



31 December 2022

# Auditor's Report to the Board of Trustees

Opawa School

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8 March 2024

The Board of Trustees  
Opawa School  
30 Ford Road  
**Christchurch 8023**

Attention: Tom Shanley

Dear Tom,

**Annual Financial Statement Audit for the Year Ended 31 December 2022**

We have recently completed our financial statement audit of Opawa School (the "School") for the year ended 31 December 2022, and we have pleasure in providing our report on the results of the audit process.

If you require further information on the matters raised in this report please do not hesitate to make contact.

We would like to take this opportunity to thank management and staff for the courtesy and assistance extended to us throughout the audit process.

Yours sincerely

**Crowe New Zealand Audit Partnership**

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# 1. Results of the Audit Process

## 1.1 Scope and purpose of audit engagement

We have completed our audit of the School's annual financial statements for the year ended 31 December 2022 and issued our audit opinion. Based on our audit procedures we can confirm the annual financial statements presents fairly, in all material respects, the financial position of the School as at 31 December 2022 and its financial performance and cash flows for the year then ended.

Obtaining reasonable assurance that the financial statements are free of material misstatement, involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then applying audit procedures, using our professional judgment, to mitigate that risk. While we considered internal control relevant to the preparation of your annual financial statements, our audit procedures mainly comprised substantive tests (i.e. transactional and confirmation type testing).

Our audit procedures are designed primarily for the purpose of expressing an opinion on your annual financial statements. We do not examine every transaction, due to the scope of the audit engagement; there is an unavoidable risk that some misstatements or errors may remain undiscovered. Our report does not include all possible improvements to your internal controls, which a more extensive review might satisfy.

## 1.2 Responsibilities of the Board

The Board is responsible for the preparation and fair presentation of the financial statements which fairly reflect the financial position of the School as at 31 December 2022 and the financial performance for the year ended on that date.

To meet this objective, the Board is ultimately responsible for the maintenance of proper accounting records and an adequate system of internal controls to minimise the risk of material financial statement misstatement.

## 1.3 Independence statement

Members of the Audit Team and Partners of Crowe have confirmed their independence from the School for the year ended 31 December 2022.

## 1.4 Materiality

Materiality is defined as the magnitude of omission or misstatement individually, or in aggregate that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person would have been changed or influenced by such omissions or misstatement. It is a matter of professional judgment and is influenced by quantitative and qualitative factors.

For the 31 December 2022 audit the materiality level was set at \$95,300. We consider that the cumulative and individual effect of all balances and movements above materiality to be significant.

## 1.5 Outcomes from audit of key performance report risk areas

Key audit and accounting issues arising during the year relate to those areas of audit focus as listed below:

Audit Risk	Audit Response
<p><b>Fraud in revenue recognition</b></p> <ul style="list-style-type: none"> <li>Locally raised funds are a specific audit risk identified by the Office of the Auditor General. This revenue stream is susceptible to fraud risks over completeness of revenue.</li> <li>There are specific accounting judgements in the application of the School's accounting policies for key revenue streams.</li> </ul>	<ul style="list-style-type: none"> <li>We reviewed the reliability of the accounting controls and systems for each significant revenue stream.</li> <li>We compared an external confirmation of government grants paid to the School to the revenue recorded in the School's financial statements.</li> <li>We prepared an independent expectation of the School's revenue for the year and compared against actual revenue recorded. Explanations were sought for differences in excess of our tolerable variance.</li> </ul> <p>From procedures performed we have no issues to bring to your attention except for those described at Section 3.</p>
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor.</li> <li>Material misstatement of financial statements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries, bias in accounting estimates and the existence of significant transactions outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>Professional scepticism was maintained while undertaking audit procedures on subjective balances in the School's financial statements, including the provision for cyclical maintenance.</li> <li>Journals posted into the general ledger were selected on a sample basis and traced back to supporting documents to verify that they were appropriate.</li> </ul> <p>From procedures performed we have no issues to bring to your attention.</p>

## 1.6 Observations and recommendations arising from the audit

We highlight the following matters for the attention of the Board together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved, or still require further attention of the Board.

### 1.6.1 Budgeting (first raised 2017)

#### **Prior year observations**

We noted that no budget figures were included for use of land & buildings and teachers salaries grant and expenditure. We also noted that the school did not budget for trading activities income and expenditure.

The Board and management will not be able to accurately track actual revenue and expenses in the year against budget if the budget is not accurately prepared.

#### **Prior year recommendation**

We recommend that management account for all expected income and expenditure when preparing the annual budgets.

#### **Prior year management comments**

*We have spoken to our accountant and these figures will be placed in the budget in 2023*

#### **Current year observations**

Changes have yet to be actioned in the 2023 budget that we received for the current year audit. We acknowledge 2022 was a challenging year from a workflow and resourcing perspective, and look forward to reviewing the School's 2024 budget in our next audit.

### 1.6.2 Budgeting for a deficit

#### **Prior year observations**

The Board prepared and approved a deficit budget for 2022 year.

We were concerned that continued deficit budgeting, if achieved, will reduce school equity. Although deficit budgeting may appear to be warranted when preparing the budget for a particular year, we urged caution in using this approach because it is unlikely to be sustainable.

#### **Prior year recommendation**

We recommended that the Board try to avoid deficit budgeting wherever possible, so the school budget reflects its ability for it to live within its means.

#### **Prior year management comments**

*Noted, our Principal and Board are aware of this. As you will be able to see we have a large amount of reserves. This year the board have decided to fund an extra teacher, which is needed in all areas of the school.*

#### **Current year observations**

The School has again budgeted for a deficit, we accept that the School has sufficient funds however we again urge caution as this approach is unlikely to be sustainable

### 1.6.3 Unexpected Bank Overdraft

**Observation**

During the audit we noted that the bank balance for the school went into unexpected overdraft by \$2,575.44 on 22 December 2022.

**Impact**

The School could incur additional bank fees and/or interest when going into unexpected overdraft and there is also a risk that the School could breach its statutory borrowing limits.

**Recommendation**

The School should review the reasons for why the School's bank account went into overdraft in the above noted instance. We recommend that the School manage their bank account funds available more carefully to avoid breaching statutory borrowing limits and any unnecessary bank fees and interest charges.

Our uncorrected and corrected audit differences are included in Section 3 of this report for the consideration of the Board.

## 1.7 Confidentiality

This report is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibility to report to the Board of the School directly.

The contents of this report should not be disclosed to third parties without our prior written consent.

## 2. Other matters to be communicated

In compliance with International Auditing Standards, we have an obligation to communicate certain aspects of our audit to you. The critical areas have been detailed in the previous sections, and the other matters that require communication are summarised as:

Matter to be communicated	Crowe comments
Significant accounting policies adopted or changed	There have been no significant accounting policies adopted or changed during the year.
Management judgements and estimates	Other than what has been disclosed in Section 0 no material accounting judgements identified.
Disagreement with management over the application of accounting principles, scope of the audit and disclosures	There have been no disagreements with management during the audit.
Any instances of fraud or non-compliance with legislative, regulatory or contractual requirements	No instances of fraud or non-compliance were detected during the audit.
Material uncertainty related to going concern	No matters of material uncertainty were noted.



### 3. Summary of adjusted and unadjusted audit differences

#### 3.1 Adjusted audit differences

As a result of our audit procedures, the following adjusting journals were posted for the year ended 31 December 2022:

#	Description	\$				
		Balance Sheet		Income Statement		Profit Impact
		DR	CR	DR	CR	
1	To record the CO2 monitors received from the Ministry of Education	7,046	-	-	7,046	7,046
2	To record the final balance for the Teacher Aide Pay Equity Settlement	-	15,680	15,680	-	(15,680)
3	To record unspent balances of Income in Advance related to playground construction	-	44,261	44,261	-	(44,261)
<b>TOTAL</b>		<b>7,046</b>	<b>59,951</b>	<b>59,941</b>	<b>7,046</b>	<b>(52,895)</b>

We have communicated all amendments to financial statement disclosures that were identified during the audit and all have been updated in the financial statements.