



# School Annual Accrual Report (SAAR) Reconciliation: 2018

## Instructions

### About this guide

These instructions provide detailed notes to guide you through the process of preparing your school's Annual Financial Statements for the 2018 financial year.

These instructions are divided into a Checklist and a Guide.

- The [SAAR Reconciliation](#) on page 3 provides an overview of key dates and actions required to complete the reconciliation. A checklist is provided to help you to keep track of progress.
- The guidance section on pages 7 to 25 provides more detailed explanations and instructions, to allow you to complete each activity in the checklist.

### How to use this guide

You can view this PDF file online or print it and use it as a working document. All parts are fully cross-referenced, to help you find related information easily. When you view the document on the screen, click the underlined links. Links with a  take you to website pages. Page numbers are also given for easy reference.

If you save and view the PDF document using Adobe Reader, you can:

- Click the  icon on the left of the screen to display a table of contents. Click the + and – icons to open and close the sections in this panel. Click on any heading to jump to it.
- Click in the  boxes throughout the checklist to tick off each item as you complete it. You can save the checklist with the completed items ticked. This can help you to track your progress.

	<p>If you have any queries about the payroll data provided, email <a href="mailto:support@novopay.govt.nz">support@novopay.govt.nz</a> (with 'School Audit' in the subject line).</p> <p>If you need help with these instructions or have specific questions about preparing your 2018 Annual Financial Statements, contact your Ministry's School Finance Adviser:</p>	
	<p><b>Northern Region</b> Carmel Riordan Phone: 09 632 9440 Email: <a href="mailto:carmel.riordan@education.govt.nz">carmel.riordan@education.govt.nz</a> or</p>	<p><b>Central North Region</b> Margaret Pattullo Phone: 06 833 6734 Email: <a href="mailto:margaret.pattullo@education.govt.nz">margaret.pattullo@education.govt.nz</a>  Chad Britton Phone 07 837 3145 Email: <a href="mailto:Chad.Britton@education.govt.nz">Chad.Britton@education.govt.nz</a></p>
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# SAAR Reconciliation

## Overview

### For your 2018 financial statements you will need:

- The School Annual Accrual Report (SAAR) - this is a core source document for the preparation of the school's 2018 Annual Financial Statements.
- Banking staffing report.
- Payroll "error" schedules - the SAAR and error schedules together will give you the payroll figures for your 2018 Annual Financial Statements.
- Leave liability reports - Schools are required to recognise a leave liability in their 2018 Annual Financial Statements for non-teaching staff.

### What you need to do:

- Check and certify the SAAR report, to verify that the people named on the report were employees of the board during the course of the financial year, and that the amounts paid to them are correct.
- Record the payroll amounts from the SAAR in your financial statements.
- Review the banking staffing report and record a liability for banking staffing overuse and a receivable for banking staffing underuse if material.
- Review error schedules. If the amounts are material, make adjustments in your financial statements. As the amount of payroll errors has been reducing, our expectation is for most schools, payroll errors will not be material to your financial statements.
- Review leave liability report. If the amounts are material, record the leave liability in your financial statements.

### About the reports

The School Annual Accrual Report (SAAR) and associated leave liability reports and error schedules support the completion of your 2018 Annual Financial Statements. The SAAR sums your Staff Usage and Expenditure (SUE) data into a single report. The other reports contain data that has not been adjusted in your fortnightly SUE reports, and therefore has not been adjusted in the School Annual Accrual Report (SAAR).



The Ministry of Education has centrally reviewed payroll data and, as a result of that review, will provide error details for stop pays, overpayments and funding code errors.

To support the Ministry's process, Ernst & Young (EY), the Auditor General's appointed auditor to the Ministry, has conducted independent and objective assurance procedures across the payroll service with a particular focus on the payroll reports discussed in this document, except for the maintenance of leave utilisation records by schools. We believe this should increase confidence in the payroll reports.

**Note:** Some previous year totals may differ from those sent to you last year. These differences are explained in the detail of these instructions. Be assured that the [Summary](#) in the Excel spreadsheet shows the correct amounts to reconcile the SUE and SAAR and prepare the 2018 Annual Financial Statements.



The payroll reports will be available by

**7 February 2019**

The SAAR and Leave Liability Reports will be available through download from Novopay Online; the Payroll Error Schedules will be sent to your School Principal by email.

Use this checklist to guide you through the required reconciliation activities.

The 2018 Annual Financial Statements should be with your school's auditors by

**31 March 2019**

We encourage boards to send draft accounts to their auditor well before this date, to enable you to file the 2018 Annual Report with the Ministry by

**31 May 2019**

## SAAR reconciliation checklist

- Download the School Annual Accrual Report SAAR report for your school from Novopay Online. This is a PDF file.
  - See [How to download the SAAR report](#) on page 7 in the guide.See [Understanding the SAAR report](#) on page 7 for an explanation of this report.

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- Download the SAAR Certification form (also referred to as Payroll Certification form) from the [School finances homepage](#) <sup>↗</sup> to enable your Principal and Board Chair to certify your SAAR information for the auditor.  
See [School Annual Accrual Report Certification](#) on page 25 in the guide.

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- Review the SAAR and confirm that the employees, shown on the SAAR, were employed by the board during the year and that the amounts shown against each employee are substantially correct.  
Then complete statements 1 and 2 on the SAAR Certification 2018 Form.

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- If you have not already accounted for Teachers Salaries and Other funding each fortnight throughout the year, create journals to reflect the totals shown in the SAAR.
  - See [Accounting for Teacher Salaries and other funding](#) on page 9 in the guide.

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- Review the Banking staffing report (see SUE reports) and make the required journal adjustments.  
*The amount receivable for banking staffing underuse cannot be determined till after 31 March 2019. Until the amount you will receive is confirmed, any banking staffing underuse should be disclosed as a contingent asset only.*
  - See [Banking Staffing](#) on page 11 in the guide.

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- Review the Stop Pays report (emailed to the Principal as part of the error schedules).
  - Is the total of the amounts 'you are yet to receive back' for all years on the stop pays report material? If yes, make an adjustment in your financial statements – see [Stop Pays](#) on page 12 in the guide.
  - Did you record an adjustment for stop pays in your 2017 financial statements? If yes, review the amounts 'you have received back' on the stop pays report to ensure these have been recorded correctly in your financial statements?

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- Review the Overpayments report (emailed to the Principal as part of the error schedules)
  - For the Bulk Grant (BG) overpayments, is the balance owing (BG gross less repayments and refunds) for all years material? If yes, make an adjustment in your financial statements – for instructions see [Overpayments](#) on pages 15 to 18 in the guide.
  - Do you have an accounts receivable balance for overpayments brought forward from 2017? If yes, ensure any amounts refunded or repaid in the year have been properly recorded in your financial statements – see [Overpayments](#) on pages 15 to 18 in the guide.
  - For Teacher Salaries (TS) overpayments, is current year overpayment (TS gross) material? If yes, make an adjustment in your financial statements – see [Overpayments](#) on pages 15 to 18 in the guide.

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- Review the Funding Code errors report (emailed to the Principal as part of the error schedules)
  - Are the totals for any of the different types of errors (i.e. BG should be TS, TS should be BG, Centrally Funded (CF) should be TS or BG) for all years material? If yes, make an adjustment in your financial statements – see [Funding code errors](#) on pages 18 to 20 in the guide.

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- Download the Leave Liability reports for your school from Novopay Online. These are CSV files.
- See [How to download the leave liability reports](#) on page 23 in the guide.
- See [About leave liabilities](#) on page 22.
- 
- Review the Leave Liability reports. If the leave balances are material, make an adjustment in your financial statements – see [Accounting for leave liabilities](#) on page 23 in the guide.
- 
- Complete statement 3 on the SAAR Certification 2018 Form. The form must be signed by the Principal and the Board Chairperson to confirm that the amounts on the SAAR are consistent with their knowledge. File the SAAR Certification form on the school’s payroll file for the year.
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- Provide a copy of the SAAR, SAAR certification, banking staffing report, errors schedules and leave liability reports to your auditor. If you assessed any of the amounts on the error schedules and leave liability reports as not material, and therefore not adjusted your financial statements for these, please confirm this to your auditor.
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# School Annual Accrual Report (SAAR)

To be completed by all schools

## Understanding the SAAR report

### What is the SAAR report

The SAAR report summarises the payroll data for the school year from 28 January 2018 to 27 January 2019.

The report records all employees who have been coded to your school during this period, including relievers. The SAAR report shows:

- Total earnings for all staff from 28 January 2018 to 27 January 2019. Prorated amounts are included for pay period 22 at the beginning of this reporting period and pay period 22 at the end of this reporting period (see below).
- Bulk Grant salaries, Teacher Salaries and Other salaries totals
- Estimated ACC accruals for inclusion in the school's annual accounts
- Annual earnings for the principal.



#### Prorated amounts for beginning and ending pay periods

Because the beginning and end dates of the reporting period fall in the middle of a pay period, the data in the report has been prorated as follows:

- The beginning pay period (PP201822) covers 17 January 2018 to 30 January 2018, so an apportionment calculation has been made to include only the days from 28 January 2018 to 30 January 2018.
- Amounts for pay periods PP201823 to PP201921 are included in full.
- The ending pay period (PP201922) covers 16 January 2019 to 29 January 2019, so the daily rate has been calculated using amounts from the previous pay period (PP201921) to estimate the relevant prorated salary from 16 January to 27 January 2019.

#### Note:

- *If no payments were made in PP201921, no accrual will have been calculated for PP201922.*
- *If an employee shows as having worked 27 pay periods, it is because they have received pay in both pay period 201822 and 201922, apportioned as explained above.*
- *Any large and unusual transactions that impact PP201822 or PP201921 could have a material impact on the accrual calculation. These should be taken into consideration and the accrual adjusted appropriately based on normal costs incurred in the period.*

### How to download the SAAR report

Follow these steps to download the School Annual Accrual Report (SAAR).

1. Log in to [Novopay Online](#) using your username and password. Only authorised users can access the SAAR report in Novopay Online.
2. Go to **My Reporting > School Reports > School Annual Accrual**.
3. The school year defaults to 2018: 28/01/2018 – 27/01/2019.
4. Click **PDF** to download the report.

[Back to SAAR reconciliation checklist](#)

## How to read the SAAR report

### Employee section

Employee	Employees are split between <i>Bulk Grant</i> , <i>Teacher Salaries</i> and, if applicable, <i>Other</i> . An employee may appear under more than one of these funding types.
Job	This shows the Novopay job number. An employee may have more than one job.
Periods	This shows the number of pay periods in which an employee has been paid, including pay period 201922 if an accrued value has been estimated.
Amounts	The total amount that the employee was paid during the reporting period.
Total	The total amount for each funding type.

### SUE Annual Accruals section

This section shows the funding totals taken from the SUE reports for each pay period.

### ACC Leivable Earnings

The ACC Leivable Earnings figure is the same as the Year-To-Date Totals, and may be higher than the maximum ACC Leivable Earnings. **This figure is intended to be used as an estimate only.**

### Estimated Annual Earnings for Principals

ESTIMATED ANNUAL EARNINGS FOR YOUR SCHOOL PRINCIPAL(S) ARE:

<u>Name</u>	<u>Salary &amp; Allowances</u>	<u>Benefits</u>	<u>Total</u>
	\$132,002.21	\$3,960.02	\$135,962.23

The amount shown is the Principal's annual earnings and includes salary, taxable allowances and employer contributions for superannuation. Note, the Benefits represent the employer contribution to superannuation for principals. These are not displayed on the SUE reports, so if you are reconciling the SAAR with your SUE reports, please only include the Salary/Allowance figure. The "Total" figure should be used for the disclosures on Principal's remuneration in Note 28: Remuneration of the Kiwi Park model Financial Statements.

If more than one principal has been paid from your school during 2018, all such principals will be shown.

If no principals have been paid from your school during this reporting period, a message will state "*No appointed principal for the school year*".



#### A note about terminology

The SAAR report refers to 'Bulk Grant' and SUE reports refer to 'Operation Grant'. As these refer to the same funding source, the term 'Bulk Grant' is used in this guide.

## Accounting for salaries

### SAAR report reconciliation

The purpose of reviewing the SAAR and error schedules is to assess whether these are complete and accurate, to support the preparation of your school's 2018 Annual Financial Statements. The review should be based on your knowledge of the staff employed during the year and cross checking of the payroll reports downloaded throughout the year.

The SAAR reconciliation process requires you to:

- confirm that the totals on the SAAR report reflect the fortnightly SUE reports. Central assurance work has been completed by the Ministry of Education's auditor over the SAAR report to confirm all the school's transactions in Novopay have been correctly included in the SAAR. However, schools are best placed to know who has worked at schools during 2018;
- confirm that the employees listed on the SAAR are correct;
- recognise the payroll totals from the SAAR in your 2018 Annual Financial Statements;
- use the "YEAR TO DATE" Teacher Salary totals, in the SAAR report to account for transactions not shown in the school's financial records by completing the required journals on page 9 and 10;
- use the "YEAR TO DATE" ACC Levy Payable total, in the SAAR report to account for transactions not shown in the school's financial records by completing the required journals on page 9 and 10;
- use the error schedules to account for transactions not shown in the SAAR by completing the required journals; and
- complete the SAAR certification form for your auditor.

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### Accounting for Teacher Salaries and other funding

If you have not already accounted for Teachers Salaries and other funding each fortnight throughout the year, create journals to reflect the totals shown in the SAAR, as follows:

Description	Bulk Grant	Teacher Salary	Other	Total
YEAR TO DATE TOTALS	\$465,033.78	\$1,189,754.15	\$0.00	\$1,654,787.93
ACC LEVIABLE EARNINGS	\$465,033.78	\$1,189,754.15	\$0.00	\$1,654,787.93
ACC LEVY (INCLUDES GST)	\$1,764.80	\$4,515.12	\$0.00	\$6,279.92
ACC PAYABLE BY SCHOOL	\$1,764.80			
ACC PAYABLE BY MINISTRY	\$4,515.12			
TOTAL ACC LEVY PAYABLE	\$6,279.92			
ACC RATE : \$0.33 PLUS GST AT 15.00% FOR \$100 OF LEVIABLE EARNINGS				
FINANCIAL YEAR EARNINGS ESTIMATED ARE BASED ON PAYMENTS FROM 28-JAN-2017 TO 27-JAN-2018				
ESTIMATED FIRST PERIOD ACCRUAL	\$1,541.79	\$11,570.16	\$0.00	\$13,111.95
FULL PERIOD	\$455,393.70	\$1,142,823.58	\$0.00	\$1,598,217.28
ESTIMATED FINAL PERIOD ACCRUAL	\$8,098.29	\$35,360.41	\$0.00	\$43,458.70
FINAL TOTAL	\$465,033.78	\$1,189,754.15	\$0.00	\$1,654,787.93
ESTIMATED ANNUAL EARNINGS FOR YOUR SCHOOL PRINCIPAL(S) ARE:				
	Name	Salary & Allowances	Benefits	Total
	A N Other	\$127,605.47	\$3,828.10	\$131,433.57

#### Journal example A (Part 1) – Total teachers' salaries paid in the year

Debit	Learning resources – Employee benefits – salaries	1,189,754.15
Credit	Government Grants – Teachers' salaries grant	1,189,754.15
Narrative	To account for Teachers' Salaries for the 2018 year	

**Journal example A (Part 2) – Accrual for teacher salaries paid after 31 December 2018**

Debit	Accounts receivable – Teachers’ salaries grant receivable	XX,XXX.XX
Credit	Accounts payable – Teachers’ salaries grant payable	XX,XXX.XX
Narrative	To account for Teachers’ Salaries paid after 31 December 2018. <i>Tip, this should be the sum of “SUE Annual Accruals” period 21 &amp; 22 from SAAR</i>	

**Journal example A (Part 3) – ACC levy payable on teachers’ salaries and other funding**

Debit	Learning resources – Employee benefits – salaries	4,515.12
Credit	Government Grants – Teachers’ salaries grant	4,515.12
Debit	Accounts receivable – Teachers’ salaries grant receivable	4,515.12
Credit	Accounts payable – Employee entitlements – salaries	4,515.12
Narrative	To account for ACC levy payable by the Ministry on Teachers’ salaries and ‘other’ funded salaries for the 2018 year	

**Journal example A (Part 4) – Total other funded salaries**

Debit	Learning Resources – Employee benefits – salaries	0.00
Credit	Government Grants - Other MOE grants	0.00
Narrative	To account for Ministry - Other funding for the 2018 year (The sample has no Personnel cost coded to “Other” Funding)	

**Bulk grant funded salaries**

You should have accounted for your bulk grant funded salaries during the year as you paid them. You should reconcile the amounts included in your financial statements to the amount shown on the SAAR, for your auditor.

You will need to include an accrual for the ACC levies payable. You will also need to create a payable for any salaries paid to teachers that are bulk-grant funded or employees that have annualised hours, for the last two pay periods of the year (PP21 & PP22), as for teachers’ salary grant funded teachers above. This accrual would only be required if the amounts were material.

**Journal example B (Part 1) – ACC on bulk funded salaries**

Debit	Administration – Employee benefits – Salaries	1,764.80
Credit	Accounts payable – Employee entitlements - salaries	1,764.80
Narrative	To account for ACC on Non-teachers’ Salaries for the 2018 year	

**Journal example B (Part 2) – Accrual for bulk grant funded teachers’ and annualised employees pay after 31 December 2018**

Debit	Employee benefits – salaries (in Administration, Learning Resources or Property)	X,XXX.XX
Credit	Accounts payable – Employee entitlements - salaries	X,XXX.XX
Narrative	To account for Non-teacher Salaries paid after 31 December 2018. <i>Tip, this should be the sum of “SUE Annual Accruals” period 21 &amp; 22 from SAAR</i>	

# Banking Staffing Report

**Is your banking staffing balance material? If yes, follow the instructions below.**

If you have a banking staffing balance at the year-end, how you will account for this depends on whether you have an overused or an underused banking staffing balance.

## Banking staffing overuse

An overuse of banking staffing must be recognised by the school as a liability. If you are intending to reduce this overuse during the wash up period (to PP26), you can reduce the liability accordingly. Your auditor will check your banking staffing report at the end of March to ensure that the liability you have recognised is correct.

### Journal example C – Banking staffing overuse

Debit	Government Grants – Teachers’ salaries grant	##,###
Credit	Accounts payable – Banking staffing overuse	##,###
Narrative	To account for banking staffing overuse for the 2018 year.	

## Banking staffing underuse

If a school underuses banking staffing it will receive confirmation from the Ministry after 31 March 2019, following the wash-up period, of how much it will receive back. Until this time the amount of the receivable is uncertain and cannot be recognised in the school’s financial statements. The school should instead disclose it as a contingent asset in Note 30 of the Kiwi Park model Financial Statements. Example wording can be found below:

*“There is a contingent asset for possible repayment from the Ministry of Education for under spending the School’s banking staffing entitlement during 2018. The Ministry has yet to decide how much it will pay to the School. We cannot reliably measure the cash repayment, but the amount we have underspent as at 31 December is approximately \$##,###. We will record the amount we receive as revenue in the 2019 financial year.”*

If in April, when you receive confirmation of the amount receivable, the amount is material, you should recognise an asset in your financial statements. The auditors will be provided with the banking staffing balances for all schools at the end of the wash-up period. If you wish to complete your audit before this information is available you may do so as long as any contingent asset is disclosed.

### Journal example C (Part 2) – Banking staffing underuse

Debit	Accounts receivable – Banking staffing underuse	##,###
Credit	Government Grants – Teachers’ salaries grant	##,###
Narrative	To account for banking staffing underuse for the 2018 year.	

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## Error Schedules

### Understanding the Error Schedules



The Error Schedules are provided, by email, to your school's Principal. To ensure this information is provided securely, the file is password protected with your Principal's 7-digit MoE number. If your Principal's number is fewer than seven digits, please add 0 or 00s to the start.

Each tab in the Excel spreadsheet contains data that has not been adjusted in your fortnightly SUE reports, and therefore has not been adjusted in the SAAR. Adjustments are required for each of these items if they are material, individually or collectively, for your school.

Each tab is labelled with the error type. The Excel spreadsheet has the following tabs:

Summary	Summarises the totals from each tab, which are required for the journals referred to in this guide.
1. Stops	A list of stop pays relevant to your school where the earnings data has not been adjusted in the payroll and is not reflected in your SAAR.
2. Overpays	A list of overpayments relevant to your school where the earnings data has not been adjusted in the payroll and is not reflected in your SAAR.
3. Funding	Payments charged to incorrect funding codes.

**Note:** Some schools may not have any data of a particular type. If no data is available, the tab shows "No data for your school".

The error schedules contain all errors up until PP14. For a small number of schools payroll errors between PP15 and PP21 may be material to your financial statements. Where this is the case, the Ministry will make direct contact with the respective schools.

### Stop Pays

**Is the total of the amounts 'you are yet to receive back' for all years on the stop pays report material? If yes, make an adjustment in your financial statements - see below.**

**Did you record an adjustment for stop pays in your 2017 financial statements? If yes, review the amounts 'you have received back' on the stop pays report to ensure these have been recorded correctly in your financial statements?**

**Instructions and further information are set out below.**

#### What is a stop pay

Stop pays occur when an error is discovered after the pay is run and an instruction is given to stop the pay, resulting in the employee not being paid, but the amount being:

- taken out of the school's bank account,
- reported on the SUE report,
- included in the SAAR, and
- deductions being paid to Inland Revenue.

An adjustment should be made if the amount 'you are yet to receive back' is material and you have not yet accounted for your stop pays in your financial statements.

### What you will receive

The error schedule includes stop pays for Bulk Grant only. Any **material** amounts charged to Teacher Salaries will be advised directly to schools by the Ministry of Education. If there is no data in the tab, then there are no stop pays associated with your school.

The **1. Stops** tab contains a list of stop pays where the earnings data has not been adjusted in the payroll and is not reflected in your SAAR. It is split by calendar year and shows:

- *Original Gross* – the full amount of the stop pay, including tax and deductions
- *Original Net* – the amount that would have been paid to the employees' bank account if the pay was not stopped
- *Corrected Gross* – what the Gross pay should have been for the employee
- *Corrected Net* – what the Net pay should have been for the employee
- *Original Deductions* – what the deductions were for the employee
- *Corrected Deductions* – what the deductions should have been for the employee
- *Payments redirected to school* – the amount repaid to the school by the Ministry
- *Payments redirected to employee* – the amount repaid to the employee by the Ministry
- *Your payroll expense was overstated by* – the difference between what was paid and what should have been paid
- *You have received back* – amounts redirected back to the school plus PAYE, Student Loan (SL), and KiwiSaver (KS) components of stop pays that have been refunded to the school during the course of the year (details will have been provided to you with the Remittance Advice at the time of the refund).
- *You are yet to receive back* – the amount still being owed to your school.

If you have already completed Stop Pay journals in your accounts, you should check those journals against the amounts in the **1. Stops** tab.

If you have recognised stop pays in prior years, you will need to review the detailed transactions in the **1. Stops** tab to ensure any refunds or repayments received relating to prior year amounts have been recorded correctly.

The following is a sample from the **Summary** tab, with pointers to the amounts to use:

		<b>Stop Pays</b>	
1	1	2012 Your payroll expense was overstated by:	\$834
1	2	2012 You have received back:	\$830
1	3	2012 You are yet to receive back:	\$4
1	4	2013 Your payroll expense was overstated by:	\$148
1	5	2013 You have received back:	\$148
1	6	2013 You are yet to receive back:	-
1	7	2014 Your payroll expense was overstated by:	-
1	8	2014 You have received back:	-
1	9	2014 You are yet to receive back:	-
1	10	2015 Your payroll expense was overstated by:	-
1	11	2015 You have received back:	-
1	12	2015 You are yet to receive back:	-
1	13	2016 Your payroll expense was overstated by:	\$612
1	14	2016 You have received back:	\$612
1	15	2016 You are yet to receive back:	-
1	16	2017 Your payroll expense was overstated by:	-
1	17	2017 You have received back:	-
1	18	2017 You are yet to receive back:	-
1	19	2018 Your payroll expense was overstated by:	\$1,562
1	20	2018 You have received back:	\$1,200
1	21	2018 You are yet to receive back:	\$362

**Note:** The total of the “You are yet to receive back” amounts shown above should be the total remaining in your Stop Pay debtors when you have completed your journal adjustments for stop pays.

## Stop pay adjustments

### Prior year stop pays

If you had accounts receivable in your 2017 Financial Statements for stop pays from prior years, any payments “You have received back” in 2018 should have been recorded as noted in Journal D below to reduce that debtor. The **1. Stops** tab gives you the details of these transactions.

### Journal D example – Future refunds and redirections journal:

Debit	Bank	\$1,200
Credit	Accounts receivable - receivables (Ministry)	\$1,200
Narrative	To recognise refund of PAYE/Student Loan/Other Repayments components of Stop Pays ( <i>Tip add line 20</i> )	

Review the amounts “You have received back” in the report to ensure that these have been reflected in your 2018 financial statements.

### Current year stop pays

If you have already accounted for all your “Stop pays” (i.e. - created debtor accounts for stop pays and accounted for funds received back to these debtor accounts), then you should review the amounts shown in the **1. Stops** tab to check they are consistent with your records. The accounts receivable balance at 31 December 2018 should be the total of the amounts ‘yet to receive back’ on the report. In this example the balance is \$366 (add line 3, 6, 9, 12, 15, 18 and 21).

If you have NOT accounted for your “Stop Pays” in the school’s financial records the amount overstated in your payroll needs to be accounted for in Note 11: Accounts Receivable of the Kiwi Park model Financial Statements, as Receivables from the Ministry of Education, as noted in Journal E below. The amount is shown in the **Summary** tab (Total 3, 6, 9, 12, 15, 18 and 21).

### Journal E example – Outstanding “Stop pays” (all years):

Debit	Debtor – Ministry	\$366
Credit	Other staff salary expense (Administration, Learning or Property as appropriate)	\$366
Narrative	To recognise “Stop Pays” that the school is “yet to receive back”. (Tip add line 3, 6, 9, 12, 15, 18 and 21)	

Any refunds and redirections that you receive in your bank account from stop pays (the “*You have received back*” amounts) should reduce the debtor, as shown in the journals. Future refunds and redirections associated with 2018 stop pays should be offset against the debtor when received.

The total of the “You are yet to receive back” amounts for all years, per the report, should equal the receivable for stop pays in your financial statements as at 31 December 2018. Amounts only need to be recognised in your financial statements if they are individually or collectively material.

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## Overpayments

**For BG overpayments, is the balance owing (BG gross less repayments and refunds) for all years material? If yes, make an adjustment in your financial statements – see below.**

**Do you have an accounts receivable balance for overpayments brought forward from 2017? If yes, ensure any amounts refunded or repaid in the year have been properly recorded in your financial statements – see below.**

**Is the TS overpayments for the current year material? If yes, make an adjustment in your financial statements – see below.**

### What you will receive

The **2. Overpays** tab contains a list of overpayments, where the earnings data has not been adjusted in the payroll and is not reflected in your SAAR. It is split by calendar year and shows:

- *Gross* – overpayments paid to your employees, including all tax and deductions
- *Total Net* – amount paid to the employee after tax and other deductions. This is the amount that is owed by the employee.
- *Total Repayments* – amounts repaid by the employee up to and including 31 December 2018
- Refund detail – *PAYE Refund*, *SL Refund* (Student Loan) and *KS Refund* (KiwiSaver) components of overpayments that have been acknowledged by the employee. All of these details will have been provided to you with the Remittance Advice at the time of the refund.

If there is no data in the tab, there are no overpayments associated with your school.

If BG overpayments occurring in 2017 (or earlier) have been accounted for in your 2017 Annual Financial Statements as Accounts receivable - receivables, any changes to the gross value or repayments and refunds received by your school should have been recorded as noted in journals H and I below, and the debtor reduced.

You are now provided with the amounts for 2018. If there are any additional overpayments that you have not previously recognised, how you treat these will depend on whether they are TS or BG.

If you have already completed overpayment journals for 2018 in your accounts, you should check those journals against the figures in the **2. Overpays** tab.

The following is a sample from the **Summary** tab:

Overpayments			
2	22	2012 Total TS gross	\$129
2	23	2012 Total BG gross	\$557
2	24	2012 Total BG repayments	\$1,039
2	25	2012 Total BG refunds	-\$5
2	26	2013 Total TS gross	\$14,195
2	27	2013 Total BG gross	\$15,568
2	28	2013 Total BG repayments	\$7,862
2	29	2013 Total BG refunds	\$1,233
2	30	2014 Total TS gross	\$3,360
2	31	2014 Total BG gross	\$5,244
2	32	2014 Total BG repayments	\$3,146
2	33	2014 Total BG refunds	\$609
2	34	2015 Total TS gross	\$1,212
2	35	2015 Total BG gross	\$9,499
2	36	2015 Total BG repayments	\$3,403
2	37	2015 Total BG refunds	\$777
2	38	2016 Total TS gross	\$5,189
2	39	2016 Total BG gross	\$1,727
2	40	2016 Total BG repayments	\$1,391
2	41	2016 Total BG refunds	\$308
2	42	2017 Total TS gross	\$3,432
2	43	2017 Total BG gross	\$549
2	44	2017 Total BG repayments	\$300
2	45	2017 Total BG refunds	-
2	46	2018 Total TS gross	\$3,674
2	47	2018 Total BG gross	\$144
2	48	2018 Total BG repayments	\$116
2	49	2018 Total BG refunds	-

**Note:** The total of the BG Gross less repayments and refunds (for all years) should be the total remaining in your overpayment debtors when you have completed your journal adjustments for overpayments.

## Overpayment adjustments

### Teacher Salaries (TS)

If the overpayments for 2018 were from TS (line 46), then:

- You should review the amounts shown in the **2. Overpays** tab to check these are consistent with your records.
- If the TS overpayments for 2018 are material for your school, make adjustments to the teachers' salaries figures using the amount in line 46 (2018 Total TS Gross) on the **Summary** tab, as follows:

#### Journal F example - Teacher Salaries Overpayments:

Debit	Government grants – Teachers' salaries grant	\$3,674
Credit	Learning resources – Employee benefits – salaries	\$3,674
Narrative:	To adjust Ministry of Education teacher salary overpayments for the year 2018 (Tip - use Total 46)	

**Note:** The standard SAAR journal action is to debit TS – Employee benefits – Salaries and credit TS Grant (Revenue). To adjust for overpayments, the above journal action does the opposite, to reflect the true accounting position.

## Bulk Grant (BG)

If the overpayment was from BG, then:

- If you have already accounted for overpayments in 2018 by recording them as 'Accounts receivable - receivables' and offsetting the repayments and refunds appropriately as they were received, you should review the amounts shown in the **2. Overpays** tab to check these are consistent with your records.
- Otherwise, the Gross amount of the overpayment less any repayment made is the amount owed to the school, and should be accounted for in Accounts receivable – receivables, in Note 11 of the Kiwi Park model Financial Statements. If this amount is material for your school, make adjustments to the BG figures for overpayments occurring in 2018 using the amount in line 47 on the **Summary** tab, as follows:

### Journal G example – Bulk Grant Overpayment:

Debit	Accounts receivable - receivables	\$144
Credit	Employee benefits - salaries (in Administration, Learning Resources or Property as appropriate)	\$144
Narrative:	To recognise staff salary overpayments made by the school for the year 2018 that are being recovered by the school ( <i>Tip - use Total 47</i> )	

Further journals will need to be processed if you have repayments and/or refunds to offset against the overpayments.

### Journal H example – Repayment:

Debit	Cash and cash equivalents	\$116
Credit	Accounts receivable - receivables	\$116
Narrative:	To recognise repayments (recovery of BG overpayments) made by employees ( <i>Tip – use Total 48</i> )	

### Journal I example – Refund:

Debit	Cash and cash equivalents	\$0
Credit	Accounts receivable - receivables	\$0
Narrative:	To recognise refund of PAYE/Student Loan/KiwiSaver components of overpayments ( <i>Tip – use Total 49</i> )	

## Overpayment not yet established by the Ministry

If the board is uncertain as to the amount of a debt that is recoverable from an employee, in situations where the Ministry has not yet confirmed the amount of the debt, it should be disclosed in the 2018 Annual Financial Statements as a contingent asset. A disclosure note (Note 30 in the Kiwi Park model Financial Statements) will need to be added in the form of:

*“The Board has a contingent asset in the form of accounts receivable (debtors) due to salary overpayments made to staff from Operating Grants. The exact amount of the overpayment is unable to be reliably estimated and has therefore not been included.”*

## Debt not recoverable

If the board is uncertain of the recoverability of an established debt, it should impair the debtor in its financial statements. The debtor should be recorded at the amount the school realistically expects to receive. The difference between this and the established overpayment should be recorded as a Loss on Uncollectable Accounts Receivable which is shown on the face of the Statement of Comprehensive Revenue and Expense in the Kiwi Park model Financial Statements. Likewise where a debt has not been recovered and written off partially, or in full, by the board during the course of the year this should also be shown as a Loss on Uncollectable Accounts Receivable (documentation associated with any such write-offs will have been received at the time).

The total for all years of “BG Gross” minus “BG overpayments”, minus “BG refunds” should be the total overpayments receivable in your annual financial statements. Overpayments only have to be recognised if they are individually or collectively material.

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## Funding code errors

**Are the totals for any of the different types of errors (i.e. BG should be TS, TS should be BG, CF should be TS or BG) for all years material? If yes, make an adjustment in your financial statements – see below.**

### What you will receive

The  tab contains a list of funding code errors where the earnings data has not been adjusted in the payroll and is not reflected in your SAAR. It shows:

- *Charged to TS and should be BG* – amounts incorrectly charged to Teacher Salaries that should be Bulk Grant
- *Charged to BG and should be TS* – amounts incorrectly charged to Bulk Grant that should be Teacher Salaries
- *Charged to Other and should be BG* – amounts incorrectly charged to Central Funding that should be Bulk Grant
- *Charged to Other and should be TS* – amounts incorrectly charged to Central Funding that should be Teacher Salaries

You may have some transactions in your list that are reversals of previous transactions. We have included them to ensure you are fully informed, even though they net to zero.

The overall effect on teachers’ payroll expenditure is neutral (assuming the original expenditure was coded to “Learning Resources” in your financial statements, whether or not it was paid from TS or BG).

**Note:** *The total of the amounts charged to BG instead of TS for all years should be your final debtor (owed by the Ministry). The total of the amounts charged to TS and OTHER instead of BG should be your final creditor (owed to the Ministry).*

The following is a sample from the **Summary** tab, with pointers to the amounts to use:

Funding Code Errors			
3	50	2012 Charged to BG and should be TS	-
3	51	2012 Charged to TS and should be BG	-
3	52	2012 Charged to CF and should be TS	-
3	53	2012 Charged to CF and should be BG	-
3	54	2013 Charged to BG and should be TS	\$20,416
3	55	2013 Charged to TS and should be BG	-
3	56	2013 Charged to CF and should be TS	-
3	57	2013 Charged to CF and should be BG	-
3	58	2014 Charged to BG and should be TS	\$4,882
3	59	2014 Charged to TS and should be BG	-
3	60	2014 Charged to CF and should be TS	-
3	61	2014 Charged to CF and should be BG	-
3	62	2015 Charged to BG and should be TS	\$2,225
3	63	2015 Charged to TS and should be BG	-
3	64	2015 Charged to CF and should be TS	-
3	65	2015 Charged to CF and should be BG	-
3	66	2016 Charged to BG and should be TS	-
3	67	2016 Charged to TS and should be BG	-
3	68	2016 Charged to CF and should be TS	-
3	69	2016 Charged to CF and should be BG	-
3	70	2017 Charged to BG and should be TS	\$142
3	71	2017 Charged to TS and should be BG	-
3	72	2017 Charged to CF and should be TS	-
3	73	2017 Charged to CF and should be BG	-
3	74	2018 Charged to BG and should be TS	\$2,465
3	75	2018 Charged to TS and should be BG	\$940
3	76	2018 Charged to CF and should be TS	\$235
3	77	2018 Charged to CF and should be BG	\$970

## Funding code adjustments

### Incorrect coding to Teacher Salaries

If the coding error resulted in incorrect coding to Teacher Salaries, instead of Bulk Grant, then the school effectively owes the Ministry the gross amount of the error.

This amount should be accounted for in Accounts Payable as Creditors, as follows:

#### Journal J example – Charged to TS and should be BG:

Debit	Government grants - Teachers' salaries grant	\$940
Credit	Accounts payable – operating creditors	\$940
Narrative:	To recognise staff incorrectly coded to Teacher Salary Grant for the year 2018 (Tip – use Total 75)	

See Note 16 of the Kiwi Park model Financial Statements.

### Incorrect coding to Bulk Grant

If the coding error resulted in incorrect coding to Bulk Grant instead of Teacher Salaries, then the Ministry effectively owes the school the gross amount of the error. This figure should be accounted for in Accounts receivable as 'Accounts receivable - receivables' (Note 11 of the Kiwi Park model Financial Statements) as follows:

**Journal K example – Charged to BG and should be TS:**

Debit	Accounts receivable - receivables from the Ministry of Education	\$2,465
Credit	Government grants – Teachers’ salaries grant	\$2,465
Narrative:	To recognise staff incorrectly coded to Bulk Grant for the year 2018 (Tip – use Total 74)	

**Incorrect coding to Other/Central Funding**

There are three columns in the **3. Funding** tab that relate to amounts charged to CF. They are:

- *Charged to Other and should be TS*
- *Charged to Other and should be BG*
- *Charged to Other in error* (You will need to determine the correct funding code for these.)

If any amounts show in the *Charged to Other in error* column, copy/paste those amounts into either the *Charged to OTHER and should be TS* or the *Charged to Other and should be BG* column. Then delete the amount from the *Charged to Other in error* column. Before starting your journals, make sure you have moved all of the amounts to the correct column and that the *Total Charged to Other in error* is zero.

If the coding error resulted in incorrect coding to Other, instead of Bulk Grant, then the school effectively owes the Ministry the Gross amount of the error.

This amount should be accounted for in accounts payable as Creditors, as follows:

**Journal L example – Charged to OTHER/CF and should be BG:**

Debit	Government grants – Other MoE grants	\$970
Credit	Accounts payable – operating creditors	\$970
Narrative:	To recognise staff incorrectly coded to Central Funding for the year 2018 (Tip – use Total 77)	

If the coding error resulted in incorrect coding to Central Funding, instead of Teacher Salaries, this would result in a classification error between Teacher Salaries grant and Other funding grant.

**Journal M example – Charged to OTHER/CF and should be TS:**

Debit	Government grants – Other MoE grants	\$235
Credit	Government grants – Teachers’ salaries grant	\$235
Narrative:	To recognise staff incorrectly coded to Central Funding for the year 2018 (Tip – use Total 76)	

The total for all years of “Charged to BG and should be TS” should be the final receivable in your annual financial statements. The total for all years of “Charged to TS and should be BG” and “Charged to CF and should be BG” should be the final payable in your annual financial statements. Amounts only have to be recognised if they are individually or collectively material.

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## Local Payments Made By Schools



Each manual payment that is made to an employee by the school outside of the payroll (generally due to short or non-payment of arrears) must be reconciled to the payroll. This reconciliation ensures accurate earnings information is reported to Inland Revenue and ensures legislative compliance via the payroll.

If not already done at the time, the following journal entries need to be entered for each manual payment and subsequent repayment.

1. *Payment from the school bank account to the employee:*

Debit	Accounts receivable – receivables	\$
Credit	Cash and cash equivalents	\$
Narration	Manual payment to employee # period xx	

2. *Repayment by the employee to the school bank account:*

Debit	Cash and cash equivalents	\$
Credit	Accounts receivable - receivables	\$
Narration	Repayment of manual payment for employee # for period xx	

**Boards should be aware of S 89 (2) Education Act 1989 – unless directed otherwise by the Secretary of Education all payments to employees must use the payroll service established by the Secretary of Education.**

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# Leave Liability Reports

**Are your leave liability balances material? If yes, follow the instructions below.**

## Understanding the leave liability reports

### About leave liabilities

Schools are required to account for the leave liability for non-teaching employees only. The Ministry of Education accounts for the leave liability arising from teaching employees, including principals, irrespective of whether the employee(s) is funded from Bulk Grant, Teacher Salaries, or another funding source.

The liability should be reported in the school's Accounts Payable - Employee entitlements – leave accrual note to the 2018 Annual Financial Statements. (Note 16 in the Kiwi Park School model Financial Statements)

Schools should be actively managing outstanding leave balances where the balance is high. This will assist in reducing the leave liability for which your school is required to account.

### What you will receive

There are three leave liability reports as follows:

#### 1. Annual leave liability for 52-week employees:

These employees are employed to work for 52 weeks per year and accrue and use annual leave during those 52 weeks. For this group of employees, the estimated leave liability is calculated as follows:

$$\begin{aligned} \text{Ordinary Daily Rate} &= \text{Daily Salary Rate} + \text{Daily Allowance Rate} \\ \text{Estimated Leave Liability} &= \text{AL Balance at end of PP201920} * \text{Ordinary Daily Rate} * \text{FTTE \%} \end{aligned}$$

#### 2. Annual leave liability for term-time only auto and time sheet employees:

These employees are employed during term time only and their holiday pay is paid in a lump sum at the end of each year. A common anniversary date (4 December 2018 – end of PP201918) is used to calculate the end of year holiday pay payments. Therefore, Term-time only leave liability is based on earnings of PP201919 to PP201920. The necessary leave liability is calculated as follows:

$$\begin{aligned} \text{Estimated Leave Liability at 01/01/2019} \\ \text{Holiday Pay \%} * (\text{Earnings PP201919} + \text{PP201920}) \end{aligned}$$

#### 3. Long service leave:

For this group of employees, the estimated leave liability is calculated as follows:

$$\begin{aligned} \text{Ordinary Daily Rate} &= \text{Daily Salary Rate} + \text{Daily Allowance Rate} \\ \text{Liability Value} &= \text{LSL Balance} * \text{Ordinary Daily Rate} * \text{FTTE \%} \end{aligned}$$

These reports contain the detailed information needed to report a liability in dollar terms for annual leave and long-service leave for your non-teaching staff. They show the details used in the calculation of the estimated value of outstanding leave balances as at the end of the pay fortnight ending 1 January 2019.

Because employees have different employment agreements and leave provisions, the leave liability is calculated in a number of different ways depending on these variables.



- Leave liability is only calculated/reported up to the end of pay period 201920.
- If you believe the amount involved is not material you do not need to recognise the liability.
- Please do not report a liability for sick leave. No provision is required to be recognised for sick leave for any employees. This is irrespective of whether a school is above its teaching entitlement, as in practice most sick leave is funded by the Ministry.
- No liability exists for casual employees, as holiday pay is paid with earnings during each pay period.
- The leave liability report does not contain any data regarding retirement leave; this will need to be calculated by your school. Should your school have employees that are entitled to retirement leave and this amount is material, you should include this as a leave liability.
- These liabilities represent the balance as at the end of PP201920. The 2017 leave balance should be reversed and the balances for 2018 recognised.

## How to download the leave liability reports

Follow these steps to download the Leave Liability reports for 52-week employees, term-time only employees and Long Service Leave.

1. Log in to [Novopay Online](#) using your username and password.
2. Go to **My Reporting > School Reports > Other Reports**.
3. Click **CSV** to download each of the reports.

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## Accounting for leave liabilities

The reports contains details of your employees for whom the estimated leave liability has been calculated, the total leave liability is in the *Liability Value* column.

If you agree with leave report then recognise the total as a liability and report it in the school's Accounts Payable (Employee entitlements – leave accrual) Note 16 in the Kiwi Park model Financial Statements.

If you believe the leave report to be incorrect, do the following:

- Prepare a work paper based on the Novopay leave report and include amounts that you believe are correct. You will need to keep your work paper as supporting evidence for the auditor.
- When you are satisfied that the amount owing to employees for the leave type is materially correct, prepare a journal to recognise the total as a liability and report it in the school's Accounts Payable (Employee entitlements – leave accrual) Note 16 in the Kiwi Park model Financial Statements.

Debit	Employee benefits - salaries <i>(in Administration, Learning Resources or Property as appropriate)</i>	\$#,###
Credit	Accounts payable – Employee Entitlements - leave accrual	\$#,###
Narrative:	To recognise 52-week Annual Leave/TTO Annual Leave/Long Service Leave to PP201920 <i>(Tip - use Novopay 52-week leave Liability Report)</i>	

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### Leave liability that cannot be reliably estimated

If, even after all checks and efforts made to reconcile the leave liability, the board still considers the data too unreliable, or the school does not have suitable records\*, then the leave liability should not be included in the 2018 Annual Financial Statements and will need to be disclosed as a contingent liability in the notes. For example:

*“The Board has a liability for leave for {who and type of leave} which has not been able to be quantified due to the unreliability of the underlying leave records for these staff. Accordingly, no liability has been included in the Financial Statements.”*

As an exercise was carried out during 2015 to confirm the leave balances in the Novopay system, we expect that it would be very unlikely that a leave balance cannot be recognised.

**\* Boards should establish and maintain a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting – this will include maintaining employment records.**

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## School Annual Accrual Report Certification

SAAR certification (also referred to as payroll certification) is relied upon by your auditor as evidence that the Board of Trustees has reviewed the payroll information for completeness and accuracy, and has communicated the nature of the review performed and the results of that review.

Follow these steps to complete the SAAR Certification 2018 Form.

1. Go to the [#SAAR documents](#)  and click on the *SAAR Certification 2018 Form* link.
2. Download and print the form.
3. Both the principal and the board chairperson will need to sign the SAAR Certification 2018 Form, as it forms part of the 2018 Annual Financial Statements.
4. File the SAAR Certification 2018 Form on the school's payroll file for the year.

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2018 Annual Financial Statements should be with your school's auditors by

**31 March 2019**

We encourage boards to send draft accounts to the auditor well before this date, to enable you to meet your obligations for audited accounts to be submitted to the Ministry by **31 May 2019**.