

11th June 2025

The Board of Trustees
SAINT PATRICK'S SCHOOL (Napier)
24 Riverbend Road, Marewa
Napier, 4143

Dear Board of Trustees,

SAINT PATRICK'S SCHOOL (Napier) - Audit Management Letter

We have completed the audit of your financial statements for the year ended 31 December 2024.

The primary aim of our audit is to form an opinion as to whether your financial statements fairly reflect the results of your school's activities for the reporting period and its financial position at balance date. The audit report expresses this opinion.

In forming our audit opinion, we conducted detailed tests of selected transactions and reviewed the key controls in place to ensure the effective operation of your accounting systems and internal controls. We have also relied on representations made by your school's management team, including your accounting service provider. We assess the results of procedures and representations made when forming our audit opinion. To ensure you receive maximum benefit from our audit we provide feedback from our evaluation of your systems and highlight areas of possible weakness or where we believe improvements can be made. That is the purpose of this letter.

Required Communications

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any breaches of legislation during our audit.
- We have not identified any instances of fraud involving senior management or any other frauds that have caused a material misstatement in the financial statements.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

We reaffirm we are independent of your school, and that we have no relationship with your school that impairs our independence.

Area of significant audit focus

An independent audit of your financial statements is a key part of ensuring that your school has appropriate controls in place regarding financial management and financial reporting. In addition, we ensure that your financial statements are in compliance with generally accepted accounting practice in New Zealand as appropriate to Public Benefit Entity Standards; Tier 2 reporting - Reduced Disclosure Regime (PBE Standards RDR) that have been appropriately adopted and the mandatory Kiwi Park Model has been followed.

However, ultimately it is the governing body that remains responsible for your financial systems, internal controls including the detection and prevention of fraud, and financial statements.

Below are the areas and issues that we have considered in relation to schools during our audit.

We believe that they are important issues that should be of interest to you in your governance capacity and should be areas of significant focus:

- Payroll controls in place at your school and accurate recording of payroll accruals;
- Recognition of revenue and recording of locally raised funds;
- Expenditure being valid and appropriate for your school's purposes (probity of expenditure);
- Cyclical maintenance expenses and provisioning being appropriate;
- Appropriate treatment of capital works funding and expenditure;
- Recognition and disclosure of related party transactions; and
- Management Override of Controls

We are pleased to advise that our testing of these assessed risks did not identify any significant issues or concerns. The observations and recommendations related to these topics are detailed below.

1. School payroll controls

We consider the main risk to the accuracy of payroll payments is transactions being incorrectly processed, due to fraud or error. The EdPay system relies on schools checking the accuracy of the payroll transactions processed by the school, as this information is not checked centrally.

To ensure the accuracy of payroll payments, our expectation has been that schools had the following key controls:

- effective access controls to EdPay, limiting access to "authorised users";
- changes to Masterfile data – such as bank account changes, new starters, or payments to non-salaried staff (such as relievers) - have sufficient appropriate supporting documentation and are appropriately authorised;
- checking of the fortnightly draft payroll (SUE) report and EdPay Online transactions report for accuracy; and
- review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay.

To ensure controls are effective the school also needs to ensure that:

- it has segregation of duties between the processing and approval of transactions;
- access to EdPay is controlled;
- payroll transactions are approved in line with delegations; and
- approvals are appropriately documented.

Recommendation

We recommend that the Board ask management for assurance that appropriate controls are in place at the school over payroll transactions, consistent with the guidance from EdPay.

2. Recognition of revenue and recording of locally raised funds

It is the obligation of the Board to ensure that management have established an appropriate system of internal controls to ensure the completeness of all income. 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.

Schools are also involved in the receipting of funds for a number of items, which could include items such as school donations, activity fees and fundraising. When a school operates an activity, it needs to ensure, as much as practical, that there are suitable financial controls put in place to provide comfort over the level of income recorded.

It is the obligation of the School to provide evidence to the auditors as to how they have determined that all cash and funds received have been appropriately banked and recorded by the School.

3. Sensitive expenditure and probity matters

The Auditor-General's auditing standards require us to test a sample of sensitive expenditure, and also be alerted to matters that may indicate waste, or show a lack of probity or financial prudence. Sensitive expenditure is any spending by a school that could be seen to be giving private benefit to staff additional to the business benefit to the school.

Use of Credit Cards

The OAG has observed that many schools have poor controls over credit cards, with many monthly statements not being approved by an independent person. Poor controls increase the risk of misuse of credit cards, including for personal use. This also includes the use of fuel cards and overseas currency cards (which are essentially cash).

Expenses incurred by the Chairperson and the Principal

The OAG has also observed that many school's have poor controls over expenses incurred by the Principal and Chairperson, with many invoices not being approved by an independent person. Poor controls increase the risk of misuse of school funds, including for personal use.

We would expect to see 'one-up' approval, meaning review and approval by someone more senior. This means the Board Chairperson must authorise payments on the Principal's credit card and Principal's expenses, and staff credit cards should be approved by the Principal.

Recommendation:

No specific concerns or findings were noted. However, we remind you of the importance to remain vigilant in your oversight of expenditure of the school.

4. Cyclical maintenance plan

As part of our audit work performed over the cyclical maintenance provision of the school, we are required to conclude whether the current provision for cyclical maintenance as disclosed in the School's Financial Statements as at 31 December 2024 is reasonable and realistic.

We have identified some issues in the cyclical maintenance provision calculations for this year. While the variances did not reach our materiality threshold and no adjustment to the annual financial statements as at 31 December 2024 was required, we would like to suggest the following guidelines for the upcoming year:

As back-round information, the estimate/provision is based on the school's cyclical maintenance plan which is normally prepared as part of its 10 Year Property Plan (10YPP) process.

The school's 10-Year Property Plan (10YPP) may not always include maintenance estimates. However, a Cyclical Maintenance Calculator workbook should have been prepared by a Ministry-Engaged Consultant (MEC). If the cyclical maintenance provision has not been calculated or reviewed by an MEC, the school must obtain a recent professional assessment of painting costs, supported by current quotes (no more than three years old), and provide these to the auditor.

If a new 10YPP and accompanying cyclical maintenance provision schedule have been prepared by an MEC, there should be email correspondence between the MEC, the Ministry of Education (MoE), and the school close to obtain the confirmation of the painting costs as the balance date. A copy of this correspondence should be provided to the auditor.

Where the school's provision calculations rely on quotes older than three years, the school must consider any changes in cost and timing since the original quote. In such cases, the Board should document how it has determined that the costs in the plan remain reliable. At a minimum, the Board should consider inflation and may consult a property consultant. These considerations should be documented, typically in the school board's meeting minutes.

It is the school board's responsibility to ensure that the estimates underlying the provision are reasonable and supportable. The cyclical maintenance plan should be reviewed annually to confirm that it remains a reasonable basis for estimating future maintenance costs.

Additionally, the board must be able to explain to the auditor why it believes the timing and costs of maintenance remain appropriate. If any changes are made, the board should be able to demonstrate the basis for these changes—such as consultation with a property consultant or the use of standard or published data, e.g., inflation indices. The risk of estimation uncertainty is higher where the estimate has not been prepared by an expert.

Based on the 10-Year Property Plan (10YPP) 2020/21 provided to us, we note that there is no cyclical maintenance (CM) plan included within the 10YPP. As highlighted in our questionnaire sent to the school, where the 10YPP does not include a CM plan, the year-end CM provision figure must be supported either by relevant quotes or a painting contract, or alternatively, by a review and approval of the CM provision figures by an independent property expert. In this case, we understand that Eclipse (External Accountants) have prepared the

CM provision calculations for the year ending 31 December 2024; however, these figures have not been reviewed or signed off by a property expert. Please note that while Eclipse are external accountants, they are not considered property experts for the purposes of this review.

Furthermore, regarding the cyclical maintenance provision, we are specifically seeking evidence that the relevant expert has reviewed and approved the plan. This can be provided either in the form of an email confirming their approval or as a copy of the plan on the expert's official letterhead. As our testing over cyclical maintenance relies on the approval of an external expert, a plan that includes such documented approval will be sufficient.

Recommendation

We recommend that the school either obtain expert review of the cyclical maintenance provision calculations or provide supporting quotes or a painting contract to substantiate the year-end CM provision figure.

5. Capital works

The funds received from the Ministry of Education for capital works projects are not revenue but held on behalf of the Ministry of Education until they are spent.

We recommend that your school ensure that it complies with the requirement to disclose the opening liability, receipts and payments and closing liability (if any) for each Ministry of Education funded project.

6. 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. The schools can achieve this by disclosing the interest to the interest register and disclose it to the auditor for yearend audit.

7. Minutes Review

During the review of the meeting minutes dated 21 March 2024 and 30 May 2024, it was noted that the minutes were signed by the Presiding Member, but the dates referenced in the minutes were incorrect. Specifically, the minutes included dates from the previous year, and a template used may have unintentionally carried over outdated date references.

The incorrect dating of the meeting minutes may lead to confusion or questions regarding the accuracy and authenticity of the recorded meetings. This could impact the integrity of the School's governance process and its compliance with statutory requirements, especially if the dates are used in official filings or reports.

Recommendation

Ensure that all future meeting minutes are reviewed for accuracy before being signed by the board. It is recommended to implement a final review step before approval to confirm the correct dates and other details are reflected in the documents and consider revising the template used for meeting minutes to prevent the accidental inclusion of incorrect information.

8. Management override

We have discussed with management controls on expenditure authorisation, tested manual journals, reviewed accounting estimates and significant transactions that are outside the normal course of business to address the presumed significant risk on management override.

We have not identified any instances of management override.

Qualitative Aspects of Accounting Practices

The accounting policies used by the school are consistent with the previous year. We reviewed the accounting policies, accounting estimates and financial disclosures, we believe that these are appropriate.

Conclusion

All the points raised during our audit have been discussed with your accounting service provider, the principal or the administrator of the school and we have taken account of their comments in compiling this letter. These points are not necessarily exhaustive as they arose from our general financial statement audit rather than a specific systems audit. This letter is prepared solely for the use of the Board of Trustees and senior management of the school. It may not be provided to third parties without our prior written permission.

Thanks to yourselves and to staff who assisted us in the completion of our audit work. Please contact us with your proposed responses to our recommendations and if you have any questions on any issues raised.

Yours faithfully,



Marc Nel
Oldershaw & Co

Saint Patrick's School (Napier)

year ending 31 December 2024



Y1-3.2 - Misstatement Report - Adjusted and Unadjusted Misstatements

Adjusted Errors:

1. Change in CM provision correctly recorded as some buildings have had their repainting deferred to 2026

Code	Name	Group	Debit	Credit
4610	Cyclical Maintenance Provision (4610)	expenses	-	10,400.00
9460	Provision for Cyclical Maintenance - Non Current (9460)	liabilities/ equity	10,400.00	-
			10,400.00	10,400.00