



Solway Primary School

AUDIT MANAGEMENT LETTER

For the year ended 31 December 2025

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11 May 2026



The Board of Trustees
Solway Primary School
318 Ngaumutawa Road
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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 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	Timely authorisation of Credit Card statements		
	<p>During our testing of credit card expenditure, we noted some instances where credit card statements were not signed by the Presiding member as evidence that the expense was checked and authorised in a timely manner.</p>	<p>This makes it impossible to readily distinguish between a valid account payment and an improper payment that should not have been made.</p>	<p>We recommend that you always follow your system of each credit card statements being signed or initialled by the Presiding member in a timely manner, to provide evidence of approval before settlement.</p>
	<p>It was also observed that the credit card is used not only by the principal but by other staff members as well.</p>	<p>There is no clear distinction between expenses incurred by the principal and those incurred by other staff members</p>	<p>If multiple staff members require access to a credit card, issue separate cards under their own names rather than sharing the principal's card.</p>
2	Draft and Final SUE reports		
	<p>During the review of the draft and final SUE report we have noticed instances where one Final SUE report was not being reviewed and retained.</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 fortnightly transactions and draft and final SUE reports are signed as evidence of review and be retained.</p>
	<p>Additionally, we noted one case where a draft SUE report was retained and checked, but the report lacked a signature.</p>		
	<p>We have also noticed that per the Ministry of Educations reports, Hannah Doherty has access to Edpay.</p>		<p>We recommend looking into Hannah's access as she would not be considered an independent reviewer for the SUE reports.</p>
3	GST Incorrectly Claimed on Payments		
	<p>Our sample testing of asset additions showed an instance where GST appeared not to be claimed.</p>	<p>Unnecessary and potentially costly IRD penalties and interest could be charged if your School is subject to an IRD audit.</p>	<p>We suggest that the School take care to ensure that a GST invoice or other appropriate support is available and all invoice subject to GST are claimed.</p>



No	Observation	Implication	Recommendation
4	Masterfile Changes - Employees During our testing of payroll, we noted that the school is not using the available EdPay system reports (activity history, timesheet history, and leave history) to review and approve masterfile changes. We understand that EPL and the Ministry are currently refreshing the guidance to schools on payroll controls, and this updated guidance will be available soon.	<p>This increases the risk of payroll errors or fraud going undetected, as these transactions are not centrally checked.</p> <p>The EdPay system relies on schools checking the accuracy of the payroll transactions processed</p>	<p>We recommend that the School implement a process to regularly review and approve masterfile changes, alongside the fortnightly review of the draft and final SUE reports.</p> <p>As a reminder, to ensure payroll accuracy and effective controls, the school should:</p> <ul style="list-style-type: none">- 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. <p>By following these steps, the school can enhance its payroll controls and minimise the risk of errors or fraudulent activities.</p>



No	Observation	Implication	Recommendation
5	Cyclical Maintenance Provision		
	<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>We noted that the cyclical maintenance calculation is not signed by the school and there is also 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>We have also noticed that the Cyclical Maintenance Plan was not included as part of this professional review of the 10YP and that the school's cyclical maintenance plan includes all buildings as one line for exterior and interior.</p>	<p>Without having regular review and approval of the cyclical maintenance plan, the risk exists, that the cyclical maintenance provision included within the financial statements may not accurately reflect the costs associated with carrying out the maintenance work under the 10YPP.</p>	<p>We recommend that an updated cyclical maintenance plan be prepared and professionally reviewed and approved to ensure the plan is in line with the 10YPP.</p> <p>We recommend that the school cyclical maintenance provision plan splits out the schools property block by block to obtain a more accurate value for the cyclical maintenance.</p> <p>We also 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">- the assumptions applied- the calculation methodology and data used for the calculation- the resulting provision amounts included in the financial statements <p>This review would normally occur at the meeting where the financial statements are considered and approved for audit. To strengthen the documentation further, the minutes should also record the agreed balances, for example:</p> <ul style="list-style-type: none">- The current portion of the provision for cyclical maintenance as at 31 December 20XX of \$XXXX- The non-current portion of the provision for cyclical maintenance as at 31 December 20XX of \$XXXX
6	Vulnerable Financial Position		
	<p>We have noticed the school made a Deficit for the 2025 Financial year and the school's net asset balance remains consistent. The working capital, although positive is still considered weak</p>	<p>We recognise that your Board is monitoring this situation. However, if unexpected liabilities arise the School may find itself with a working capital deficit. Consequently, you may not be able to pay your bills as they fall due</p>	<p>We recommend that you monitor this situation closely and continue to take action to curtail expenditure and/or generate additional revenue wherever possible.</p>



No	Observation	Implication	Recommendation
7	Approval of Payments by the Board		
	We noted during the 2025 year there were some instances where the Board did not formally approve monthly payments.	No clear accountability trail exists for approving monthly payments.	We acknowledge that monthly payments are now being approved at board meetings and the signed payment schedule is now being filed with the Board minutes. We recommend that the School continues with this process.
8	Asset Capitalisation Threshold \$250		
	The School's asset capitalisation threshold is set at \$250 and per the school Asset Policy the threshold is \$200.	Having to capitalise any assets over \$250 is very time consuming.	We recommend that the School increase their asset capitalisation threshold to \$500 as this would be more appropriate for the size of the School and update the school Asset Policy accordingly.



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				44,928
Accounts Payable - Employee Entitlements – Salaries		(44,928)		
<i>To include Bulk Grant Portion for PP21, PP22, PP23 and ACC Payable</i>				
Total	-	(44,928)	-	44,928



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 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	Timely authorisation of Credit Card statements	<p>We recommend that you always follow your system of each credit card statements being signed or initialled by the Presiding member in a timely manner, to provide evidence of approval before settlement.</p> <p>If multiple staff members require access to a credit card, issue separate cards under their own names rather than sharing the principal's card.</p>	Recurring, see section 1, point 1
2	Draft and Final SUE reports	We recommend that the fortnightly transactions and draft and final SUE reports are signed as evidence of review and be retained.	Recurring, see section 1, point 2
3	GST Incorrectly Claimed on Payments	We suggest that the School take care to ensure that a GST invoice or other appropriate support is available and all invoice subject to GST are claimed	Recurring, see section 1, point 3
4	Approval of 2024 Audited Financial Statements by the board	We recommend that the financial statements be formally approved by your Board and that you record the passing of the resolution in your minutes.	Resolved
5	Masterfile Changes - Employees	<p>We recommend that the School implement a process to regularly review and approve masterfile changes, alongside the fortnightly review of the draft and final SUE reports.</p> <p>As a reminder, to ensure payroll accuracy and effective controls, the school should:</p> <ul style="list-style-type: none">- 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.	Recurring, see section 1, point 4



- 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.



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 Evidence of credit Card Authorisation	We recommend that you always follow your system of each credit card invoice being signed or initialled by the Presiding member to provide evidence of approval before settlement.	Recurring, see section 1, point 1
2	No Independent Reconciliation of Cash Receipts through ETA	For there to be effective controls in place, we recommend the ETAP summary is initialled by both the person who receipts cash, and an independent reviewer. This signatory should evidence recounted cash to be banked agrees to ETAP summary and cash deposit bag slip.	Resolved
3	Principal Well-Being Fund Expenditure	Public organisations should take a principles-based approach to making sensitive expenditure decisions. These principles include that the expenditure should have a justifiable business purpose and be moderate and conservative, when viewed from the standpoint of the public and given the circumstances of the spending.	Resolved
4	Cyclical Maintenance Provision not based on 10YPP	We recommend that an updated cyclical maintenance plan be prepared and professionally reviewed and approved to ensure the plan is in line with the 10YPP. The Board should also review the approved plan on an annual basis to ensure all costs and dates remain relevant. Board approval should be minuted as evidence of this review. We recommend that the school cyclical maintenance provision plan splits out the schools property block by block to obtain a more accurate value for the cyclical maintenance	Recurring, see section 1, point 5
5	Vulnerable Financial Position	We recommend that you monitor this situation closely and continue to take action to curtail expenditure and/or generate additional revenue wherever possible.	Recurring, see section 1, point 6
6	Library Books	We strongly suggest that you communicate with your accountant to discuss implementing the stocktake figures into the annual	Resolved



		financial statements going forward.	
7	GST Incorrectly Claimed on Payments	We suggest that the School take care to ensure that a GST invoice or other appropriate support is available before the School claims GST on any transactions.	Recurring, see section 1, point 3
8	Approval of Payments by the Board	We acknowledge that monthly payments are now being approved at board meetings and the signed payment schedule is now being filed with the Board minutes. We recommend that the School continues with this process.	Recurring, see section 1, point 7
9	Asset Capitalisation Threshold \$250	We recommend that the School increase their asset capitalisation threshold to \$500 as this would be more appropriate for the size of the School and update the school Asset Policy accordingly.	Recurring, see section 1, point 8
10	2023 Audit Report	To ensure proper accountability and transparency to our community, it is recommended that the complete, audited 2023 Annual Report and the 2023 Audit Report be published together on your website. Please ensure that once your 2024 Annual Report is submitted to the Ministry, it is also published on your website with the Audit report attached. Please ensure that the Annual Report that is published is the audited copy, and that all pages are uploaded.	Resolved
11	Masterfile Changes - Employee	We recommend that the School implement a process to regularly review and approve masterfile changes, alongside the fortnightly review of the draft and final SUE reports. 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,	Recurring, see section 1, point 4



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 error



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 Solway Primary School.
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.