laws and regulations pertaining to the School.

# Communication of other matters



## Required communications with management and governance

### Annual Report

The Education and Training Act 2020 requires you to publish your Annual Report on-line. Your Annual Report contains your audited annual financial statements including our audit opinion, analysis of variance, list of Board Members, Kiwisport statement and Good Employer compliance. 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.

Please ensure that once your 2022 Annual Report is submitted to the Ministry it is also published on your website. If you do not have a website, contact the Ministry of Education for guidance.

### Related Parties – Conflict of Interest

The risk of conflicts of interest in small communities, which many schools operate in, is inherently high, because the Board, Principal, and other employees are often living in the same communities their school services. There is a particular risk of conflict in the decision-making processes used to appoint new employees and contractors, as well as the purchase of goods and services. However, having a conflict of interest does not necessarily mean you have done anything wrong, what is important is how the conflict is managed.

The Office of the Auditor-General have a good practice guide on [managing conflicts of interest](#) as well as other resources, available on its website. We encourage you to make use of these resources.

# Helpful resources



## Resources for management and governance

### Cyclical Maintenance

The Ministry have published the updated cyclical maintenance guidance/tools [on its website](#) and the information in the Financial Information for Schools Handbook has also been updated. The updated guidance includes resources to help schools complete their cyclical maintenance provision calculations and provides guidance on what supporting documentation to retain as evidence for a school's annual audit.

### Segregation of duties

The Ministry have also recently published an internal control checklist and a segregation of duties matrix which schools may find useful when assessing the adequacy of their internal controls - [Managing school finances - internal control resources](#). Further guidance on internal controls can be found in section 7.7.1 of the Financial Information for Schools Handbook.

### Fraud Risk

[Discouraging fraud - Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

The Ministry has published a model policy on Theft and Fraud Prevention in its [Model Financial Policies](#).

### Sensitive Expenditure

More information can be found in the Office of the Auditor-General's good practice guide on [Controlling sensitive expenditure: Guide for public organisations](#), which includes practical guidance on specific types of sensitive expenditure.

Principles-based approach:

[The basics - Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

We recommend the Board consider these principles when making decisions about sensitive expenditure. We highlight to the Board Members the importance of ensuring appropriate controls over Sensitive Expenditure, and to remain up to date with Ministry of Education ("MOE") guidelines.

# Disclaimer

This report is prepared on the basis of the limitations set out below.

This communication is prepared solely for the information of those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication. The matters raised in this report are only those that came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist. Our comments should be read in the context of the scope of our work. Findings within this report may have been prepared on the basis of management representations. Suggestions for improvement should be assessed by the entity for their full commercial impact before they are implemented.

This report has been prepared solely for your use as management of the entity and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



**WB**

Thank you

