



**The Catlins Area School
AUDIT COMPLETION REPORT
FOR THE YEAR ENDED
31 December 2025**





10 May 2026

Kerri Nakajima
Presiding Member
The Catlins Area School
1 Stuart Street
Owaka 9535

cc: Glenys Hanley
Principal

Dear Kerri

We are pleased to present our Audit Completion Report for our audit of The Catlins Area School's financial statements for the year ended 31 December 2025.

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

We express our appreciation for the assistance and co-operation provided by the School and the School's accounting service provider during the audit. There is nothing we wish to raise solely with the Board.

Yours faithfully,
BDO Invercargill

A handwritten signature in black ink, appearing to read 'A. Higham', written in a cursive style.

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1. EXECUTIVE SUMMARY

STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Invercargill ('BDO') is the Appointed Audit Firm of The Catlins Area School (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).

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.

Our audit of the School's financial statements for the year ended 31 December 2025 is complete.

We have issued an unmodified audit opinion.

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

AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements presented fairly in all material respects; and
- 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, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

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. Areas of audit focus included:

- Sensitive Expenditure
- Locally raised funds
- School Payroll controls
- Provision for cyclical maintenance
- Management override of controls

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.

SUMMARY OF UNCORRECTED MISSTATEMENTS

There were no errors left uncorrected at the conclusion of our audit.

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 not identified any material weaknesses in internal controls relating to the prevention and detection of fraud and error that have impacted on our ability to provide an opinion on the financial statements for the year ended 31 December 2025.

2. KEY FINANCIAL STATEMENT AUDIT RISKS AND 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.

| Sensitive Expenditure | |
|---|---|
| Area of Audit Emphasis | Conclusion/Response |
| <p>The Auditor-General’s auditing standards require us to test a sample of sensitive expenditure, and also be alert to matters that may indicate waste, or show a lack of probity or financial prudence. Sensitive expenditure is any spending by an organisation that could be seen to be giving private benefit to staff additional to the business benefit to the organisation.</p> <p>The Office of the Auditor-General (OAG) has identified the following focus areas for auditors to be aware of when carrying out this testing.</p> <p><i>Use of Credit Cards</i></p> <p>The OAG has observed that many schools have poor controls over credit cards. The main matters identified are that; monthly statements are not being approved by an independent person, and valid receipts are not presented for all payments. 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).</p> <p><i>Expenses incurred by the Presiding Member and the Principal</i></p> <p>The Auditor-General’s auditing standards require testing of a sample of expenses of the Principal and Presiding Member. In carrying out this testing we often find that invoices or expense claims are not being approved by an independent person. Poor controls increase the risk of misuse of school funds, including for personal use.</p> | <p><i>What we did:</i></p> <p>We have tested a sample of expenses for the year, including reimbursements of expenses and credit card expenditure.</p> <p><i>What we found:</i></p> <p>From our audit work performed, we noted no issues with regards to sensitive expenditure.</p> <p>We remind you of the importance of remaining vigilant in your oversight of expenditure of the school.</p> |

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

Locally Raised Funds

Area of Audit Emphasis

Schools are only allowed to charge fees in certain limited circumstances and therefore many types of locally raised funds are donations, which are by their nature discretionary. This increases the inherent risk over completeness of revenue in school financial statements, particularly where funds are collected in cash.

Conclusion/Response

What we did

We reviewed the processes and controls for each significant revenue stream. 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. Where necessary, we performed further tests of detail.

What we found

We found no issues regarding the completeness of locally raised funds balances recorded in the financial statements.

School Payroll Controls

Area of Audit Emphasis

We consider the main risk to the accuracy of payroll expenditure is transactions being incorrectly processed, either 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 is that schools have the following key controls:

- effective access controls to EdPay, limiting access to “authorised users”;
- all transactions processed including changes to payroll and Masterfile data - such as bank account changes, new starters, or payments to non-salaried staff (such as relievers) - have appropriate supporting documentation and are appropriately authorised;
- checking of the fortnightly draft payroll (SUE) report and EdPay transaction history reports (activity history, timesheet history, and leave history) for accuracy; and
- review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay - we would expect this review to include consideration of whether all those paid in the period were employed by the school, whether the amounts paid are as expected, and where amounts have changed since the previous period, whether those changes are expected and have been authorised.

Conclusion/Response

We found no issues with the payroll balances recorded in the financial statements.

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, i.e. passwords are kept secure;
- payroll transactions are approved in line with delegations; and
- approvals are appropriately documented.

Provision for Cyclical Maintenance

Area of Audit Emphasis

The provision for cyclical maintenance is an accounting estimate which requires a significant level of management judgement, and the balance is often material to the financial statements. The board needs to ensure that the provision is based on reliable information. The best source of information is an up to date 10-year property plan (containing a cyclical maintenance plan covering the next 10 years) prepared by an expert.

To ensure that the information the provision for cyclical maintenance is based on is reliable, boards need to:

- Review the cyclical maintenance plan/provision annually to confirm that the planned maintenance is still valid and is a reasonable estimate of the maintenance required. This review and approval should be recorded in the board minutes.
- If the board considers that significant changes are required from the information included in the 10YPP,

Conclusion/Response

What we did

We have examined the school's 10YPP and calculation of the cyclical maintenance provision and confirmed that:

- the 10YPP has been subject to necessary levels of review;
- the calculation of the cyclical maintenance provision is reasonable and accurate; and
- disclosures included in the financial statements are materially consistent with the underlying calculation and with financial reporting requirements.

What we found

No issues were noted from our audit work performed on the provision for cyclical maintenance.

consider whether you need professional advice to reach a revised estimate that is reasonable. You will be required to provide evidence to the auditor to support the revised amounts in your cyclical maintenance plan/provision.

You are reminded that it is important to ensure sufficient funds can be set aside each year to manage the impact these costs will have on the School's cashflow during the period where works are undertaken.

Management Override of Controls

Area of Audit Emphasis

The risk of management overriding controls exists in all entities and is a mandatory significant risk to be addressed by the auditor. This is because management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements. While the level of risk of management override varies from entity to entity, the risk is present in all entities.

Conclusion/Response

What we did

We assessed segregation of duties and risk of management override of controls as part of our planning procedures 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.

What we found

No issues were noted from our audit procedures around management override.

3. INTERNAL CONTROL AND OTHER 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.

There were no key findings identified during this year's audit.

4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

| Matter | How the matter was addressed |
|---|---|
| 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 | <p>In conducting our audit, we are required to comply with the independence requirements of AG PES-1 <i>Code of Ethics for Assurance Practitioners</i> issued by the External Reporting Board.</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>For the comfort of the Board, we note that the following processes assist in maintaining our independence:</p> <ul style="list-style-type: none">• No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement partner or the OAG.• All services performed by any national BDO office will be reported to the governing body. <p>There were no other services provided by BDO during the year.</p> |

| Matter | How the matter was addressed |
|--|--|
| Management Judgements and Estimates | <p>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 2025 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.</p> |
| Matters requiring Board input | <p>We have placed reliance on the Board’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; • Management accounts; • Annual budget; • 10 Year Property Plan/maintenance plan; • Notification of fraud; and • Financial statements. |
| Accounting policies | <p>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.</p> |

| 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. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and when evaluating the financial statements. Materiality is initially calculated at the planning stage of our audit and has an influence on the amount of work we do, as well as where we direct our efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>All adjusted and unadjusted differences identified during our audit (if any) have been detailed in Appendix 1 of this report.</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>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.</p> <p>We identified no issues or concerns that led us to conclude the going concern assumption could not be relied upon.</p> |
| Fraud | <p>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.</p> |
| Compliance with laws and regulations | <p>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.</p> |

| Matter | How the matter was addressed |
|---|---|
| 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. |

| Matter | How the matter was addressed |
|---|--|
| Publishing Annual Report on the School's Website | <p>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, Statement of Variance, Evaluation of School's Students' Progress and Achievement, Statement of Compliance with Employment Policy, and Kiwisport Funding Statement.</p> <p>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.</p> <p>We note that you have published your prior year Annual Report on the School's website.</p> |

APPENDIX 1 - ADJUSTED DIFFERENCES

ADJUSTED DIFFERENCES

The following misstatements have been identified during our audit, and *have* been adjusted:

| Description | Assets | Liabilities | Reserves | Profit |
|--|--------|-------------|----------|---------|
| | Dr(Cr) | Dr(Cr) | Dr(Cr) | Dr(Cr) |
| | \$ | \$ | \$ | \$ |
| To bring in the final Pay Equity and Collective Agreement Funding Wash-up for the School | 7,252 | | | (7,252) |
| Net Effect of Adjustments made: | 7,252 | | | (7,252) |

There were also minor Presentation and Disclosure Amendments that were marked up on your draft financial statements and provided to your Accounting Service Provider. These have been corrected in the final financial statements.