



# Chanel College

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## AUDIT MANAGEMENT LETTER

For the year ended 31 December 2025

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26 May 2026

The Board of Trustees  
Chanel College  
26 Herbert Street  
Masterton  
5810

Dear Trustees

## **AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 31 DECEMBER 2025**

We have completed our audit and have forwarded your School's financial statements for the year ended 31 December 2025, including our audit report, to Education Services Limited.

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
<b>1</b>	<b>No Independent Approval of FINAL SUE Reports</b>		
	<p>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.</p> <p>Throughout our testing of payroll, we noted that there instances where there was no evidence of independent review and authorisation of the FINAL SUE report.</p>	<p>Errors may go undetected if reports are not appropriately reviewed and approved.</p> <p>Reliance could not be placed on the School to check the accuracy of payroll. As a result, additional audit procedures had to be performed.</p>	<p>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.</p> <p>This could be the Presiding Member reviewing the FINAL SUE report in addition to the Principal.</p> <p>Both DRAFT and FINAL SUE reports should be retained for external audit purposes.</p> <p>We acknowledge that following the recommendation raised during our interim audit, an independent approval process is now in place for the FINAL SUE report.</p>
<b>2</b>	<b>Budget</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 2025 financial statements, the School's 2025 budget that was approved by the Board did not include figures for these statements.</p> <p>We also noted that the reported budget included within the financial statements, did not entirely line up with the 2025 approved profit and loss budget.</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>It is important that the annual budget captures all income and expenditure items, measured on an accrual's basis, so that the budget is consistent and comparable with the annual financial statements, and so robust monthly monitoring against budget can occur.</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> <p>We recommend that when the budget is prepared, line items are categorised in line with Kiwipark, so that figures will directly tie between the approved budget and the financial statements.</p> <p>We do note that this is likely to be resolved with the move to Education Services.</p>



No	Observation	Implication	Recommendation
<b>3</b>	<b>Wages Advanced to Employee</b>		
	<p>We noted one instance where wages had been advanced to an employee without prior consent from the Ministry of Education.</p> <p>As there was a genuine reason for the wage advance, the amount was minor, and was repaid in a timely manner, we have addressed this matter via our management letter only, and do not refer to this in our audit report.</p>	<p>The Board has failed to comply with section 154 of the Education and Training Act 2020.</p>	<p>We recommend that the Board does not advance wages to staff outside of EdPay, ensures all remuneration is processed through the central payroll system, and reinforces payroll procedures and controls to prevent similar occurrences in the future, including ensuring employment arrangements are actioned promptly through EdPay.</p>
<b>4</b>	<b>Finance Committee Meeting Minutes</b>		
	<p>During our testing of Board minutes, we noted that the Finance Committee meeting minutes are not signed by the Presiding Member or recorded as approved at the following meeting,</p>	<p>No record exists that finance committee meeting minutes are true and correct.</p>	<p>We recommend that the Finance Committee meeting minutes are either signed by the Presiding Member, or they are approved at the following Finance Committee meeting with official approval recorded in the minutes.</p> <p>With Finance Committee meetings being held infrequently, the preferred approach would be to have the Presiding Member sign the minutes so they are approved in a timely manner.</p>
<b>5</b>	<b>Approval of Payments by the Board</b>		
	<p>We noted in the Board minutes that the Board did not formally approve monthly payments.</p>	<p>No clear accountability trail exists for approving monthly payments.</p>	<p>We recommend that the monthly payments be formally approved by your Board and that you record this in the minutes, for example:</p> <p>The Board approve December 2025 monthly payments totalling \$XXXX.</p>



No	Observation	Implication	Recommendation
<b>6</b>	<b>Board Review/Approval of Cyclical Maintenance Provision</b>		
	<p>The provision for cyclical maintenance is considered an accounting estimate. When auditing this estimate, we are required to obtain assurance over the assumptions applied, the reliability of the underlying data, and the accuracy of the calculation used to determine the provision included in the financial statements.</p> <p>It was noted that the cyclical maintenance provision for the 2025 year was not reviewed and approved by the Board. There is no clear evidence in the Board minutes that, on an annual basis, the Board has reviewed and agreed the assumptions applied and the final calculation.</p>	<p>As the provision for cyclical maintenance is a significant accounting estimate that is reassessed each year, the absence of clear annual Board approval reduces the strength of governance oversight and the audit trail supporting the estimates included in the financial statements.</p>	<p>We recommend that the Board formally review the cyclical maintenance calculation on an annual basis and record in its meeting minutes that it has agreed:</p> <ul style="list-style-type: none"><li>- the assumptions applied</li><li>- the calculation methodology and data used for the calculation</li><li>- the resulting provision amounts included in the financial statements</li></ul> <p>This review would normally occur at the meeting where the financial statements are considered and approved for audit.</p> <p>To strengthen the documentation further, the minutes should also record the agreed balances, for example:</p> <ul style="list-style-type: none"><li>- The current portion of the provision for cyclical maintenance as at 31 December 20XX of \$XXXX</li><li>- The non-current portion of the provision for cyclical maintenance as at 31 December 20XX of \$XXXX</li></ul>
<b>7</b>	<b>No Annual Review of Assets</b>		
	<p>We understand that the School did not review the fixed asset register during the year.</p> <p>Checking assets each year is a requirement of financial reporting standards. It is an important step in fixed asset management for the School because it identifies assets that have been disposed, or assets that may have decreased in value. This may be as a result of events other than normal wear and tear, such as significant damage, loss, technological obsolescence or theft.</p>	<p>Requirements of financial reporting standards have not been met.</p>	<p>A School of your size should aim to perform a complete fixed asset stock-take each year, with a review of high-value or high-risk fixed assets, such as computer equipment, performed perhaps six monthly. This review will ensure that your School is kept up to date of the state of its fixed assets, act as a check and/or deterrent to theft and also ensure that amounts presented in the financial statements are fair.</p>



No	Observation	Implication	Recommendation
8	<b>Recording Low Value Fixed Assets</b>		
	<p>The School's fixed asset register includes additions with costs less than the capitalisation threshold of \$1,000. These are then depreciated over the estimated useful lives at a straight-line basis.</p>	<p>The School's capitalisation threshold is not being adhered to and has resulted in the cost of Fixed Assets at year end and the depreciation expense being overstated.</p> <p>We wish to advise that this hasn't resulted in any adjustments to the 2025 financial statements as the amounts were deemed to be immaterial.</p>	<p>We recommend that you only capitalise fixed assets with a cost over the pre-determined capitalisation level of \$1,000. The School should continue to capitalise groups of low-value items, e.g. chairs and desks which individually have a value of less than the capitalisation level.</p>



## 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 2025.

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 2025.

Description	Assets Dr/(Cr) \$	Liabilities Dr/(Cr) \$	Income Dr/(Cr) \$	Expenses Dr/(Cr) \$
Learning Resource Expenses – Employee Benefits – Salaries				27,424.80
Accounts Payable – Employee Entitlements – Salaries		(27,424.80)		
<i>To accrue for bulk grant portion of PP21, 22, and 23</i>				
<b>Total</b>	-	<b>(27,424.80)</b>	-	<b>27,424.80</b>



### 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
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\*no uncorrected disclosure deficiencies\*

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## 4. Updates on matters raised following our interim audit

Below follows an update on matters that we as auditors have brought to the attention of those charged with governance following our interim audit for the current financial year.

No	Observation	Recommendation	Update
1	BOT Approval of Expenditure Above \$2,000	We recommend that you always follow your system of each invoice above \$2,000 being approved by the Board. This could be evidenced by way of Board Chair signature on invoice (or approval through Esker), or by minuting the approval in the Board meeting minutes, ensuring to include the invoice number and payment amount so it is easily able to be determined the invoice that is being approved.	Resolved
2	Independent Approval of FINAL SUE Reports	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.	Recurring, see section 1, point 1
3	Approval of Payments by the Board	We recommend that the monthly payments be formally approved by your Board and that you record this in the minutes.	Recurring, see section 1, point 5



## 5. 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	No Independent Approval of FINAL SUE Reports	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.	Recurring, see section 1, point 1
2	No Budgeted Balance Sheet and Cash Flow	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. We also recommend that the profit and loss, balance sheet, and cash flow budgets are all formally approved by the Board.	Recurring, see section 1, point 2
3	No Independent Approval of Journals	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. This only applies for journals prepared by the School, not the Independent Accounting Service Provider.	Resolved



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4	Controls Over Masterfile Amendments (Supplier Details)	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. 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. In both cases, the report should be signed as evidence of the review that has taken place.	Resolved
5	No Minutes Recorded for Finance Committee Meetings	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.	Partially recurring, see section 1, point 4
6	Approval of Payments by the Board	We recommend that the monthly payments be formally approved by your Board and that you record this in the minutes.	Recurring, see section 1, point 5

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## 6. 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.