

MONTE CECILIA CATHOLIC SCHOOL

EXTERNAL AUDIT PLAN
FOR THE YEAR ENDING
31 DECEMBER 2023



BDO



23 November 2023

Samuel Houliston
Chairperson
Monte Cecilia Catholic School
By email: shouliston@gmail.com

cc: Sarah McAlpine, Principal

Dear Samuel,

Audit Plan: Year Ending 31 December 2023

Please find enclosed our audit plan for your audit for the year ending 31 December 2023. The purpose of this report is to outline the audit arrangements and the responsibilities of Monte Cecilia Catholic School and BDO Auckland.

We have highlighted the areas we have identified as risks and our planned audit approach. Please review the risks and our planned audit approach and if there are any further areas you consider as risks of misstatement in the year-end financial statements, please contact me to discuss so we may incorporate them into our audit plan.

I would be grateful for your acknowledgement of this letter, together with any comments you wish to make.

Yours faithfully,
BDO Auckland

A handwritten signature in black ink, appearing to be 'Matt Coulter', written in a cursive style.

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1. EXECUTIVE SUMMARY

This report details the intended processes for our upcoming financial statements audit of Monte Cecilia Catholic School (the “School”) in accordance with the Auditor-General’s Auditing Standards which incorporate International Standards on Auditing (NZ), and the terms as set out in our engagement letter. It also serves to advise you of the intended areas of audit focus and invites the Board of Trustees to consider whether there are any further areas of risk they consider we should focus on as your auditor.

We would like to emphasise that our audit work involves the review of only those systems of internal control in the 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.

2. AUDIT SCOPE AND OBJECTIVES

BDO Auckland (‘BDO’) is the Appointed Audit Firm of 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).

Our audit objectives are to:

- report on whether the financial statements are presented fairly, in all material respects
- 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 will document, test, and assess the controls supporting the School’s key transaction streams, and report any significant weaknesses.

3. AUDIT LOGISTICS

TIMETABLE

We are working to a default deadline of 31 May 2024 to have the audit completed and the School's financial statements signed with attached audit opinion. If you have an earlier deadline than this, for example an important Board of Trustees meeting that you would like to sign the financial statements at, please let us know this by 31 March 2024 and we will endeavour to meet this if possible. Our audit scheduling priority will be given to those schools that return quality financial statements and working papers to us prior to the statutory deadline of 31 March 2024. It is important that you coordinate with your Accounting Service Provider (if applicable) to ensure they have sufficient time to prepare these ready for audit.

We request you coordinate with the Board of Trustees to arrange for an appropriate financial statement sign off date, which might fall on a different date from Board of Trustees meetings.

It is important to note that we audit a number of Schools, all with the same statutory deadline. The two-month period which we have to complete the audits includes school holidays and Easter during which School administration teams are often unavailable. Therefore, while we understand you may have expectations about the timeframe it should take to complete your School's audit, we have a number of competing priorities and ask for your patience as we work towards the statutory deadline of 31 May.

PERSONNEL

The key members of our client service team are:

Audit Partner Matt Coulter

Audit Manager John Chun

Additional BDO staff will be appointed to the school audit to assist with the completion of the audit procedures.

SUBMISSION OF DRAFT FINANCIAL STATEMENTS AND WORKPAPERS FOR AUDIT

We require draft financial statements that have been reviewed by the board and completed working papers to be submitted to our office prior to the statutory deadline of 31 March 2024. We recommend that a quality check is carried out on the financial statements and working papers by the appropriate school personnel. We will be using our online portal to gather the information in one central location and will work with the school to ensure all necessary users have access to upload information.

It is important to note that we will provide you with an audit requirements checklist on the secure BDO Portal. However, the nature of an audit means this will be an initial request list only. Follow up queries and sample requests can only be formulated and submitted to you after receipt of the initial information.

AUDIT FEES

Our audit fee is set out in our signed contract with the School.

Our fees are based on the following assumptions:

- you will provide us with the draft financial statements and workpapers sufficient for us to audit the financial statements, on or prior to 31 March 2024
- all information will be provided to us via the BDO Client Portal unless agreed otherwise
- you will advise us of any changes in the School's operations prior to the commencement of our year-end audit work
- you will provide us complete information consisting of financial statements that comply with the Kiwi Park model financial statements, together with systematically organised accounting working papers and reconciliations and certain other documents required by our Audit Requirements Checklist which will be uploaded to the secure client portal
- your School's annual report and financial statements (including Analysis of Variance, Kiwisport report, Good Employer policy disclosure, and members of the Board), accounting workpapers and reconciliations and other documents required by our Audit Requirements Checklist will be subject to appropriate levels of quality review before being submitted to us for audit
- your staff will provide us with an appropriate level of assistance in a timely manner
- if you do not deliver in line with our expectations above, or there are changes in the School's operations that were not anticipated when our audit fee was set, we will discuss the recovery of a fair portion of our additional costs with you

COMMON DELAYS IN THE AUDIT PROCESS

We are committed to working in partnership with you to complete our audit in a timely manner. There are several common delays encountered during past school audits which inevitably translate to greater time and cost, and a strong likelihood of missing the statutory deadline. These include:

- submission of financial statements that do not comply with the Kiwi Park model financial statements
- submission of a standard set of working papers by your accounting service provider (if applicable), rather than ensuring all documents are provided as requested in our audit requirements checklist on the BDO Portal
- delays in response to our follow up queries - as noted earlier, the nature of an audit means our audit requirements checklist is an initial request list only
- no response to our audit requirements checklist or confusion as to whether particular documents are held by the School or the accounting service provider (if applicable)
- no supporting information for the status of the School's cyclical maintenance program - as well as the calculation (often completed by your accounting service provider), we need an understanding of when the calculation was last reviewed by your School's property expert, and the reasoning for changes to the calculation from the prior year, particularly where work was not completed during the year as scheduled

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

We have set out below areas we have identified as risks, and our planned audit approach. These are what we consider specific audit risks and are in addition to our standard audit testing of material financial statement areas.

LOCALLY RAISED FUNDS

Area of Audit Emphasis

Due to the nature of locally raised funds (often being cash), there is a risk of material misstatement around the completeness of locally raised funds income.

Planned Response

Our audit procedures will include discussions with the Presiding Member and Principal to assess the control environment around local funds. We will also complete analytical procedures including a margin analysis on material streams of locally raised funds income and will request supporting documentation for significant amounts.

PAYROLL NOT APPROVED OR CHECKED

Area of Audit Emphasis

Payroll is processed by EdPay. The accuracy of payroll processing is dependent on the appropriate approval of payroll changes and checking of the fortnightly SUE report.

Planned Response

Our audit procedures include an analytical review, a reconciliation, employee existence testing, and review of the fortnightly SUE reports for evidence of approval/checking.

CYCLICAL MAINTENANCE PROVISION

Area of Audit Emphasis

Cyclical maintenance is an area of judgment and could lead to material misstatement in the financial statements. For schools to be able to calculate the appropriate cyclical maintenance provision, the School should ensure its calculation is prepared by an MoE approved property advisor, reviewed by them at least every three years, and reviewed by the Board of Trustees annually.

Planned Response

We will obtain and review the School's cyclical maintenance calculation and assess whether the provision at year-end is materially correct. We will also ensure that the cyclical maintenance provision calculation has been reviewed and updated by an appropriate property expert in the last three years, and reviewed by the Board of Trustees in the current year.

MANAGEMENT OVERRIDE

Area of Audit Emphasis

There is a non-rebuttable presumption under the International Auditing Standards that there is a risk of management override.

Planned Response

We will use a risk-based approach to test manual journals and will also focus on any other areas where a risk of judgement, estimation or cut-off risk exists with management override in mind.

5. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
Auditor’s 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 auditor independence	<p>In conducting our audit, we are required to comply with the independence requirements issued by the Auditor-General.</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>We have not provided any non-audit services to the School. We have no other relationship with or interests in the School, and we confirm the independence of BDO and all members of the audit engagement team.</p>
Management judgements and estimates	<p>Under Auditing Standards, 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.</p> <p>The most significant areas of judgements, assumptions, and estimates applied by management relate to the provision for cyclical maintenance.</p> <p>We are not aware of any other sensitive accounting estimates, assumptions or valuation judgements made by the School.</p>

Matter	How the matter was addressed
Matters requiring Board of Trustees input	<p>So that you are aware, as part of our audit we will be placing reliance on the Board of Trustee’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• Review and approval of management accounts• Review and approval of the current year and next year budgets• Notification of fraud• Review and approval of the financial statements. <p>In addition, towards the end of the audit we will be seeking a letter of representation from the Board of Trustees and the Principal confirming that appropriate accounting policies have been effectively applied, all statutory requirements have been met, all relevant legislation complied with, and all material transactions included in the financial statements.</p> <p>As required by the Auditing Standards, we will present to both management and the Board of Trustees any errors identified during our audit testing that remain uncorrected in the financial statements that are greater than our “clearly trivial” threshold. You will be required to approve any errors left uncorrected at the conclusion of the audit (should there be any).</p> <p>We will also report to management and the Board of Trustees any weaknesses we may identify in internal control systems and procedures related to monitoring the prevention and detection of fraud and error. However, we remind the Board of Trustees it remains the responsibility of those charged with governance for establishing and maintaining a system of internal control designed to reduce the opportunity for fraud through misstatement or misappropriation to occur in your School.</p>
Accounting policies	The Auditing Standards require us to discuss with you the qualitative aspects of the School’s accounting practices and financial reporting. The use of the Kiwi Park Model for 2023 is again compulsory.

Matter	How the matter was addressed
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.</p> <p>Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures. Materiality will be set at a maximum of 3% of expenses, with a lower threshold of 1% of revenue used for locally raised funds testing.</p> <p>During our audit, if we identify material misstatements, we will report them to you in our board report at the conclusion of the audit. If there are any unadjusted differences (none of which we consider material, either individually or in aggregate) we will also report these to you.</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>
Going concern	<p>Management and the Board of Trustees are required to make a formal assessment of the ability of the School to continue operating as a going concern. Under Auditing Standards, we are required to review this assessment for appropriateness.</p> <p>Paragraph 15 of the Auditing Standard on going concern states: <i>15. The auditor shall enquire of those charged with governance as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity’s ability to continue as a going concern.</i></p> <p>We will make this inquiry of the Board of Trustees as part of the audit process.</p>
Fraud	<p>During the audit, if any matters relating to fraud, concerning either employees or management, come to our attention we will report them to you. 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>

Matter	How the matter was addressed
Compliance with laws and regulations	We will make enquiries in relation to compliance with laws and regulations during our audit, and consider legal and regulatory compliance throughout our audit work.
Significant findings from the audit	If there are any significant findings from our audit, we will report them to you in our board report at the conclusion of 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, there is no need to involve specialists.