

22 May 2026

The Board Members  
Te Wharekura O Rakaumangamanga  
26 McDiarmid Crescent  
Huntly 3700

Dear Board Members,

## **Audit Management Letter For The Year Ended 31 December 2025**

### **1. Introduction**

We have completed the audit of Te Wharekura O Rakaumangamanga's (the School) financial statements for the year ended 31 December 2025.

The purpose of this letter is to bring to the attention of those charged with governance the significant matters that arose during the course of our audit and matters of interest as required by *ISA (NZ) 260 Communication with Those Charged with Governance* and other ISA (NZ) standards.

You will appreciate that while our audit is carried out in accordance with the Auditor-General's auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for public accountability and the implementation and monitoring of internal and management controls rests with management and the Board Members.

This letter has been prepared for the Board Members and is intended only for use by you. We accept no responsibility to any other party in relation to whole or part of its contents.

### **2. Responsibilities and Scope in Relation to the Audit**

The Board Members are responsible for preparing the financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR) and for implementing appropriate internal controls with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

We are responsible for conducting the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) (ISA (NZ)) issued by the New Zealand Auditing and Assurance Standards Board, and forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### **3. Timing of the Audit**

The audit was completed and dated 22 May 2026.

### **4. Audit Opinion**

We have issued our unmodified audit opinion on the financial statements for the year ended 31 December 2025.

### **5. Going Concern Assumption**

The financial statements were prepared on the basis that the school is a going concern. As required by the Office of the Auditor-General, we reviewed this assumption in terms of the criteria set out in the Auditing Standard ISA (NZ) 570. Based on the supporting evidence we concluded that the use of the going concern assumption was appropriate given the School's funding sources and its operating budget for the following financial period.

### **6. Management Judgements and Estimates**

Under International Standards on Auditing (NZ) we have a responsibility to communicate with management and the governing body the process used by the School in forming particularly sensitive accounting estimates, assumptions or valuation judgements. Overall, we note that the judgements and estimates by management in preparing the results for the year ended 31 December 2025 appear reasonable.

91 Clarence Street Hamilton 3204  
PO Box 389 Hamilton 3240

Freephone 0800 269 139  
Telephone 07 839 1235

enquires@owenmcleod.co.nz  
www.owenmcleod.co.nz



The most significant areas of judgement, assumptions and estimates by management relate to:

- Provision for cyclical maintenance and cyclical maintenance expense
- Depreciation rates to ensure that fixed assets are written off over their estimated useful lives

We are not aware of any other sensitive accounting estimates, assumptions or valuation judgements made by the School.

#### 7. Materiality

In the context of an audit, materiality means, 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 level of work to be performed, which items and balances require work and for the evaluation of the financial report. Materiality is initially calculated at the planning stage and has an influence on the level of work we do. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

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 6% or less of our planned materiality.

#### 8. 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 have tested a sample of expenses for the year, and we did not identify any such items to report except for noted below (if any). However, we remind you of the importance to remain vigilant in your oversight of expenditure of the school.

#### 9. Findings Arising from the Audit

##### School payroll controls

We consider the main risk to the accuracy of payroll payments is transactions being incorrectly processed, because of either 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.

Guidance on the controls within EdPay that should be operating at schools is available on the EdPay website ([School internal processes and controls – payroll](#)). To review and approve pay changes the following transaction histories should be saved, checked, and signed, ideally after transactions have been processed and prior to payment:

- timesheet history
- leave history
- activity history.

The final fortnightly payroll (SUE) report should also be interdependently reviewed to ensure the amounts paid are as expected. 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.

To ensure controls are effective schools also need to ensure that:

- there is segregation of duties between the processing and approval of payroll transactions;
- access to EdPay is controlled;
- payroll transactions are approved in line with delegations; and
- approvals are appropriately documented.

This means that, while an initial review of the transaction history reports and the fortnightly draft payroll (SUE) report might be carried out by the payroll administrator, to check the accuracy of data entry, the final **fortnightly payroll (SUE) report, activity history report, timesheet transaction history report and leave transaction history report** should be reviewed and approved by someone independent of the staff who have access to EdPay.

### **Refresh of EdPay's guidance on controls**

We understand from the Ministry that the activity history report now provides details of all Masterfile changes (expect changes to employees' addresses). However, this change has not been communicated to schools. EPL and the Ministry are currently refreshing the guidance to schools on payroll controls and is now available on the Edpay website: <https://www.edpay.govt.nz/Site/Training/default.aspx>

### **Recommendation**

We recommend that the Board ask management for assurance that appropriate controls are in place at the school over payroll transactions, and that these controls are considered against the updated payroll guidance.

### **Board Minutes**

Board meeting minutes demonstrate to stakeholders that the school/kura and its' board act appropriately and in accordance with legal and contractual requirements. They also document that principles of good governance and informed decision-making are being followed. The minutes should record the following matters:

- Review and approval of the annual audited financial statements;
- Review and approval of the annual cyclical maintenance plan (painting);
- Review and approval of the School Annual Accrual Report (end of year payroll report);
- Review and approval of the budget (including an income statement, balance sheet, and cash flow), budget should include teachers' salary and notional lease;
- Review and approval of monthly financial statements;
- Approval of payments.

We are satisfied that the School has documented the approvals in the minutes.

### **Independent checks on Payroll reports**

During the school visit, we noted that there is no evidence that Principal / Board Member independently checks and signs off each fortnightly Activity history report, timesheet history report and leave history report. To strengthen the payroll controls, we recommend that the person who is responsible for the independent check on fortnightly SUE report and evidence their review by initialing the SUE report as well as other reports that EdPay published (i.e. timesheet history, leave history, activity history) as explained above – School payroll controls.

### **Fundraising cash**

With more digital payments in use for receipting, we remind the school the key controls on fundraising cash handling:

- Maintain a log or all incoming funds. The log should detail the date, the amount, the source (i.e. bake sale, mufti day), and the initial of the staff who handled it.
- At least two adults should be present whenever cash is counted. Both individuals should sign off on a collection form or log confirming the total amount.
- All cash should be kept in locked cash box or secure bag during the event. At the end of an event, funds must be secured in a school safe.
- Total cash counted must be reconciled against any supporting documentation, i.e. tickets register, log.
- Independent verification and sign-off (i.e. by a staff member not involved in the collection) agreeing the counted total to the amount banked.

Implementing these controls will strengthen accountability, improve audit evidence, and ensure cash handling practices remain transparent and robust.

### **Conflict of interest register**

We found some schools have keep a conflict of interest register (i.e. interest register from BoardPro), however the register does not adequately capture all the declaration details including the actions required to manage the conflict and the classification of the conflict.

Here is an example:

Declarant & Role	Date Declared	Related party	Nature of Interest	Type of Conflict	Management Plan	Review Date
John Smith (Trustee)	15/03/2026	Kathy Smith – wife to John	Kathy is owner of 'Office Supplies Ltd', the company provides stationery to the school from Mar 2026.	Actual	<ol style="list-style-type: none"> <li>1. Mr Smith must declare the interest at the start of any meeting where the stationery contract is discussed.</li> <li>2. Mr Smith must be absent from all board discussions and decisions relating to the stationery tender.</li> <li>3. Mr Smith is to be disregarded for the purposes of forming a quorum during that part of the meeting.</li> </ol>	15/03/2027

We recommend that you review your conflict of interest register and ensure it covers all the details.

We also recommend that everyone involved in a purchasing activity that is valued at \$25,000 or more including GST (either immediately, or over a 12-month period) completes a MOE conflict of interest declaration and management plan, here is the link to the management plan:

<https://www.education.govt.nz/education-professionals/schools-year-0-13/property/conflicts-interest#guidance-and-examples-of-conflicts-of-interest-1>

Please note that related party total transaction value more than \$25,000 (GST inclusive) requires MOE approval.

### Segregation of duties

Effective controls require good segregation of duties, i.e. needing more than one person to complete a task.

We note that significant portions of the day-to-day accounting functions are solely under control of one person. We wish to point out that nothing in our review of your systems has led us in any way to question the integrity of this or any other employee.

We appreciate that it may be difficult to achieve appropriate segregation of duties because of the small number of administration staff at the school. Where this is the case, management needs to provide careful monitoring and oversight to mitigate against the risk of fraud or error.

The Ministry of Education has recently published an internal control checklist and a segregation of duties matrix on its [website](https://www.education.govt.nz/school/funding-and-financials/school-finances/#internal-control-resources) (<https://www.education.govt.nz/school/funding-and-financials/school-finances/#internal-control-resources>) which the school may find useful when assessing the adequacy of its internal controls. Further guidance on internal controls can be found in the Ministry's [Financial Information for Schools Handbook](#).

### Changes to the Construction Contracts Act that could impact on school boards

The Construction Contracts (Retention Money) Amendment Act 2023 (2023 Amendment Act) introduced new requirements related to retention monies. The new requirements apply to all contracts entered into or renewed from **5 October 2023**.

This means that schools that hold retentions on construction projects will have to comply with the new requirements of the 2023 Amendment Act for any new contracts they have entered into, or any existing contracts that they have renewed since 5 October 2023.

The 2023 Amendment Act makes the following changes:

- Retention money must either be held in a separate bank account or secured through a suitable financial instrument, like insurance or a bond.
- If schools hold retentions in a bank account, the account must be used exclusively for holding retention money. The school can choose to have individual accounts for each contractor's retention money or a

single account for all contractors, but in the latter case, detailed accounting records must be maintained to show whose retentions are whose. Any interest earned in the account belongs to the school.

- The school must provide certain information to the Contractor when taking a retention, and then at least every three months thereafter for as long as the retention is held. The required information includes the amount held, contract specifics, bank account information (if the retentions are held in a bank account), or financial instrument details.
- The school can only use this money to address defects after providing The Contractor with a 10-working-day notice in writing to fix the issues.

There are penalties for organisations that do not comply with the retention requirements:

- a fine of up to \$200,000 for failing to keep retention money as required,
- a fine of up to \$50,000 for failing to maintain proper accounting and records of retention money, and
- a fine of up to \$50,000 for failing to provide regular reports on retention money.

The Ministry has provided guidance to schools about this change on its [website](#).

#### **Independent Checking of Cash Inwards**

We noted that there is no effective independent check over inwards cash records to ensure that all monies received are accurately receipted and banked. The absence of such a review increases the risk of misstatement or fraud going undetected.

We recommend that all receipting and banking processes be independently reviewed and evidenced by sign-off. This will help strengthen internal controls and reduce the risk of error or misappropriation.

#### **Fuel Card**

We noted that there is no evidence that the Principal's fuel card transactions are being independently reviewed and approved. As fuel cards should be used solely for school purposes, there is an increased risk of personal expenditure if appropriate controls are not in place.

To strengthen controls and mitigate this risk, we recommend that supporting documentation (including receipts) be obtained for each transaction, with details of each trip recorded. This information should then be subject to independent review and approval by the Board or an appropriate delegated authority.

#### **Payment Authorisation**

We noted that more than one administrator has bank payment authorisation capabilities. This increases the risk that payments may be authorised without appropriate oversight from senior management or the Board.

We recommend that the School ensure its payment authorisation policies are consistently followed, and that at least one bank authorisation signatory is a member of senior management or the Board. In addition, delegated payment authorities approved by the Board at the beginning of the year should be strictly adhered to.

#### **High leave balance**

We noted that the school's annual leave report shows leave owing to several staff members that is greater than 30 days. The Board need to ensure that annual leave is taken and kept to a manageable level. We understand that the Board is aware of this issue and is working with the staff member involved to reduce this.

#### **Evidence of Independent Check on Invoices – Inconsistent Authorisation**

During our review of invoices and supporting documentation, we noted that an authorisation form is generally attached to invoices/receipts to evidence independent approval. However, in some instances, these authorisation forms were not signed. This indicates that the required independent approval process is not being consistently evidenced.

We recommend that the school reinforce existing procedures to ensure that all invoices are supported by a fully completed authorisation form, including appropriate signatures, prior to payment. This will help ensure consistent evidence of independent review and strengthen controls over expenditure.

#### **Credit Card Expenditure – Inconsistent Approval and Supporting Documentation**

During our review of credit card expenditure for October 2025, we noted that approvals were not applied consistently. In addition, some transactions were not supported by appropriate documentation (e.g., invoices or receipts). The lack of consistent approval and complete supporting documentation increases the risk that inappropriate or unauthorised expenditure may not be detected in a timely manner.

We recommend that the School strengthen controls in this area by ensuring all transactions are supported by appropriate documentation prior to approval, enforcing a consistent and clearly defined approval process, and implementing an independent periodic review of credit card statements to verify approvals and supporting documentation.

### Property, Plant and Equipment – Work in Progress Review

During our audit, we noted that the Turf and Canopy projects recorded under Work in Progress (WIP) were completed in August 2025. However, these projects had not been transferred from WIP to the fixed asset register at year end, and depreciation had not commenced from the completion date.

While the unrecorded depreciation from August to December 2025 is considered immaterial to the financial statements, we recommend that management review completed WIP projects regularly to ensure they are transferred to the fixed asset register in a timely manner and depreciation is commenced when the assets are available for use.

### 10. Adjusted and Unadjusted misstatements

Please find attached Appendix 1 lists adjusted misstatements found during the course of our work.

There were no unadjusted misstatements.

### 11. Key Financial Statement Audit Risks and Issues to be Communicated

<i>Key Matters</i>	<i>Responses</i>
Revenue Recognition	We documented the revenue systems, carried out appropriate controls testing and substantive audit procedures to address the risk of fraud in revenue recognition. We did not identify any material errors in relation to revenue recognition, whether due to fraud. However, we have made some recommendations in this letter.
Locally Raised Funds	We documented the system on Locally Raised Funds, assessed the control environment and completed analytical audit procedures to address the risk of material misstatements around the completeness of locally raised funds due to its nature—often being cash. We have not identified any material misstatements, due to fraud. However, we have made some recommendations in this letter.
Payroll	Payroll is processed by EdPay. The reliability of payroll processing is dependent on appropriate approval of payroll changes, checking of the fortnightly SUE report and relevant reports (i.e activity history report) and review of School Annual Accrual Report (SAAR). We have discussed with management and documented controls on payroll, carried out control testing, analytical procedures and substantive audit procedures to address the risk identified on payroll. We have not identified any material misstatements in payroll, whether due to fraud or error. However, we have made some recommendations in this letter.
Cyclical Maintenance Provision	Cyclical Maintenance is an area of judgement and could lead to material misstatement in the financial statements. For schools to be able to calculate the appropriate provision a painting plan needs to be prepared and/or reviewed by a suitably qualified person. We have obtained and reviewed the School's Plan and assessed that the provision at balance date is reasonably correct.
Management override	We have discussed with management controls on expenditure authorisation, tested manual journals, reviewed accounting estimates and significant transactions that are outside the normal course of business to address the presumed significant risk on management override. We have not identified any instances of management override.
Qualitative Aspects of Accounting Practices	The accounting policies used by the entity are consistent with the previous year. We reviewed the accounting policies, accounting estimates and financial disclosures, we believe that these are appropriate.
Significant difficulties	During the audit, we encountered no significant difficulties.
Disagreements with Management	We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
Written management representations	We received the standard signed representation letter for the year ended 31 December 2025. No other specific representations were requested.
Other information	No material inconsistencies or misstatements were identified relating to the other information in the financial statements.
Other Significant matters	No other significant matters were raised from the audit.

Auditor Independence	We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.
Going Concern	No material uncertainties related to going concern were noted.
Non-compliance with Law or regulation	We have not identified any instances of noncompliance with Law or regulation.
Significant deficiencies in internal control	No significant deficiencies in internal control were noted, however we have made some recommendations in this letter.
Fraud	We have not identified any instances of fraud involving senior management or any other frauds that have caused material misstatement in the financial statements.
Significant Risks	We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.

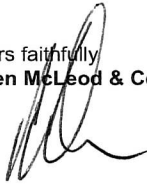
## 12. Conclusion

We remind the school to submit a single PDF file of your annual report, including audited Annual financial statements, audit report and required items from Annual report checklist to the Ministry of Education via the Ministry's [School Data Portal \(external link\)](#). These audited accounts must be minuted at your next Board Members' meeting.

Please advise us in due course of the actions you propose to take in relation to the matters raised in this letter.

We wish to acknowledge the friendly assistance provided by your staff during the audit. If there is any further information you require, please do not hesitate to contact us.

Yours faithfully  
**Owen McLeod & Co Ltd**



**Richard Owen**

# Te Wharekura o Rakaumangamanga

## Year ending 31 December 2025

### Appendix 1

#### Adjusted Errors:

1. To bring in banking staffing underuse as per wash up list

Code	Name	Group	Debit	Credit
	Teachers salaries grant	income	-	209,825.00
	Staff banking underuse	assets	209,825.00	-
			<b>209,825.00</b>	<b>209,825.00</b>

2. To adjust the unspent grant received from Genesis for the installation of a solar photovoltaic system to Grants in Advance.

Code	Name	Group	Debit	Credit
	Other Revenue	income	100,000.00	-
	Other Income in advance	liabilities/ equity	-	100,000.00
			<b>100,000.00</b>	<b>100,000.00</b>