

24 May 2022

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Hope Hancy  
Presiding Member  
Te Kura o Waikare  
RD 3  
**KAWKAWA 0291**

Dear Ms Hancy

### **Audit of Financial Statements for the Year Ended 31 December 2021**

We are pleased to advise that we have completed the audit of your financial statements for the year ended 31 December 2021.

We enclose a complete set of your school's financial statements together with our formal audit report issued on behalf of the Controller and Auditor-General, as required by the Public Finance Act 1989.

This letter includes observations on the school's accounting procedures. As the trustees are responsible for the financial operations of the school we suggest this letter be considered at the next finance committee meeting and tabled at the next full board meeting.

#### **Why we write this letter**

The primary aim of our audit is to form an opinion as to whether the financial statements fairly reflect the results of your school's activities for the year and your financial position at 31 December 2021. The audit report expresses this opinion.

To ensure your school receives the maximum benefit from our audit we have turned our focus to the future and set out below some matters for the attention of your board. Our motive is to offer constructive advice so that the accounting functions and related issues can be improved in the future. Please note that this letter is sent only to you, with a copy to the Office of the Controller & Auditor-General. We do not send a copy of this letter to the Ministry of Education.

#### **Governance Issues**

##### ***Improvement in Your Financial Position***

We would like to congratulate the school for the surplus achieved in the 2021 year in spite of your deficit budget. It is a tribute to the efforts of your team in terms of budget monitoring and control and the focus placed on the financial health of your school.

#### **PAYROLL**

##### ***Novopay/Edpayroll***

When we were testing employees it was stated that you can't print out terminated employees after the fact. We feel that the school should have a record of new and terminated employees.

*It is recommended when entering a new employee or terminating an employee that the form is printed out prior to submitting that the school has kept a record of new and terminated employees.*



### **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.

To ensure the accuracy of payroll payments, our expectation has been that schools had the following key controls:

- effective access controls to EdPay, limiting access to “authorised users”;
- changes to Masterfile data – such as bank account changes, new starters, or payments to non-salaried staff (such as relievers) - have appropriate supporting documentation and are appropriately authorised;
- checking of the fortnightly draft payroll (SUE) report and Novopay Online transactions report for accuracy; and
- review of the final fortnightly payroll (SUE) report by someone independent of staff who has access to EdPay.

During the year the Novopay Online transaction report was discontinued (in October 2021), and from about mid-2021 had not been a complete record of all transactions.

We do not consider that the review of the SUE report on its own is a strong enough control for schools to rely on to detect fraud or error, because it does not include details of changes to pay, or Masterfile changes. The lack of a complete Masterfile change report could also potentially provide an opportunity for a fraud to go undetected.

### ***Updated guidance on payroll controls is now available***

Updated guidance on the controls within EdPay that should be operating at schools has recently been published on the EdPay website. The main change is that the Novopay Online transaction report has been replaced by several reports. 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.

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.

The guidance and resources on payroll controls for schools are available on the [training page](#) of the EdPay website. They consist of:



- A checklist of best practice payroll controls - School internal processes and controls – payroll.
- A video - How to use EdPay transaction histories (for checking and approving transactions).
- A printable 'how to' guide showing the transaction checking process - Checking transactions using the activity history and timesheet and leave histories.

***No current report in EdPay to check and approve Masterfile changes***

The online activity history for Masterfile changes, such as bank account and other changes to personal details within EdPay is still in development. The updated payroll guidance (referred to above) does suggest some interim procedures, consisting of taking screen shots of changes and having those approved. However, as this will not provide a list of all changes made, the Board needs to consider how it gets comfort that all changes are made with appropriate authorisation. Without a list of all Masterfile changes that can be approved by a second person (as segregation of duties is required for an effective control), this remains an area susceptible to fraud.

***Recommendation***

*We recommend that the Board ask management for assurance that appropriate controls are in place at the school over payroll transactions, consistent with the updated guidance.*

**The Day-to-Day Accounting System**

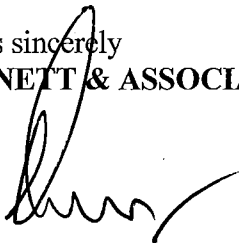
Overall, based on our knowledge of your school and the results of our audit procedures, we again found the financial control environment in place at your school to be good. The attitude towards controls and ensuring your school is being governed effectively is very positive. We were also impressed that your board appears concerned about planning and performance monitoring.

**Our Sincere Thanks**

We would like to take this opportunity to thank the Principal and Financial Administrator for their assistance and co-operation during our audit. The assistance from the school team greatly influences the efficiency of the whole audit process.

We would also like to thank the trustees for selecting Bennett & Associates as your auditors. We appreciate our relationship with your school and look forward to continuing to provide a valuable service to you.

Yours sincerely  
**BENNETT & ASSOCIATES**



**SK BENNETT**

