



Nelson College for Girls Preparatory School Inc.

Auditor's Report to the Board

31 December 2022

1.1 Observations and recommendations arising from the audit

We highlight the following matters for the attention of the Board together with recommendations for management to consider, to further strengthen the internal control environment of the School. These include any observations and recommendations arising from prior year audits that have not yet been satisfactorily resolved, or still require further attention of the Board.

1.1.1 Budgeting for deficit – Prep School

Observation

We note that the Board is budgeting for a deficit and if this is achieved, it will succeed in reducing the School's equity.

It is important that the School continues to look for ways to improve the actual results against the budgeted deficit during the upcoming school year and ensure that spending does not exceed the amounts approved by the Board

Although deficit budgeting may appear to be warranted when preparing the budget for a particular year, we urge caution in using this approach because it is unlikely to be sustainable in the longer term.

Recommendation

We recommend that the Board try to avoid deficit budgeting wherever possible so the School's budget reflects the ability for it to live within its means.

Management Response

The Board currently ensures that it has budgeted for a positive cash budget before depreciation is included. The small budget deficit was unavoidable in 2022 but will be rectified by increasing the student fees for the 2024 academic year and beyond. The Board is aware that deficit budgeting is not a long term measure.

1.1.2 Fixed Asset Physical Inspection – Prep School

Observation

We note that there were no fixed asset physical inspections conducted for the year ended 31 December 2022. It is important to check the condition of the assets to determine if there is any damage or to identify any missing items that need to be impaired or written off.

Recommendation

Annual physical inspection of assets should be planned and the results of this should then be impacted appropriately to the financial records.

Where assets need to be written off or impaired, these decisions should be ratified and well documented through the Board minutes.

Management Response

The lack of inspection was an oversight due to a change of Property personnel and use of new Asset Register software. This situation will not occur in the 2023 Financial year.

1.1.3 Bank Access Authorisation Rights to Release Payment of Two Accountants

Observation

We noted that both accountants, Hannah Williams and Dannie Hall, have access rights to release payment in the bank. There is a risk that material transaction payment can be released without review and approval done by the senior management level. Crowe noted that the transactions that both Hannah and Dannie only approve are limited to the refund of prep school fees bond amounting to \$500.

Recommendation

We recommend a review of the access rights of Accountants. The best practice is to set the approval of the release of bank payment to at least one of the senior management team, either the Principal or the Business Manager.

In this way, all of the bank payments were reviewed by one of the senior management team.

Management Response

The practice at NCG is the Principal is always the final approver of bank payments of significant value. The only transactions that are authorised by Hannah Williams and Danie Hall are small transfers between accounts within the organisation.

1.1.4 Approval and Review of Own Time Sheet

Observation

We noted that the Head teacher, Lucy Feltham, approves and reviews her own time sheet. The HR and Payroll Manager prepares the pay period.

Timesheet approval processed should occur on a "One Up" basis within management. This is to validate the hours rendered per day that will be used to calculate in every payroll payment.

Recommendation

We recommend that the Principal of NCG will be the reviewer and approver of the NCG Prep Head teacher, Lucy Feltham's timesheet. The Board will be served as substitute approver.

Management Response

This observation is an anomaly. The HR and Payroll Manager has clarified that Lucy Feltham does not use a timesheet. She is a full-time salaried staff member and is paid fortnightly, aligned to the collective agreement.