

## AUDIT POLICY

*SCD policies also apply. Where there is a conflict between this policy and the SCD policies, the SCD policies should be followed.*

### **Purpose**

This policy outlines the requirements and process for the independent annual audit of Te Kupenga's financial statements and controls.

### **Requirements**

The Trust Deed which established Te Kupenga requires the Te Kupenga Governance Board (the Board) to:

- keep accounting records that will at all times enable the true state and condition of the Trust to be ascertained with reasonable accuracy
- present audited annual accounts to the Te Kupenga Trustees at the annual meeting of the Trust and the Board.

The Deed stipulates that the Trust shall appoint a chartered accountant annually to audit the accounts for the Trust.

The Financial Administration Norms of the New Zealand Catholic Bishops Conference stipulate that its agencies (including Te Kupenga) comply with generally accepted principles under the appropriate accounting standards. Te Kupenga financial statements are consolidated with the NZCBC annual result. Te Kupenga is required to present its annual financial statements to the Conference Finance Committee for its March/April meeting. An external audit of the Te Kupenga annual financial statements is a condition of its annual grant from NZCBC.

As a registered charitable trust with annual expenditure above \$1m, Te Kupenga is required under the Charities Act 2005 to have its annual financial statements, including the Statement of Service Performance, audited by a qualified independent auditor. These form part of the annual return required by Charities Services.

As a private training establishment funded by the Tertiary Education Commission, Te Kupenga is required to meet TEC's financial viability requirements, which include submission of audited financial statements. The New Zealand Qualifications Authority relies on that measure of financial viability as one of its conditions for maintaining PTE registration.

### **Process**

1. The audit process begins in November, for the financial year coming to a close, with a letter of engagement from the auditor. The letter includes details of the audit team, auditor responsibilities and procedures, the Board's responsibilities, reporting procedures and audit fee. The Board Chair accepts the letter of engagement on behalf of the Board and the Trustees.
2. The Board invites the audit Chief Executive to attend its final meeting of the year to discuss the forthcoming audit and identify any matters of importance to be considered as part of the audit.

3. The Accountant and Te Kupenga Operations Manager (or staff member designated by the Chief Executive) begin audit preparations in January. They will prepare drafts of each financial statement – Service Performance, Financial Performance, Financial Position, Cash Flows and Accounting Policies, plus explanatory notes. For the Statement of Service Performance, a detailed evidence file is required to substantiate the measures of achievement.
4. The audit team reviews the draft statements and performs its verification tests during its on-site visit, in February. After any clarifications from management, the audit team presents a draft Performance Report for review in early March. The audit team might seek specific management comment on any audit finding prior to finalising the Audit Findings Report.
5. The Chair of the Board signs the Performance Report and the Representation Letter to the auditor confirming that the Board has disclosed all relevant information and met its responsibilities to enable the auditor to reach a fully informed and reliable opinion on the compliance of Te Kupenga’s financial statements with the relevant standards.
6. The final Performance Report and Audit Findings Report is provided to the Board to be considered at the March Board meeting. The auditor is invited to attend the meeting and speak to the audit findings. The Board might then seek a management response to any matter raised in the audit Reports.
7. Once the auditor has sent its final, stamped version of the Performance Report to the Board, it is then available to be sent to the following parties as part of the Board’s accountabilities:
  - a. The NZCBC Secretariat, for the Trust
  - b. The Charities Commission
  - c. The Tertiary Education Commission
8. The Governance Board is responsible for following up any issues raised as part of the audit with the Te Kupenga Chief Executive.

### **Approval & review**

The Te Kupenga Audit Policy is subject to the normal three-yearly review. Review is the responsibility of the Governance Board.

First issued: 19 February 2021

Next review: February 2023