

**SCHOOL FINANCIAL REGULATIONS – revised Aug 2015**

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## **SCHOOL FINANCIAL REGULATIONS**

### **A GENERAL**

- A1 These regulations apply to schools having a delegated budget under the School Standards and Framework Act 1998. The regulations identify the responsibilities of the Director of Financial Services and governors. The Director of Financial Services' responsibilities is exercised, in most cases, through the People Services Directorate. The Head of People Services, or his/her team should, therefore, be the primary point of contact on most financial matters.
- A2 The objective of the regulations is to specify a number of rules and key control measures which ensure that public accountability and high standards of financial integrity are exercised in the use of public funds and to reduce risk.
- A3 Governors should maintain a written record where their powers have been delegated to members of their staff.
- A4 All staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for economy in the use of Finance.
- A5 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Director of Financial Services.

### **Responsibilities of Director of Financial Services**

- A6 The Director of Financial Services is the responsible officer for the proper administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Taken together with the Accounts and Audit Regulations, this means that all accounting procedures, systems and records of the Council (including schools) should be approved by the Director of Financial Services and should take account of proper professional practices. This statutory responsibility for the administration of the Council's financial affairs cannot be overridden by anything in a Scheme of Delegation or set of financial procedures.
- A7 To make changes to the School Financial Regulations to ensure that they remain relevant and consistent with the Financial Procedure Rules in the context of a school environment, ensuring that any changes:
- are agreed jointly with the Strategic Strategic Director of People Services.
  - are subject to consultation with the Schools Forum
  - remain reasonably consistent with the Financial Procedure Rules subject to being adapted to the context of a school comply with the Scheme for Funding Schools as agreed by Full Council and any other statutory requirements.

### **Responsibilities of Governors**

### **Duties and Responsibilities**

- A8 (a) In discharging their duties and responsibilities heads and governors must comply with the Council's scheme for funding schools, associated financial regulations and, where appropriate, financial procedures and standing orders. Where there is any inconsistency between these and the relevant Acts of Parliament, the Acts shall prevail.
- (b) In exercising their powers over all or part of the school's budget share, heads and governors are required to adopt arrangements that are consistent with sound financial practice. This will include the maintenance of appropriate financial records and systems, as approved by the Director of Financial Services.
- (c) Governors are responsible for the overall financial management of delegated school budgets. Although they can delegate certain powers to heads, with formal approval, they will retain overall responsibility for any actions taken.
- (d) The Director of Financial Services, or a member of the Council's staff acting on the Director's behalf, shall have the right to attend any meeting of a governing body to give advice or report on major financial matters which in the Director's opinion affect the probity and regularity of the Council's financial activities.
- (e) The head and governing body shall supply to the Council any reasonable information for the effective discharge of its duties and responsibilities.
- (f) Under the scheme of delegation the governors do not have any power to borrow money. This includes entering into lease purchase agreements.
- A9 To make sure that:
- (a) existing and new employees are informed of their responsibilities under financial regulations and are familiar with these documents
- (b) all financial regulations or contracts and award procedures are followed by everyone in their school
- (c) relevant records are maintained and retained.
- A10 To consult the Director of Financial Services on any matter which is liable materially to affect the finances of the Council, before any provisional or other commitment is incurred, or a bid for external funding is made.
- A11 To be responsible for securing value for money and compliance with the principles of best value in relation to their activities.

## **B SYSTEMS AND PROCEDURES**

*Why is this important?*

*Schools are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls sufficient to make sure that transactions are properly processed and errors detected promptly.*

*The Director of Financial Services has a personal responsibility to make sure that the Council's financial systems are sound.*

### **General**

B1 The key controls in the provision of financial systems and procedures are to ensure that:

- operating systems and procedures are secure
- financial data is available on an accurate, complete and timely basis to support service managers in preparing for approval Council's objectives, targets, plans, budgets and statutory returns
- financial management information is provided in a timely manner to enable service managers to monitor performance against approvals and plans, and, where relevant, to take appropriate corrective action; and
- Financial Procedure Rules are reviewed on an ongoing basis to reflect approved changes in operating systems, procedures and legislation.

### **Responsibilities of Director of Financial Services**

B2 To make arrangements for the proper administration of the Council's financial affairs, including to:

- issue advice, guidance and procedures to be followed by the Council's officers and others acting on its behalf.
- determine the accounting systems, form of accounts and supporting financial records, banking services and procedures to be maintained or prepared.
- make sure that local accounting systems used by schools are adequate to meet statutory and Council reporting requirements.
- establish arrangements for audit of the Council's financial affairs.
- approve any changes to be made to existing financial systems or new systems introduced to the Council.
- review, on an ongoing basis and in consultation with Chief Officers, the Financial Procedure Rules to ensure that they remain appropriate and applicable; and, where this is not the case, seeking approval for their amendment.

## **Responsibilities of Governors**

- B3 To apply the requirements of the Director of Financial Services in the maintenance, preparation and operation of financial systems, form of accounts, supporting financial records and procedures.
- B4 To make sure that accounting records are properly maintained and held securely.
- B5 To make sure that vouchers and documents supporting financial transactions or decisions are not destroyed except in accordance with arrangements approved by the Director of Financial Services.
- B6 To make sure that a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- B7 To incorporate appropriate controls to make sure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed.
  - all processing is carried out in an accurate, complete and timely manner.
  - output from the system is complete, accurate and timely.
- B8 To make sure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- B9 Where schools are not using the Council's financial systems, to make sure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- B10 To make sure that systems, procedures and responsibilities are documented, and staff trained in operations.
- B11 To establish and keep up to date a Scheme of Delegation identifying staff authorised to act on the Governors' behalf in respect of their responsibilities under the Financial Procedure Rules, including delegations in respect of payments, income collection, placing orders and variations, and showing the limits of their authority.
- B12 Where schools are using the Council's financial systems, to supply lists of authorised members of staff, with specimen signatures and delegated limits, to the Head of Finance, together with any subsequent variations.
- B13 To consult with the Director of Financial Services before changing any existing system or introducing new systems.
- B14 Where schools are using a local financial system, to maintain lists of authorised members of staff, with specimen signatures and delegated limits, together with any subsequent variations.
- B15 To make sure that effective security arrangements, including back-up procedures, exist for computer systems. Wherever possible back-up information should be

securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.

- B16 To make sure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.
- B17 To ensure that Payment Card Industry Data Security Standards (PCI DSS) are adhered to, to ensure the Council is authorised to process Visa and MasterCard transactions.
- B18 To make sure that relevant standards and guidelines for computer systems issued by the Director of Financial Services are observed.
- B19 To make sure that computer equipment and software are protected from loss and damage through theft or vandalism.
- B20 To comply with the copyright, designs and patents legislation and, in particular, make sure that:
- only software legally acquired and installed is used on the Council's or schools' computers.
  - staff are aware of the provisions of the legislation.
  - in developing systems, due regard is given to the issue of intellectual property rights.

## C BUDGET MANAGEMENT

*Why is this important?*

***The budget is the financial expression of the Council's plans and policies. Budget management ensures that Finance are used for their intended purposes and that these Finance are properly accounted for. The Council itself approves, and operates within, an annual net budget limit. Each service, and school, is required to manage their own expenditure within the budget allocated to them to ensure that the Council does not overspend as a whole. Regular reporting of income and expenditure against approved budgets ensures Governors are aware of, and highlights, situations where actions may be required to maintain spending within approved budget levels.***

***Budgetary control is a continual process enabling the school to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget. By identifying and explaining variances against budgetary targets, the school can identify changes in trends and resource requirements at the earliest opportunity.***

- The key controls for managing and controlling the revenue budget are that:
- all elements of budgeted expenditure and income are allocated to named budget holders.
- budget holders accept accountability for their budget allocations and the level of service to be delivered.
- budget holders adhere to the approved procedures for the ordering and certifying for payment the purchase of goods and services used in the provision of their service and for the collection of income.
- income and expenditure is completely, accurately and promptly recorded and accounted for
- service delivery performance levels are monitored in conjunction with financial performance and that necessary action is taken to align service outputs and budget Finance.

- C1 Each school will be given a budget share calculated in accordance with the formula for funding schools, before the beginning of each financial year.
- C2 Each school is required to prepare an annual budget plan to a prescribed format.
- C3 Each school is required to submit the school's budget plan (including any requests for licensed deficits, see C8) together with a copy of the formal minute of approval by the governors to the Head of CYP Finance. Both steps must be completed by the beginning of May except in those cases where the Strategic Director of People Services has agreed to an extension because of particular difficulties. Any extension cannot go beyond the end of June.
- C4 The budget plan must be entered on to the school's computerised financial system within two weeks of its approval.

- C5 Each governing body is required to make arrangements to make sure that its schools computer based financial system is regularly updated on a timely, accurate and consistent basis.
- C6 Governing bodies and heads are required to set a balanced budget and adhere to their budget limits so as not to exceed the finance available to them and to manage within those finances. The budget limit is equal to the budget share plus any available school balance. Governing bodies and heads cannot normally plan for deficits (but, see C8 below). Any unplanned deficit which does not arise from a legitimate call on a contingency provision must be the subject of a detailed financial plan for recovery, proposed by the governing body and minuted accordingly. The plan will be considered by the Council Cabinet and evaluated on behalf of the Council Cabinet by the Strategic Director of People Services and Director of Financial Services. Schools would be expected normally to demonstrate that the budget deficit will be recovered by the end of the financial year following the year in which the deficit was incurred.
- C7 A school's budget share will only be changed during the course of a financial year in the following circumstances:
- (a) Where an additional allocation from the school specific contingency fund is agreed by the Council.
  - (b) Where the Council decides to increase all schools' budget shares from its general reserve.
  - (c) Where the cost of a particular activity is provided by the Council and the governing body decide to levy a charge on parents, the Council may recover all or part of the funding provided and/or income accruing to the school in respect of that activity.
  - (d) Where a budget adjustment is required under the Education Regulations 1999 regarding permanently excluded pupils.
- C8 In exceptional circumstances, a school may plan to carry forward a deficit at the end of a financial year. This is only permitted where a licensed deficit has been approved according to the rules laid down in the scheme for funding schools.
- C9 A loan scheme will be available for schools wishing to incur large items of expenditure and spread the cost over more than one year. The loan scheme will operate according to rules notified to schools.
- C10 Schools' balances shall be automatically available for carry forward to support the expenditure of the school concerned, subject to any clawback of surplus balances as set out in the Scheme for Funding Schools. Deficits will also carry forward automatically.
- C11 The Council will pay interest on balances it holds on behalf of schools.
- C12 Governors may transfer budget provision between heads of expenditure within the delegated budget. Where additional funds have been allocated to a school for a specific purpose they can only be used for that purpose. No virement relating to a specific financial year shall normally be made after 31 March in that year.



- C13 The governing body and, subject to any scheme of budget delegation, Headteachers and other staff are responsible for controlling and monitoring expenditure and income against the delegated budget. Detailed monitoring of the school's budget should be carried out at least monthly. Governors should approve any delegation of budgetary responsibilities to Headteachers or other staff, such as Heads of Department.
- C14 Heads and governors must be able to demonstrate that budgets devolved to their school have been spent on the purposes for which they were established.

## **D CAPITAL AND EQUIPMENT**

- D1 Capital expenditure falls outside the scheme of delegation. However, capital expenditure may be financed from delegated or devolved budgets subject to the conditions laid down in the scheme for funding schools.
- D2 Proposals for a Community or controlled school to undertake capital expenditure on its buildings and finance it from its own Finance shall require the prior approval of the Strategic Director of People Services and Director of Financial Services as set out in the Scheme for Funding Schools and be subject to financial regulations.
- D3 Governors may not arrange any lease or credit arrangement which falls within the definition of capital expenditure without the prior approval of the Director of Financial Services. All rentals and leases must be checked by the Director of Financial Services, and governors must provide certification, if requested, so that the Director of Financial Services can be satisfied that legislative and reporting requirements are being met. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- D4 Governors must satisfy themselves that they are obtaining value for money from rentals or leasing arrangements. The Council offers a loan scheme for major items of expenditure
- D5 The regulations on income from the disposal of assets are set out in paragraph 5.5 of the scheme for funding schools.
- D6 The disposal of leased assets must have the prior approval of the Director of Financial Services. In some cases, early termination of leasing will carry a financial penalty from the leasing company. The school would have to meet this, other than in exceptional circumstances.

## **E ACCOUNTING**

*Why is this important?*

*Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public Finance. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This provides assurance that expenditure is legal, the accounts are properly prepared and proper accounting practices have been followed.*

### **Responsibilities of Governors**

- E1 To consult and obtain the approval of the Director of Financial Services before making any significant changes to accounting records and procedures.
- E2 To comply with the following principles as far as possible when allocating accounting duties:
  - \* separating the duties of providing information about sums due to or from the school and calculating, checking and recording these sums from the duty of collecting or disbursing them
  - \* employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.
- E3 To maintain adequate records to provide an audit trail for leading from income/ expenditure source through to the accounting statements.
- E4 To supply financial information in accordance with guidelines issued by the Director of Financial Services to enable him/her to complete the Statement of Accounts and other statutory returns, and to comply with his/her Section 151 responsibilities.
- E5 To make sure that devolved funds are properly accounted for and are only spent on the purposes for which they were established.

## **F AUDIT AND RISK MANAGEMENT**

*Why is this important?*

*The Director of Financial Services has a statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective internal audit.*

*Internal Audit checks that management arrangements for control of finance, stocks and assets are adequate, highlights weaknesses in controls, checks that financial and other systems and procedures are sound, appraises the adequacy of procedures to secure economy, efficiency, and effectiveness in the use of finance, and offers advice and suggests improvements to make sure the Council obtains value for money.*

*The S151 Officer (Currently Director of Financial Services) is the responsible officer for the proper administration of the financial affairs of the Council under Section 151 of the Local Government Act 1972. Taken together with the Accounts and Audit Regulations, this means that all accounting procedures, systems and records of the Council and its Officers should be determined by the S151 Officer and should take account of proper professional practices. This statutory responsibility for the administration of the Council's financial affairs cannot be overridden by anything in a Scheme of Delegation or set of financial procedures. The Audit and Accounts Committee has since 2005 taken on the responsibility of overseeing all of these responsibilities, operating within the terms of reference set out elsewhere in the Constitution.*

### **Responsibilities of Director of Financial Services**

F1 The Director of Financial Services or his/her authorised representative has authority to:

- enter at all reasonable times on any Council premises or land, and all schools.
- have access to all records, documents and correspondence relating to any financial and other transactions of the Council, including schools, and the management of its risks.
- require and receive explanations as necessary about any matter under examination.
- require any employee of the Council or schools to produce cash, stores or any other Council property under their control if these fall within the coverage of the Council's accounts.

For the avoidance of doubt, the authority detailed above includes both Foundation and Voluntary Aided schools and any other establishment operated within the Council's accounts.

In relation to rights of access, the Director of Financial Services' representatives are expected to have a personal responsibility to observe the highest standards of confidentiality and personal integrity.

- F2 To maintain Strategic and Annual Audit Plans in which audit cover has regard to the characteristics and relative risks of the activities involved, and to liaise with Chief Officers on the audit strategy and cover required. In addition to the statutory requirement this takes account of the need to seek added value, effective use of Finance, improved performance and cost-effective controls.
- F3 To maintain an adequate and effective internal audit of the financial and other records, systems and procedures for control of the Council's Finance.
- F4 To report to the Audit and Accounts Committee on:
- the planned programme of internal audit work for the year
  - progress in implementing the planned audit programme including a report following the year end.
  - the findings of each audit to a degree of detail to be determined by the Committee.
  - progress made in implementing recommendations of internal audits.
  - other matters relating to audit policy, internal control and risk management that are within the terms of reference of the Audit and Accounts Committee
- F5 To approve any new systems for maintaining financial records or records of assets or changes to such systems. This approval should be obtained from the Head of Internal Audit.
- F6 To investigate promptly any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's or schools' property or Finance identified by or notified to the Director of Financial Services and to report to the Chief Executive and Head of Paid Services who will consider any legal proceedings and disciplinary action in consultation with the appropriate Chief Officers.
- F6A To maintain an effective corporate risk management strategy and policy, and to prepare reports to Council Cabinet seeking approval of the strategy and policy which also report on any issues raised by the Audit and Accounts Committee in this context.
- F7 To make sure that issues raised by External Audit are brought to the attention of the Audit and Accounts Committee, and if appropriate to the Chief Executive and Head of Paid Services and to the Council Cabinet.

### **Responsibilities of Governors**

- F8 To put in place appropriate measures to achieve effective internal financial controls. These may include:
- Provision of codes of practice & procedures
  - Adequate operation of budgetary control & accounting systems
  - Adequate supervision
  - Physical safeguarding of property and staff
  - Segregation of duties
  - Maintenance of local information systems

- Adherence to authorisation and approval processes.

- F9 To make sure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the Auditors consider necessary for the purposes of their work.
- F10 To make sure that Auditors are provided with any information and explanations which they seek in the course of their work.
- F11 To consider and respond promptly to recommendations in audit reports.
- F12 To make sure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- F13 To notify the Director of Financial Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or Finance. Pending investigation and reporting, the Governors should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.
- F14 To make sure that new systems for maintaining financial records, or records of assets, or significant changes to such systems, are discussed with and agreed by the Council's Head of Internal Audit, prior to procurement and implementation.
- F15 To maintain a risk register for services and projects within the school, informed by regular reviews and assessments of risks and to identify and document actions to mitigate those risks.

## **G ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

*Why is this important?*

*Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to make sure that services can receive value for money in their purchasing arrangements. These Regulations should be read in conjunction with the Council's Contracts Procedure, in so far as these apply to delegated school budgets. The section relating to tendering is summarised in section 2.18 of the Scheme for Funding Schools.*

### **General**

- G1 Every employee of the Council or schools, and every member of the Council or a school governing body, has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, including schools.
- G2 Where schools are using the Council's financial systems, official orders must be in a form approved by the Director of Financial Services.
- G3 Official orders must be issued for all work, goods or services to be supplied to the schools (except for supplies of utilities, periodical payments such as rent, petty cash purchases or other exceptions specified by the Director of Financial Services).
- G4 Where schools are using the Council's financial systems, apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment of money due from the Council will be by BACS, cheques only in exceptional circumstances or other instrument drawn on the Council's bank account by the Director of Financial Services. The use of direct debit or standing orders will require the prior agreement of the Director of Financial Services. Separate regulations apply where schools are using an imprest bank account.
- G5 The use of e-business, e-commerce, credit/debit or purchasing cards, or other electronic means of purchasing goods or services, must be authorised by the Director of Financial Services.
- G6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of school contracts, unless specifically authorised by the Director of Financial Services in writing and appropriate accounting arrangements made.

### **Responsibilities of Director of Financial Services**

- G7 Under normal circumstances, only costs arising from expenditure from the school's delegated budget will be charged to the school. However, the Council reserves the right to consider making an additional charge to a particular school's budget in the circumstances listed in the scheme for funding schools at paragraph 6.2.
- G8 Where such costs result in the school's budget being overspent, the Council will consider making an interest charge on the overspending where a school is using the Council's bank account.

- G9 The Director of Financial Services also has a responsibility to make payments, whether or not provision exists within the school's budget, where the payment is specifically required by statute or is made under a court order.

### **Responsibilities of Governors**

- G10 To make sure that written and uniquely numbered orders are used for all goods and services except for supplies of utilities, periodical payments such as rent, petty cash purchases or other exceptions specified by the Director of Financial Services.
- G11 To make sure that where paper orders are submitted, only official prenumbered order forms are used. These are controlled stationery and should be retained securely when not in use. These are only to be used in exceptional circumstances and where previously agreed with the Director of Financial Services.
- G12 To make sure that orders are only used for goods and services provided to the school. Individuals must not use official orders to obtain goods or services for their private use.
- G13 To make sure that only authorised staff electronically authorise or sign official order and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. Governors' prior approval should be sought before an order exceeding these limits is placed. The signatory of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Value for money should always be taken into consideration.
- G14 To make sure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.
- G15 To provide for the separation of duties by ensuring that at least two members of staff are involved in the ordering, receiving and payment process, so that, where possible, a different officer from the person who authorised the order and, in every case, a different officer from the person checking and certifying the invoice, authorises an invoice for payment.
- G16 To make sure that goods and services are checked on receipt to make sure they are in accordance with the order. This check should, where possible, be carried out by a different person from the member of staff who signed the order. Appropriate entries should then be made in inventories or stores records.
- G17 To make sure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:
- receipt of goods or services
  - that the invoice has not previously been paid
  - that expenditure has been properly incurred and is within budget provision
  - that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
  - correct accounting treatment of tax
  
  - the invoice is correctly coded



- discounts have been taken where available
  - that appropriate entries will be made in accounting records.
- G18 To make sure that an authorised member of staff, if possible a different person from the member of staff who signed the order, authorises invoices.
- G19 To make sure that the school maintains and reviews periodically a list of staff approved to certify and authorise invoices. Where a school is using the Council's financial systems it should forward names, together with specimen signatures and details of the limits of their authority to the Head of People Finance.
- G20 Where payments are made through the Council's central payments system, photocopied or faxed invoices, statements or other documents other than the formal invoice should not be submitted. Any instances of these being rendered may be reported to the Head of Internal Audit.
- G21 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. Payments should preferably not be made by direct debit.
- G22 To make sure that the school obtains best value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality ensuring limits stated within the Scheme for Funding Schools paragraph 2.16, 2.17 and 2.18 are not breached.
- G23 Where the governors have decided that their school will be included in a Council arranged contract for goods or services, governors must comply with the terms and conditions of the Council's contracts in relation to these goods or services.
- G24 To follow the procedures established by the Director of Financial Services in putting purchases of goods or services, where appropriate, out to competitive quotation or tender. These will comply with The Council's Contract Procedure Rules, except where listed in paragraph 2.17 of the Scheme for Funding Schools and will cover:
- authorised officers and the extent of their authority
  - advertisement for tenders
  - procedure for creating, maintaining and revising a standard list of contractors
  - selection of tenderers
  - compliance with UK and EU legislation and regulations
  - procedures for the submission, receipt, opening and recording of tenders
  - the circumstances where financial or technical evaluation was necessary
  - procedures for negotiation
  - acceptance of tenders
  - the form of contract documentation
  - cancellation clauses in the event of corruption or bribery
  - contract records.
- G25 To make sure that employees are aware of the National Code of Conduct for Local Government Officers, (copies available from Personnel), and that all employees have a copy of the Council's guidelines for dealing with existing and potential suppliers of goods and services.
- G26 To make sure that no loan, leasing or rental arrangements are entered into without prior agreement from the Director of Financial Services. This is because of the

potential impact on the Council's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to make sure value for money is being obtained.

- G27 To notify the Director of Financial Services of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Financial Services and, in any case, not later than 30 April.
- G28 To notify the Director of Financial Services immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- G29 To make sure that invoices are authorised, processed and paid promptly within agreed contractual terms and conditions or within 30 days of the invoice date in line with the regulations of the Late Payment of Commercial Debts (Interest) Act 1998. Checks should be made to make sure invoices are paid only once, are within budget provision and are coded correctly.
- G30 To exercise care in the payment of individuals via invoice payment, having mind to the guidelines issued by the HM Revenue and Customs, the Contributions Agency and the Council on employment status.
- G31 All appropriate payment records shall be retained and stored for the required period in accordance with Council policy
- G32 Employees should not make official purchases, excluding personal expenses, using personal credit cards for which they subsequently seek reimbursement from the school budget as this circumvents the requirement for pre-authorisation by an independent party. Similarly, personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with Council purchases.

## **H INCOME**

*Why is this important?*

Income is derived both from the provision of supplies and services to customers and from contributions, grants, taxes and other revenues to finance services generally.

*Income can be a vulnerable asset and effective collection systems are necessary to make sure that all of the income due is identified and collections are receipted, banked and accounted for properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's or schools' cashflow and also avoids the time and cost of administering debts.*

### **General**

- H1 Where schools are using the Council's financial systems, all money received by an employee on behalf of the Council, or a school shall be paid without delay to the Director of Finance or as he/she directs, to the Council's bank or national giro account. Where schools are using a local bank account expressly agreed with the Director of Financial Services, any money received shall be paid without delay into that bank account. The standard method for new regular debts should be direct debits.

### **Responsibilities of Director for Finance**

- H2 Where schools are using the Council's financial systems, to agree arrangements for the collection of all money due to the Council and approve the procedures, systems and documentation for the collection of all income.
- H3 Where schools are using the Council's financial systems, to order and supply to schools all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their safe custody and control.
- H4 Where schools are using a local bank account, to be satisfied that appropriate procedures for banking, collection and reconciliation are in place.

### **Responsibilities of Governors**

- H5 To establish a charging policy for services, including the appropriate charging of VAT, and review it regularly.
- H6 To segregate duties so as to ensure that different members of staff are involved in each stage of the processes for the identification of amounts due, the receipt of cash in settlement of the debt, the reconciliation of the amount due to that received, and the reconciliation of cash received and banked to the relevant bank account.
- H7 Where schools are using the Council's financial systems, to comply with Council instructions relating to debt recovery.
- H8 Where schools are not using the Council's financial systems, to establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- H9 To issue official receipts or maintain other documentation for income collection.

- H10 To make sure that, where possible, at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- H11 To retain securely receipts, tickets and other records of income, for the appropriate period.
- H12 To receipt income on day of receipt and lock away all income to safeguard against loss or theft.
- H13 To make sure that income is paid fully and promptly into the appropriate bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an adequate audit trail. **To safeguard against money laundering, payment in cash in excess of £5,000 for any single transaction will not be accepted from any source.**
- H14 To keep a record of every transfer of money whenever it changes hands. The receiving officer must sign immediately for the transfer and the transferor must retain a copy.
- H15 To make sure income is not used to cash personal cheques or other payments.
- H16 To supply the Director of Financial Services with details relating to work done, goods supplied, or services rendered or other amounts due, to enable the Director of Financial Services to record correctly the sums due to the Council, including schools, and to make sure accounts are sent out promptly. Governors have a responsibility to assist the Director of Financial Services to collect debts which they have originated by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- H17 To keep a record of every transfer of money whenever it changes hands. The receiving member of staff must sign for the transfer and the transferor must retain a copy.
- H18 Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- H19 To notify the Director of Financial Services of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Financial Services and not later than 30 April. This date will be subject to change in line with the Council's final accounts process.
- H20 Additional income resulting from delegated functions may be used to finance additional expenditure, with the approval of the Governors.
- H21 Governors may decide formally whether or not to take action to collect amounts due to the delegated budget which are unpaid.
- H22 To make sure that invoices are raised within 28 days of the completion of the work or service, including agreed phased completion.

## I PAYMENTS TO EMPLOYEES

*Why is this important?*

*Employee costs are the largest item of expenditure in schools. It is therefore important that there should be controls in place to make sure that payments are made only where they are due and that payments accord with the individual's conditions of employment.*

The key controls for payments to current and former employees are to ensure that procedures and processes are in place which ensures that:

- payments are made at the appropriate time under secure, sound and reliable arrangements.
- payment arrangements provide for the appropriate segregation of duties and authorisation procedures.
- payments are in accordance with all statutory requirements as well as regulations and directions of the Council.
- payments are accounted for completely, accurately and promptly.
- payments are monitored regularly against approved budgets.
- all appropriate payroll records and supporting documentation are retained for the appropriate period.

### **Responsibilities of Governors**

- 11 Where the Council is the employer, to make sure appointments are made in accordance with the regulations of the Council and approved establishments, grades, and scale of pay and that adequate budget provision is available.
- 12 Where schools are using the Council's payroll system, to notify the Director of Financial Services of all appointments, terminations, or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Director of Financial Services.
- 13 To make sure that adequate and effective systems and procedures are operated for personnel and payroll aspects, so that:
  - payments are only authorised to bona fide employees and former employees.
  - payments are only made where there is a valid entitlement.
  - conditions and contracts of employment are correctly applied.
  - employees' names listed on the payroll are checked at regular intervals (at least monthly) to verify accuracy and completeness.
  - there is an effective system of checking and certifying payroll forms, etc.
- 14 Where schools are using the Council's payroll system, to send an up-to-date list of the names of officers authorised to sign records to the Director of Financial Services, together with specimen signatories.

- 15 To make sure that payroll transactions are processed only through the payroll system. Governors should give careful consideration to the employment status of individuals employed on a “self-employed consultant or sub contract” basis. The Inland Revenue applies a tight definition for employee status and in cases of doubt, advice should be sought from the Director of Financial Services.
- 16 To certify travel and subsistence claims and other allowances, where certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred and allowances properly payable by the Council or schools, making sure that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Director of Financial Services informed where appropriate. To submit claims for travel and subsistence allowances, which are compliant with Council policies and procedures, on a monthly basis and, in any event, within one month of the year-end
- 17 Where schools are using the Council's payroll system, to make sure that the details of any employee benefits in kind are notified to the Director of Financial Services to enable full and complete reporting within the Income Tax Self-Assessment system.

## **J TAXATION**

### **Why is this important?**

Like all organisations, the Council is responsible for making sure it pays the right amount of tax at the right time - tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all schools to be aware of their responsibilities.

### **General**

The key controls on taxation are that procedures are in place which ensure that:

- all taxable transactions are identified, the tax liability properly assessed, and accounted for within specified timescales.
- all statutory and other returns are made to the appropriate authorities within the specified timescales.
- all other statutory requirements are met.

### **Responsibilities of Governors**

- J1 To make sure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue and Customs Regulations.
- J2 To have procedures in place that can quickly identify VAT errors and where errors are discovered, to inform the Director of Financial Services in a timely manner so they can be disclosed to HM Revenue and Customs.
- J3 To make sure that, where construction and maintenance works are undertaken, accurate and timely information is provided to enable the Director of Financial Services to pay the contractor in accordance with the requirements of the Construction Industry Tax Scheme.
- J4 To make sure that all persons employed by the Council or schools are added to the Council's or school's payroll and that tax is deducted from any payments, except where the individuals are bona-fide self-employed or are employed by a recognised staff agency.
- J5 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.
- J6 To determine the employment status (employee or self-employed) of all individuals engaged to provide a service before proceeding with the engagement.
- J7 To keep and preserve for a period of at least 6 years, records and accounts in a manner that will enable HMRC to check easily that all taxes have been properly accounted for.
- J8 To ensure that interest payments made to individuals and non-tax resident companies are identified and advised to the Director of Finance so that they can be subject to tax at source.

- J9 To consult with and seek advice from the Director of Financial Services on the potential tax implications of any new initiatives for the delivery of Council activity and services.



## **K ASSETS AND SECURITY**

### **Why is this important?**

The Council and schools hold assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services, and that there should be arrangements for the security of both assets and service operations.

All Assets should be safeguarded against loss, damage, misuse or any other unnecessary diminution in value so that they can continue to be available to provide continuity of efficient service delivery. Similarly, information must also be safeguarded so that service delivery can continue.

In addition, for capital assets, up to date details are required for purposes of both fixed asset accounting and sound asset management.

In some instances it may be more cost effective to lease assets, including property, vehicles and equipment, rather than to purchase them outright.

It is important to distinguish between operational leases and finance leases as both have differing accounting requirements and have a different impact on service revenue accounts.

It is not cost-effective for schools or the Council to tie up cash Finance or to incur maintenance or other costs by continuing to hold physical assets which are no longer required or fit for use in service delivery; thus, obsolete, non-repairable or surplus assets must be disposed of in a suitable manner at the appropriate time, and having regard to legal and other requirements so as to ensure that the maximum sale proceeds are obtained.

### **General**

The key controls for the security of Finance such as land, buildings, vehicles equipment, plant, machinery, and other assets are that procedures are in place to ensure that:

- The items are used only for the purposes of the Council or the school and are properly accounted for.
- The items are available for official use as and when required.
- When the items are no longer of use, and have been approved for disposal by governors in conjunction with the Director of Finance, they are disposed of in an appropriate manner so as to maximise the sale proceeds, unless there has been prior Member approval to allow the item(s) to be donated to a charity, voluntary organisation or similar body.
- Details of all items are recorded at the time of purchase in an asset register, or other appropriate record and that the details of the item's location, value and condition are maintained up to date.
- A physical verification of assets is carried out on an annual basis.

- All staff are aware of their responsibilities with regard to the safeguarding of the Council's or the school's assets.

## Security

### **Responsibilities of Governors**

- K1 To make sure the proper security of the buildings and other assets under their control.
- K2 To make sure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Director of Financial Services has been signed by the Director of Financial Services.
- K3 Where land or buildings are surplus to the requirements of a committee, a recommendation for the sale of land should be subject to the Director of Financial Services.
- K4 Where the use of buildings or land is subject to appropriation between services, to refer the appropriation for approval by the Council Cabinet and/or Council or school, taking into account the alternative possible uses of the land.
- K5 To pass the title deeds to the Chief Executive and Head of Paid Services who is responsible for custody of all title deeds.
- K6 To make sure that no Council asset is subject to personal use by an employee without proper authority and is in accordance with relevant Council policies and procedures.
- K7 To make sure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- K8 To make sure that the school maintains a register of moveable assets in accordance with arrangements defined by the Director of Financial Services.
- K9 To make sure assets are identified, their location recorded and that they are appropriately marked and insured.
- K10 To consult the Director of Financial Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- K11 To make sure cash holdings on premises are kept to a minimum in line with normal operational requirements.
- K12 To make sure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of such keys must be reported to the Director of Financial Services immediately.
- K13 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Financial Services.
- K14 To make sure that all employees are aware that they have personal responsibility with regard to the protection and confidentiality of information, whether held in

manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to the Council, including schools, in some way.

#### Leased Assets

##### **Responsibilities of Governors**

- K15 To ensure the Director of Financial Services is consulted on all proposals for leased assets.
- K16 To keep an inventory of all leased assets and to ensure assets are returned at the end of the lease period in accordance with the terms of the arrangement.

#### Disposal of Assets

##### **Responsibilities of Governors**

- K17 To follow, or to ensure that staff follow, the Director of Financial Services' instructions on the disposal of surplus or obsolete vehicles, plant, furniture, materials, stocks, stores or other equipment.
- K18 To ensure that surplus or obsolete assets are identified promptly.
- K19 To ensure that disposal is timely and by the appropriate means.
- K20 To make arrangements for the disposal of surplus goods, materials, vehicles and equipment in the manner most beneficial to the school and to the City Council, making every effort to dispose of surplus or obsolete assets by competitive tender or by public auction, and in all cases where the estimated value of the proceeds is at a level as determined by the Director of Financial Services and the Headteacher, in consultation, as appropriate, with the Cabinet.
- K21 To maintain a record of disposals on inventories or within stock systems, including details of the quantity, items, proceeds and the purchasers.
- K22 To ensure that sale proceeds are banked and accounted for promptly, and that the Director of Financial Services is notified of the disposal of any capital assets.

#### Insurance

##### **Responsibilities of Governors**

- K23 To notify the Director of Financial Services immediately of any loss, liability or damage which may lead to a claim against the Council, together with any information or explanation required by the Director of Financial Services or the Council's insurers.
- K24 Where schools are using the Council's insurance scheme, to notify the Director of Financial Services promptly of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- K25 To consult the Director of Financial Services and Director of Corporate Services respecting the terms of any indemnity which the Council is requested to give.

- K26 To make sure that Council or school employees do not admit liability, which may prejudice an insurance claim.
- K27 To take responsibility for risk management and, where schools are using the Council's insurance scheme, to have regard to advice from the Director of Financial Services and other specialist officers such as Crime Prevention, Fire Prevention, Health and Safety. Without effective preventative measures, insurance claims can result in higher premium costs.

#### Inventories

#### **Responsibilities of Governors**

- K28 To maintain up to date and accurate records of all items of equipment, plant, furniture, fittings, machinery and other items, in accordance with guidance specified on the Council's official inventory guidelines.
- K29 To ensure that all items of equipment, plant, furniture, fittings, machinery and other items, and in particular those which are attractive and portable and desirable items and are identified with security markings as belonging to the Council/School.
- K30 To make sure that the Council's or school's property is not removed except in accordance with the ordinary course of the Council's or school's business.
- K31 To ensure that equipment is used only in the course of the Council's or school's business unless the Headteacher has given permission otherwise, and subject to Council's/School's policy on private use.
- K32 To ensure that appropriate records are maintained of those items of equipment, which are in control of specific members of staff.
- K33 To carry out a check at least annually of the existence and continued suitability for use, of all items recorded in the inventory, and to take appropriate action in respect of any discrepancies or items no longer suitable for use, an-noting the inventory accordingly. Appendix 1 gives an example of an inventory record sheet which forms the minimal information required.

#### **Stocks and Stores**

#### **Responsibilities of Governors**

- K34 To make arrangements for the care and custody of materials, stocks and stores in the school.
- K35 To make sure that quantities of stocks are maintained at reasonable levels for normal operational requirements unless there are sound financial or other reasons for doing otherwise.
- K36 To maintain accurate and reliable records of items in stores specified by, and in a form agreed with, the Director of Financial Services.
- K37 To ensure that for all stocks there is an independent comparison of physical stock against the records at least once in each financial year, to investigate any discrepancies arising, and to report them to the Director of Financial Services.

- K38 To write-off discrepancies or obtain Council Cabinet and/or Council approval if they are in excess of a predetermined limit.
- K39 To authorise the disposal or write-off surplus/redundant stocks and equipment in accordance with K18.
- K40 To seek Council Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum as stated in the school's scheme of delegation (see Appendix 1 for disposal record sheet)
- K41 To maintain a record of all disposals, including details of the proceeds and purchasers.
- K42 To provide to the Director of Financial Services such information concerning materials, stores or other assets as is required for financial accounting purposes, or to allow the Director of Financial Services to report the level of write-offs to the Cabinet on a regular basis.

## **L IMPREST BANK ACCOUNTS**

### **Responsibilities of Director for Finance**

- L1 The Director of Financial Services is ultimately responsible for all bank accounts of the Council, including schools, for official funds.
- L2 Any imprest bank accounts within the Council's banking arrangements must be approved by the Director of Financial Services and operate within financial regulations and procedures.

### **Responsibilities of Governors**

- L3 To make sure that employees operating an imprest account within the Council's banking arrangements:
  - (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained
  - (b) make adequate arrangements in their school for the safe and secure custody of the account
  - (c) produce upon demand to the Director of Financial Services cash and all vouchers to the total value of the imprest amount
  - (d) record transactions promptly
  - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
  - (f) provide the Director of Financial Services with a certificate of the value of the account held at 31 March each year
  - (g) make sure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made

- (h) on leaving a school or otherwise ceasing to be entitled to hold an imprest advance, an employee shall notify the Head of Finance of the amount advanced to him/her.
- L4 As well as the imprest bank account, a school's cheque book and bank account system will be available. The regulations on bank accounts are contained within section 3 of the scheme for funding schools.
- L5 Minor items of expenditure met from imprest accounts should not exceed £100.

## **M UNOFFICIAL FUNDS**

- M1 The governors have the responsibility for all unofficial funds of the school. The head is responsible for keeping the governors informed of all unofficial funds at the school. Unofficial funds should be kept and accounted for separately from official school funds.

### **Proper Accounting Arrangements**

- M2 It is preferable that one bank account should be maintained to encompass all the activities undertaken by the school, but it is recognised particularly in large schools that this may not be practicable, and it may be necessary to have additional accounts. Where this is the case Heads must make sure that the number of accounts is kept to a minimum. Where possible the duties of administering the fund should be divided between different members of staff; thus, one member should act as Hon Treasurer of the fund receiving money either directly or collected by others. The running of particular activities (e.g. school journeys, tuck shop, school vehicle etc.) should not devolve on the Treasurer but should be the responsibility of others who must keep suitable registers, stocks and records. In the case of educational visits and school journeys the teacher in charge should keep a simple account of what has been received and spent and present a final statement to the Honorary Treasurer of the fund.
- M3 The Honorary Treasurer must maintain a central cash book in relation to the fund with a ledger for recording transactions on individual activities i.e. a proper statement of income and expenditure accounts. Entries in the cash book should be reconciled periodically to the bank statements with any discrepancy investigated and fully explained.
- M4 A bank account must be maintained in the name of the fund (NOT an individual) with cheque signatories being a minimum of two persons of suitable seniority. One of these signatories must be the Honorary Treasurer.
- M5 All income whether collected by members of staff or the Fund Treasurer should be banked weekly or more often when the amount in hand reaches £250 and it is recommended that this advice is formally adopted by the Governors.
- M6 All payments including those made by cheque must be supported by vouchers such as invoices, indicating the nature of the expenditure.
- M7 All payments should be made by cheque except for the very small transactions dealt with through a petty cash account.
- M8 Where amounts are held on behalf of pupils over a long period of time and/or where considerable sums of money are involved and/or payment is by instalment it is strongly recommended that collections are entered on individual pupil's collection cards.

**Private school funds must not be used to make overtime payments to members of staff or for payment of fees to staff carrying out additional work as part of their normal school duties.**

### **Preparation of Annual Accounts**

- M9 An annual summarised statement of receipts and payments supported by the subsidiary records and vouchers must be submitted for audit as soon as possible after the end of the accounting year. It is strongly recommended that a certified copy of the school fund accounts be displayed in the Staff Room or on the School Notice Board.

### **Audit of Accounts**

- M10 The auditor should be a person who has not otherwise been involved in the management of or has close connections with the fund or is involved in the fund raising activities. It is essential that someone outside the school and with no direct connections with the fund be asked to audit the accounts, e.g. a parent who may have financial qualifications, or perhaps the local bank manager. If after pursuing this procedure you still cannot find a totally independent auditor it may be necessary to ask someone with less direct connections with the school fund or to discuss this matter with the Chair of Governors. It is not intended that schools should incur the additional expenditure of paying professional fees by employing a firm of private auditors but that consideration should be given to the qualifications/experience of the auditor. The auditor should on completion of his audit append the following certificate to the accounts and the summarised statement, unless of course these accounts and statements do not reflect the true position, where he may need to add a qualification. "I have examined the statement of receipts and payments together with the relevant books and vouchers and have obtained all the information and explanations necessary. I certify that in my opinion they present a true and fair view of the receipts and payments of .....school funds for the year ended .....".

### **M11 Submission of Accounts**

The annual certified statement of account (including any additional accounts if more than one) must be submitted to the first or second Governors meeting after the end of the accounting year and be covered by an appropriate minute.

The annual certified statement of account would normally comprise:

- (a) The name and qualifications (if any) of the independent auditor.
- (b) A statement of receipts and payments within the year certified by the auditor.
- (c) A statement of balances at the year end including any other assets held by the school e.g. stocks, shares, also certified by the auditor.





DERBY CITY COUNCIL



DERBY CITY COUNCIL

Inventory

School No.

Finance

Page

Line No.	Narrative	Serial Number	Qty	Date Received – and location	Value of item (£)	Order No.	Review Date – witness – print name	Item Written Off (Authority & Date)	Method of Disposal (Date of Disposal and witness – print Name)
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