



# Chanel College

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## AUDIT MANAGEMENT LETTER

For the year ended 31 December 2024

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13 May 2025

The Board of Trustees  
Chanel College  
26 Herbert Street  
Masterton  
5810

Dear Trustees

**AUDIT MANAGEMENT LETTER  
FOR THE YEAR ENDED 31 DECEMBER 2024**

We have completed our audit and enclose your School's financial statements for the year ended 31 December 2024, with our audit report attached.

We remind you of your obligation to submit the annual report, which contains the audited financial statements, to the Ministry of Education via the School Data Portal. Please ensure that once your annual report is submitted that it is also published on your website, if you do not have a website, you can contact the Ministry of Education at [planning.reporting@education.govt.nz](mailto:planning.reporting@education.govt.nz) who can publish it on your behalf on the Education Counts website.

In accordance with our usual practice, we include in the attached report all matters arising from our audit of the financial statements for the School which we consider appropriate for the attention of the Board of Trustees ('the Board'). We have discussed the matters with management and their comments have been included, where appropriate.

This correspondence is part of our ongoing discussions as auditors in accordance with International Auditing Standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Board. The audit does not relieve the Board of their responsibilities. The preparation of the annual financial statements is the responsibility of the Board.

Matters we raise are not intended as an attack or criticism of School related personnel and are based on our professional experience. Our recommendations are what we consider "sound" practice in context of your School environment. The benefits of our recommendations may not always be apparent from an education perspective, however, we are reporting from a financial point of view.

We have prepared this report solely for use by the Board and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior consent, we would not accept responsibility for any reliance they might place on it.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by officials and staff of the School.

If you would like to discuss any matters raised in this report, please do not hesitate to contact us.

Yours faithfully

**Melanie Strydom**  
Director



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# 1. Findings and recommendations

The following matters came to our attention during the course of our audit. These points, whilst not exhaustive, represent matters which we believe should be brought to the attention of those charged with governance. We have also reported our recommendations for improvement to management.

No	Observation	Implication	Recommendation
1	<b>No Independent Approval of FINAL SUE Reports</b>  <b>PRIORITY: HIGH</b>  The assurance work carried out centrally on behalf of the Auditor-General has found that the EdPay system places substantial reliance on Schools to check the accuracy of their payroll.  Throughout our testing of payroll, we also noted that there was no evidence of independent review and authorisation of the FINAL SUE report.  We also understand that EPL and the Ministry are currently refreshing the guidance to Schools on payroll controls, and this updated guidance will be available soon.	Errors may go undetected if reports are not appropriately reviewed and approved.  Reliance could not be placed on the School to check the accuracy of payroll. As a result, additional audit procedures had to be performed.	We recommend that the FINAL SUE report is reviewed and approved by someone independent of Edpay and is signed and dated as evidence of this approval.  This could be the Presiding Member reviewing the FINAL SUE report in addition to the Principal.  Both DRAFT and FINAL SUE reports should be retained for external audit purposes.  As a reminder, to ensure payroll accuracy and effective controls, the School should:  - Review and approve Masterfile changes alongside the fortnightly draft and final SUE reports using EdPay's activity history, timesheet history, and leave history reports. - Limit EdPay access to authorised users only. - Separate duties between processing and approving payroll transactions to reduce the risk of errors or fraud. - Support all payroll changes with proper documentation and ensure they are appropriately authorised. - Assign an independent reviewer, without EdPay access, in most cases the Presiding Member, to verify the final payroll report for accuracy and authorisation. - Document and evidence all reviews and approvals to maintain a clear audit trail.  By following these steps, the School can enhance its payroll controls and minimise the risk of errors or fraudulent activities.



No	Observation	Implication	Recommendation
2	<b>No Budgeted Balance Sheet and Cash Flow</b>		
	<b>PRIORITY: HIGH</b>		
	<p>Schools are required by section 134 of the Education and Training Act 2020 to report budgeted figures for the balance sheet and cash flow.</p> <p>We note that while balance sheet and cash flow budget figures are recorded in the 2024 financial statements, the School's 2024 budget that was approved by the Board did not include figures for these statements.</p>	<p>The Board has failed to comply with section 134 of the Education and Training Act 2020.</p> <p>It is important to consider the budgeted financial position and cash flow of the School to ensure that the Board can effectively manage its working capital as well as possible legislative requirements, such as borrowing limits.</p>	<p>We recommend that the Board produce both a budgeted balance sheet and cash flow at the start of each year as part of your budget setting routine, to enable this to easily be included in the annual financial statements.</p> <p>We also recommend that the profit and loss, balance sheet, and cash flow budgets are all formally approved by the Board.</p>
3	<b>No Independent Approval of Journals</b>		
	<b>PRIORITY: MEDIUM</b>		
	<p>During our testing of journal entries, we noted that journals prepared by the School are not reviewed by an independent person (someone who did not prepare the reconciliation).</p> <p>We wish to emphasise that nothing in our review of your systems has led us in any way to question the integrity of this or any other employee.</p>	<p>Journal entries can be easily subject to error and fraud and have led to inappropriate allocations for some Schools.</p> <p>The internal controls in respect of journal entries leave the School vulnerable to misappropriation.</p>	<p>For there to be effective controls in place for journal entries, we recommend that once the journals have been completed for the month that a journal listing is exported and given to an independent person. This should be signed and dated as evidence of their review and approval.</p> <p>This only applies for journals prepared by the School, not the Independent Accounting Service Provider.</p>



No	Observation	Implication	Recommendation
4	<b>Controls over Masterfile Amendments (Supplier Details)</b>		
	<b><u>PRIORITY:</u> BEST PRACTICE</b>		
	We noted during our testing of Masterfile controls that currently there is no independent review of changes to bank account numbers for suppliers in Xero. This identifies a weakness in Masterfile amendment controls.	Masterfile changes are an area identified as high risk for misappropriation of funds, where bank accounts can be altered without detection prior to payments being made. Strong controls around changes to supplier data is essential to ensure that all changes are accurate and made with appropriate authorisation.	<p>We recommend that a 'History and Notes' report be produced in Xero at least on a quarterly basis, which shows all changes to contact details.</p> <p>This should be reviewed and approved by the Principal for reasonableness and any changes to bank accounts agreed back to supporting documentation. Where changes have been made by the Principal, the review should be done by an independent person, such as the BOT Chairperson. Supporting documentation for changes to contact details should be retained for external audit purposes.</p> <p>In both cases, the report should be signed as evidence of the review that has taken place.</p>
5	<b>No Minutes Recorded for Finance Committee Meetings</b>		
	<b><u>PRIORITY:</u> BEST PRACTICE</b>		
	Through review of the Board meeting minutes and discussion with the Presiding Member we noted that there are no formal minutes taken for the finance committee meetings.	There is no official record of what is discussed at finance committee meetings before recommendations are made to the Board.	We recommend that official minutes are recorded for all committee meetings that occur and are kept alongside the Board minutes. We also recommend that these meeting minutes are signed as evidence of approval.
6	<b>Approval of Payments by the Board</b>		
	<b><u>PRIORITY:</u> BEST PRACTICE</b>		
	We noted in the Board minutes that the Board did not formally approve monthly payments.	No clear accountability trail exists for approving monthly payments.	We recommend that the monthly payments be formally approved by your Board and that you record this in the minutes.



## 2. Summary of unadjusted differences

In performing our audit we have identified the following misstatements that have not been adjusted in the financial statements for the year ended 31 December 2024.

Management believes that uncorrected errors do not, either individually or in aggregate, have a material effect on the financial statements for the year ended 31 December 2024.

Description	Assets Dr/(Cr) \$	Liabilities Dr/(Cr) \$	Income Dr/(Cr) \$	Expenses Dr/(Cr) \$
*no unadjusted differences*				
Total	-	-	-	-



### 3. Summary of uncorrected disclosure deficiencies

We have identified the following disclosure deficiencies that have not been adjusted in the financial statements. Management has determined that these disclosure deficiencies do not result in the material misstatement of the financial statements or non-compliance with the applicable legislative framework.

Disclosure deficiency identified	Accounting standard reference
*no uncorrected disclosure deficiencies*	





## 4. Updates on matters raised in the prior year

Below follows an update on matters that we as auditors have brought to the attention of those charged with governance in the prior financial year.

No	Observation	Recommendation	Update
1	Board's Annual Budget	We recommend that the minutes clearly record the adoption of the budget, the amount of the surplus and any key considerations taken into account by the Board when adopting the budget.	Partly recurring, see section 1, point 2
2	Provision for Cyclical Maintenance	We recommend that the Board seek property advice to complete a full CMP review in 2024, as we understand that the current plan was last completed in 2020/21.	Resolved
3	School Payroll Controls	<p>To ensure internal controls are effective School's need to ensure that:</p> <ul style="list-style-type: none"><li>• There is segregation of duties between the processing and approval of payroll transactions;</li><li>• Access to EdPay is controlled;</li><li>• Transactions reports continue to be printed, checked and signed as approved;</li><li>• Fortnightly payroll reports are checked and signed as approved by management and governance;</li><li>• Payroll transactions are approved in line with delegations;</li><li>• Approvals are appropriately documented.</li></ul>	Recurring, see section 1, point 1



## 5. Other communications

The following matters relevant to our audit are communicated in accordance with the requirements of International Auditing Standards.

Matters communicated	Response
Independence	We confirm that we have maintained our independence in accordance with the independence requirements of the <i>Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners</i> issued by the External Reporting Board and, in our professional judgement. Other than in our capacity as auditors, we have no relationship with or interest in Chanel College.
Fraud	No matters relating to fraud, concerning either employees or management came to our attention.
Non-compliance with laws and regulations	We did not become aware of any non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures in the financial statements.
Going concern	As part of our audit we are required to assess the ability of the School to continue as a going concern for a period of 12 months post the signing of our audit report. The financial statements have been prepared on a going concern basis. We have not become aware of any events that cast doubt on the School's ability to continue as a going concern for the foreseeable future. Our audit report is not qualified in respect of this matter.
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Accounting policies and financial reporting	We have not become aware of any significant qualitative aspects of the School's accounting practices, including judgements about accounting policies, accounting estimates and financial statements disclosures that need to be communicated to the Board, other than those already communicated in this report.
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, needs to be communicated to the Board.
Fees	Fees for the audit have been billed to the School.
Disagreements with management	We confirm that there have been no disagreements with management over the application of accounting principles, scope of the audit or disclosures.
Serious difficulties in performing the audit	We confirm that there were no significant difficulties encountered in performing the audit.
Consultations management made with other accountants	We have not become aware of any consultations with any other accountants, other than service providers.