

Internal Control Guidance for Schools' Payroll Expenses

Internal controls revolve around ensuring the expense is justified, paid to the right person, paid the correct amount, paid on time, and correctly recorded.



Comply with all policies

Have policies to govern all school activities. NSTA may be able to assist



Trust but verify

Trusting staff to do their jobs properly, but implement **INDEPENDENT CHECKING** process to make sure that are doing them correctly, e.g. Check for large pay variances in SUE reports



Evidence and retain supporting documents

Retain all supporting documents physically or digitally for end of year audit inspection. Screenshot evidence if printing function is not available. Documents checked should have evidence of checking, with initial/signature of checker and date.



Use documented process

Establish a good set of operating procedures for different processes



Segregation of duties

Introduce independent checking of transactions where it is possible, and remove 'management over-ride'.



Use secure systems

Use robust passwords and introduce cyber protection. Passwords are personal credentials and must **NOT** be shared with others.

We apply controls to the following processes:

Grant access to the payroll system

- 1. Complete, sign and retain EdPay5 forms.** Schools must **complete, sign and retain the EdPay5 forms** that give authorisation to access the payroll system.
 - Access for the principal **must be approved and signed** by a **Board member**.
 - Access for school administrator **must be approved and signed** by the **principal**.
- 2. Retain evidence of regular review of access rights to confirm that authorised users are still current.** We suggest a minimum of twice per year, but quarterly if possible. To remove authorised users, use an EdPay5c form.
- 3. Captured in standard operating procedures** Schools should have operating procedures detailing the processes of the following:
 - to **approve and remove access** to the payroll system.
 - with **instructions to protect passwords** and use of the payroll system.
 - to use **best practice** for selecting complex passwords e.g. use a combination of alpha, numeric and special characters and **change them every 90 days**.

Appointment of Employees including Relievers

- 1. Retain signed documents** Retain the **signed Letter of Appointment** and the **signed acceptance of position** from the new employee. **Signed and dated by principal** and kept in a secure employee folder.
- 2. Retain completed Novo1 forms or EdPay summary page** Keep records of the **completed Novo 1** or **printed EdPay summary page** in the secure employee folder e.g. Hard copy or digital.
- 3. Retain evidence of correct information** Retain evidence of comparison of the above appointment with the SUE report to provide **evidence that the information in the payroll system is correct** e.g. Hard copy or digital.
- 4. Captured in standard operating procedures** Have an operating procedure detailing the process followed when appointing staff.

Personal details changes

- 1. Retain evidence of requests and approvals** Retain **evidence of requests and authorisation** to make the changes in employee file. Where it is a request to **change bank account details, verify that bank account is in the name of the employee**. Retain **supporting documents** e.g. bank deposit slip or bank verified with bank stamped confirmation, or an internet banking screenshot.
- 2. Provide evidence of independent checking** As fraud mitigation, **SUE reports** should be **checked by an independent checker** for correctness. Evidence the checking completed with **signature of checker and date**.
- 3. Captured in standard operating procedures** **Detail the process followed** and the requirements in the **operating procedures**. **Best practice** requires the persons making the change, and checking changed data to be different persons.

Pay impacting changes

- 1. Retain all relevant documents** Retain all relevant documents that initiate **pay impacting changes**. These **changes must be approved**. These changes include:
 - Allowances
 - Salary adjustments
 - Attestations
 - Timesheets
 - Leave
 - KiwiSaver
 - Tax-rate
 - Tenure changes
 - Termination

Post entry checking by way of matching **retained documents to support variances in SUE report** is essential to ensure that employees get paid correctly, from the correct funding codes.
- 2. Retain evidence of requests and approvals.** For terminations, **notice/ letter for termination and final pay calculations available in SUE report** should be **approved, signed** and kept in personnel file.

For staff on timesheets, retain the **approval and confirmation of the hours worked**. This can through a time-sheeting system or in summarised reports form another electronic or paper based source.
- 3. Provide evidence of checked SUE reports** Retain all checked **SUE reports** for external audit purposes.
- 4. Captured in standard operating procedures** **Detail the above processes** in an **operating procedure** document.