

# FINANCIAL MANAGEMENT STANDARDS & GUIDANCE AT VILLAGE INFANTS SCHOOL

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## **Section A**

### **Governance**

The school's Governing Board is responsible for the direction of Village Infants School and its strategic management. This involves determining the guiding principles and regulations within which Village Infants School operates and then making decisions. The Governing Board is also responsible for ensuring Village Infants School meets all its statutory obligations and complies with the Council's financial regulations as detailed in the Scheme for Financing Schools.

The financial responsibilities of the Governing Board, its committees, the Headteacher and other staff are defined in this financial manual. This enables the Governing Board to ensure the appropriate financial systems and controls are in place, for the purpose of probity and public accountability.

#### **Supporting Documents for Governance**

The documents include:

- Delegation framework (written responsibilities of the Governing Board, its committees, the Headteacher and staff; financial delegation limits)
- Budget plan medium term and budget monitoring reports
- Financial forecasts short and medium term
- Budget statement and outturn statements.
- Governing Board/Finance committee minutes
- Register of business interests

#### **1. Roles & Responsibilities**

This summary description of roles and responsibilities forms part of a wider document, sometimes referred to as the Scheme of Financial Delegation.

The following is an example of Village Infants School's structure of financial responsibilities for individual Governors, Headteachers and staff.

The Governing Board will:

- set spending priorities
- consider, approve and monitor the budget
- determine virement and expenditure thresholds
- evaluate the effectiveness of spending decisions

The Finance committee will:

- draw up the budget
- appraise expenditure options
- carry out budget monitoring

The Headteacher, delegating responsibility to the School Business Manager where appropriate, will:

- ensure compliance with the Council's financial regulations
- ensure that sound systems of internal control are in place
- be responsible for day-to-day financial management
- compile draft budgets
- supply the Governors with regular budget monitoring information

The staff will:

- comply with Village Infants School's financial regulations
- be responsible for any budget delegated to them

The Finance committee is a non-statutory committee of the Governing Board of Village Infants School. It has been delegated powers to take financial decisions on behalf of the Governing Board. The committee shall consist of a minimum of two members and a maximum of 6 members, not including the Headteacher. At its first meeting each school year; it will elect one of its members to be the Chairman of the committee. The committee will meet once in each half term and will make reports to the next meeting of the Governing Board to ensure that the Governing Board is kept fully informed on all matters of financial importance. The Committee may co-opt non-governors as advisors to extend its range of expertise as necessary but non-members may not vote on any matter.

The Headteacher and/or his Deputy have the right to attend any meeting of the Committee and are permanently invited to do so.

### **Finance –**

The committee together with the Headteacher and School Business Manager will review the delegated budget sum. The Headteacher in conjunction with the School Business Manager will draft Village Infants School budget for the appropriate settlement period, to ensure that the delegated financial resources available support the effective delivery of the curriculum and management of Village Infants School. This will be submitted, by the end of the Spring Term, to the committee. On the committee's recommendation the budget will be presented to the Governing Board for approval at the first meeting in the Summer Term at the latest.

### **Budget Control -**

The committee together with the Headteacher/School Business Manager will ensure the effective allocation of the resources to appropriate budget holders for staffing, premises, administration, curriculum resources, and pupil resources.

Before presenting the annual budget to the Governing Board the committee may receive and consider bids from budget holders/ curriculum support areas.

It will consider setting a ceiling of £2,000 on any single item purchased by a budget holder without reference to the Finance committee unless these are purchases already agreed by Governors within the reported School/Premises or ICT development plans.

The committee will obtain details of emergency expenditure of more than £5,000 on maintenance of the site. Any unbudgeted expenditure of more than £10,000 will be submitted for approval to the full Governing Board with the recommendation of the committee. Expenditure of less than £10,000 can be authorised by the committee.

### **Additional Funding:**

Receive details of all additional funding for example:

- Pupil Premium Grant
- Specific and other grants
- Devolved Capital
- Other external funding including sponsorship
- Gifts & donations
- Fees & charges

Ensure allocation and subsequent spending, in accordance of the terms of the funding bodies' regulations and set criteria and report to the Governing Board.

## **Income Generation**

Receive a breakdown of income generated, review charges annually and look for new ways of generating income.

## **Monitoring**

Receive and review details of the budget on a half-termly basis direct from the School Business Manager. Monitor the progress and make regular reports to the full Governing Board.

Take the necessary steps to ensure that Village Infants School financial performance is in line with the approved budget. Consideration should be given to realigning the budget at the start of the new academic year, to ensure that the budget represents the objectives set out in the School Development Plan. Variations may be necessary and reference should be made to the agreed delegated limits and reported to the full Governing Board.

Ensure that all accounts are audited on a regular basis.

Review finance documents on an annual basis.

## **Contracts-**

The committee will ensure that there are proper procedures for establishing and monitoring contracts and for a review of those contracts already in existence.

There will need to be evidence of monitoring best value from contracts and comparative information.

The Register of contracts for goods and services will be presented to the finance committee annually.

## **School Premises-**

While delegating day-to-day management to the Headteacher and School Business Manager, the committee will nevertheless ensure that at all times Village Infants School grounds and environment form a positive, attractive, safe and clean environment for all users of the school.

The School Business Manager along with the Headteacher will have the management responsibility for budget plans and forecasts; this includes controlling and monitoring costs in accordance with the schools Development Plan and Assets Plan.

**3. Building Programme:** The committee will report and make recommendations to the Governing Board on:

- The Councils Capital Building programmes
- Discussions on future programmes of building at Village Infants School
- Village Infants School's premises development plan
- Village Infants School's ICT development plan
- The Councils Asset Management Plan

The committee will expect the Headteacher/School Business Manager to prepare both a Premises and an ICT Development/Equipment Renewal Plan and to review it annually.

The Committee/ Headteacher/ School Business Manager have access to the councils Assets team and energy conservation team providing advice and guidance on all premises related matters.

## **Lettings:**

The committee will oversee and advise on other uses of Village Infants School premises. These fall into two categories.

- Community use
- Income generation

## **2. Clear Limits of Delegated Authority**

Delegation limits refer to thresholds above which the approval of the Governors is needed before goods or services can be purchased or money can be vired between budget headings. Village Infants School follows the thresholds set out in the Council's Scheme for Financing Schools and the school's internal limits are detailed as follows:

Virements -      Headteacher to £20,000  
                          Finance Committee – all others

Placing Orders – Headteacher £20,000  
                          School Business Manager to £10,000  
                          Finance Committee – all others

## **3. Minutes of all meetings**

Minutes are taken at all committees and full Governing Board meetings and duly circulated and agreed. The minutes must contain a clear and accurate record of all decisions made and policies accepted.

## **4. Register of Business Interests**

All Governors and those members of staff with influence on financial decisions should declare any interests which may impact on school-related matters. For example, Governors and staff should declare any links they have with local firms from which Village Infants School may wish to buy goods or services. Registers of business interests aid transparency and provide some assurance that personal interests do not influence school decisions.

The current register at Village Infants School includes a list of current staff with financial decision making responsibilities and their reported interest.

The register will be published on the school website annually and updated throughout the year as changes occur.

## **Section B**

### **Financial Planning**

Financial planning is an essential part of good financial management. It provides Village Infants School with a clear view of how it intends to use its resources. It has two key elements, the Village Infants School development plan and budget.

The School Development Plan forms the basis for constructing the budget. It identifies Village Infants School educational priorities and has a strong focus on raising standards. It is important, therefore, that Village Infants School development plan indicates the resource implications of each priority to guide decisions on the school's budget.

Clearly identified links must be in place between the annual budget and it's the school's development plan.

#### **Supporting documents: Financial planning**

- School Development Plan
- DfE financial guidance and budget settlement data
- Budget working papers
- Carried forward surplus/deficit
- Service Level Agreements
- Costings for new initiatives
- Finance committee, minutes of meeting
- Section 52 Statement
- Pupil numbers forecast
- Salary forecasts
- Special and Specific projects  
Budget for current financial year and budget plans for the next 3 years
- Financial planning timetable

#### **1. Continuing commitments**

It is important that continuing commitments are monitored on a regular basis. This includes funding which is time limited for example government initiatives, leases, contracts, service level agreements and short term contracted staff all of which have an impact on the School's Budget.

#### **2. Financial Planning Timetable**

This timetable covers the whole planning process, including both the Schools Development Plan and the budget. The timetable ensures that Governors are provided with the information they need to evaluate the options which will form the basis of the Schools Development Plan and budget.

The timetable maps information requirements and allocates responsibilities to staff to enable a planned and effective budget process

#### **3. Profiled Budget**

Profiling enables the school to monitor and control the budget. It highlights significant variances or irregular spending patterns.

A cash flow forecast will allow Village Infants School to identify whether the budget as currently profiled is likely to be covered by funds available in any given month. Current healthy reserves and regular intervals of delegated budget to bank transfers by the Council ensures the bank position remains adequate.

#### **4. Earmarking of surpluses**

Governors are informed about the intended use of all money carried forward in balances. Currently surplus revenue balances for this settlement period is subject to the Government's regulation that balances in excess of 8% (Primary) will be clawed back for reallocation to schools, subject to Schools Forum approval. However, where balances are assigned to projects/initiatives this is not included as part of the surplus schools balance. The Governing Board will forward a return to the Council declaring the assigned amounts against their revenue balance.

#### **5. Approval of the budget**

The Governing Board will approve the budget before 30<sup>th</sup> June and send a signed copy to the Council.

### **Section C**

#### **Budget Monitoring**

Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows Governors, the Headteacher/School Business Manager and staff to maintain financial control by reviewing the current position and taking any remedial action necessary. The original budget may need updating, following consultation with Governors, to take account of in-year changes and developments.

Budget monitoring involves producing monthly monitoring reports and drafting proposed plans of actions to address any significant variances. Spending on individual initiatives is also monitored against provisions made in the School Development Plan. Budget monitoring becomes an important tool when setting the budget for the following financial settlement periods.

#### **Supporting documents: Budget Monitoring**

- Monthly Budget verses Actual verses Committed RM Finance Report plus explanation of variances
- Plans to address significant budget variances
- Papers showing monitoring of expenditure on particular initiatives
- Salary forecasts and projections reviewed for budget setting and revised for the new academic year.
- Monthly cash flow report

#### **1. Regular monitoring reports to governing Board**

The Finance Committee/Headteacher, reports termly to the Governing Board, explaining any variances and seeking approval for any changes or budget realignment through virements. Budget Monitoring Summary Report presented termly to the Governing Board.

#### **2. Reviewing special initiatives/ projects and specific grants**

Headings in standard budget monitoring reports may not allow the tracking of expenditure on individual initiatives, since they may cut across several categories. This exercise should be undertaken in parallel with mainstream budget monitoring if necessary. This will:

- Allow Village Infants School to monitor expenditure on the initiative against the budget
- Provide the financial information necessary to assess the cost effectiveness of the initiative

Departmental budget holders may be able to access or request budget monitoring reports by either interrogating the financial system direct or requesting assistance from the School Business Manager.

## **Section D**

### **Procurement**

Because Village Infants School is using public funds, it is requirement that the school obtains best value. In this context, value for money is about getting the right quality at the best available price.

Procurement processes should allow the school to evidence how it goes about best value. These processes should also demonstrate an audit trail and shall be designed to avoid the individual being put into a position where they could be accused of impropriety.

It is important that contract specifications contain detailed service and quality provisions. Many of the standards in this section are there to protect Governing Bodies, Headteachers and individual staff members and to ensure that public money is spent without any personal gain. Purchasing procedures are needed to prevent waste and fraud.

#### **Supporting documents: Purchasing**

- Summary level of financial delegation – including certifying officers.
- Regulations on quotations and tendering as set out in the scheme for financing schools
- Purchasing records – including, delivery notes and copy invoices.
- Budget monitoring reports (to show commitments)

#### **1. Spending limits – Governors’ authorisation**

Prior approval from the governing Board should be obtained for all expenditure above a predetermined limit (see Governance section A1: Budget Control 2b).

#### **2. Spending limits**

At least three quotations should be obtained for all expenditure exceeding £5,000 unless it is impracticable to do so. In such circumstances, the reasons for not doing so should be reported to the Governing Board.

Village Infants School follows the Council’s guidance on expenditure limits. This guidance can be found under Section Procurements & Contract Thresholds in the document Scheme for Financing Schools October 2021.

#### **3. Reporting when quotation accepted is not the lowest**

Where a quotation other than the lowest is accepted, the reasons for this decision will be reported to the Governing Board and included in the minutes of the relevant meeting.

#### **4. Spending limits – tendering**

The Governing Board recognises that tendering is a complex area and will seek expert advice where necessary.

The policy on tendering is as stated within The Council's Financial Regulations on tendering procedures, and includes:

- Advertisement of tenders
- Compliance with EU regulations
- The procedures for the submission, receipt, opening and recording of tenders
- The circumstances when financial or technical evaluation is necessary
- Acceptance of tenders
- The form of contract documentation
- Cancellation clauses in cases involving corruption or bribery
- Details of the Council's Financial Procedures should be requested from the Corporate Financial Services.

#### **5. Contract specification defines service**

A clear contract specification will ensure that Village Infants School will receive the service it was expecting. This enables Village Infants School to seek redress for service quality or quantity if the provider's service falls below the level specified.

A contract specification should contain the following elements:

- Contract duration
- Definitions
- Contract objectives
- Services to be provided
- Service quantity
- Service quality standards (could include customer satisfaction surveys, number of user complaints, inspection checks)
- Contract value and payment arrangements
- Information and monitoring requirements
- Procedure for dealing with disputes
- Review and evaluation requirements

#### **6. Entering into financial agreements**

Village Infants School will not enter into any financial agreement with capital implications without the approval of the Council.

#### **7. Use of Official Order Forms and Purchase Orders**

Official orders ensure that Village Infants School has a precise record of what has been ordered which can then be compared against delivery. Purchase orders are raised for all orders with the exception of credit card purchases. Credit card expenditure is recorded separately and reviewed during monthly monitoring.

#### **8. Orders only used for school purposes**

Orders should be used only for goods and services provided to Village Infants School. Individuals must not use official orders to obtain goods and services for their private use.

#### **9. All orders signed by authorised signatory**

All orders can ONLY be authorised by signatories as detailed in the Level of Financial Delegation.

#### **10. Responsibilities of signatory**

The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. The signatory should not sign the subsequent cheque (division of duties).

## **11. Orders entered as commitments on budget**

When an order is raised on the system, the estimated cost will be committed against the appropriate budget allocation so that it features in subsequent budget monitoring.

## **12. Check goods and services on receipt**

Village Infants School will check goods and services on receipt to ensure they match the order and the order should be signed accordingly. This should not be done by the person who signed the order.

## **13. Invoice Payments**

All invoices will be checked and approved in accordance with the following good practices

These checks should confirm:

- Receipt of goods or services, cross-referenced to the order number.
- Expenditure has been properly incurred and that payment has not already been made.
- Payment to be made within 30 day settlement period.
- Prices accord with quotations, tenders, contracts or catalogue prices and arithmetic is correct.
- Correct accounting treatment of VAT.
- The invoice is correctly coded.
- Discounts are taken where available.
- Note: Village Infants School should not make any payment on the basis of a photocopied invoice (or if so to be stamped 'Copy Invoice, Not Previously Passed for Payment') or a statement from a supplier.
- Construction Industry Scheme.

## **14. Approved staff should certify invoices for payment**

A member of staff approved by the Governing Board will certify invoices for payment. This should be neither the person who signed the order nor the person who checked the receipt of goods or services.

## **15. Certification of invoices for payment**

Village Infants School should maintain a list of staff authorised to certify invoices for payment together with specimen signatures. Where invoices are paid through RM Finance the names of authorised staff together with specimen signatures will be forwarded to the council.

## **16. IR35 Legislation, commonly known as 'intermediaries legislation'**

- The Headteacher is responsible for ensuring compliance with IR35.
- If the IR35 Rule applies the School Business Manager/Office Manager will undertake assessments using the HMRC Tool.
- A record of all assessments will be kept [and a copy forwarded to HR] including the person or company, date the assessment was completed, name of the member of staff who completed the assessment. In addition, a print screen of the outcome will be taken.
- Where necessary a tax certificate will be requested by the School Business Manager.

## **17. Credit Cards**

- Only staff who have been authorised will be issued with a school credit card in accordance with the Summary of Levels of Financial Delegation.
- Credit limits as set out in the Summary of Levels of Financial Delegation document must not be exceeded at any time.
- Only school resources can be purchased on the credit cards.
- Credit cards should be stored safely and pin numbers not known to anyone other than the card holder.
- Lost credit cards must be reported immediately to the School Business Manager.

## **Section E**

### **Internal Financial Controls**

Village Infants School has many systems for processing and recording financial transactions. These include petty cash, Imprest account, School Fund account, Private Bank account, purchase order system, contracting services, payroll records and income collection (including debtor) systems. By building internal financial controls into systems, Governors and staff should be confident that transactions will be properly processed and that any errors or fraud will be detected quickly.

#### **Examples of internal controls:**

- Internal checks - one person checking another person's work.
- Division of duties - distributing the work so that key tasks are assigned to separate members of staff.
- Systems manuals - clear, readable descriptions of systems including individual responsibility and points of contact.
- A system of authorisations - each transaction is authorised before passing on to the next stage of the process.
- A clear audit trail covering all stages of a transaction, for example from purchase, order to receipt of goods, to invoice, to accounts, to cheque/BACS, to bank transaction.

#### **Supporting documents: Financial Control**

- Written descriptions of all financial systems and procedures
- Procedures and guidance on financial system (RM Finance) (Financial Services Processing Handbook)
- Retention of documents guide provided by Internal Audit
- Scheme for Financing Schools

#### **1. Financial control when staff absent**

The Headteacher/School Business Manager ensures that financial control is maintained in the absence of key personnel through staff training or by arranging job shadowing

#### **2. Division of duties**

The Headteacher/School Business Manager ensures that duties related to finance are distributed so that at least two designated people are involved. The work of one should act as a check on the work of the other and checks on all financial procedures are documented.

#### **3. Maintaining proper accounting records**

Village Infants School must maintain proper accounting records and retain all documents relating to financial transactions for at least the period recommended by the Council and audit regulations, (this is normally six years).

#### **4. Audit trail for financial transactions**

All financial transactions must be subject to an audit trail from original documentation to accounting records. As per the Council's guidelines payment records should be kept for a period of six years.

#### **5. Rules of document alteration**

All alterations to original documents such as cheques, invoices and orders will be clearly made in ink and initialled by the responsible officer. 'Copy Invoices' will be marked 'Copy Invoice, Not Previously Passed for Payment'.

#### **6. Security of accounting records**

All accounting records will be securely retained when not in use and only authorised staff will be permitted access.

### **Section F**

#### **Income**

Income is a valuable asset and is therefore vulnerable to fraud. It is vital that appropriate controls are in place to ensure its security. It is also important that Village Infants School does not exceed its insurance or the Council's limits on holding cash on school premises. This figure is currently £1,000 limit for the school safe.

Cash and cheque income can come from a variety of sources, including grant funding, school dinner money, school visits, fundraising and lettings.

The Governing Board has established a charging policy and this will be reviewed every year. The Headteacher/School Business Manager is responsible to the Governing Board for accounting for all income due and cash collected, and accurate records are needed for this.

This section covers general income controls. These include establishing procedures that ensure that income is banked regularly and that the amount banked is reconciled to the amount receipted on RM Finance/in the cashbook.

Frequent and regular monitoring against bank records is important to ensure that all income is secure.

#### **Supporting documents: Income**

- Charging policy
- Record of regular income due
- Lettings policy - invoices (issued by school)
- Bank paying-in slips
- Income reconciliations
- Procedures for debt collection
- Records of reimbursements to staff
- Copies of receipts issued

#### **1. Governors' Charging Policy**

Village Infants School charging policy has been determined by the whole Governing Board, not by a committee.

A charging policy ensures that Village Infants School has a policy and procedure for setting charges for items or services provided. In developing the policy Governors decided on the level of charges, the costs connected with renting the facility/availability/providing the service, the amount of income desired and the suitability of the charges in relation to other providers.

## **2. Records kept of all income due**

Full details are held within the Finance Office of all regular income due as well as income from occasional invoice charging

## **3. Lettings authorised by Headteacher**

The school does not currently accept lettings.

## **4. Division of responsibilities**

The responsibility for identifying sums due to Village Infants School should be separated from the responsibility for collecting and banking such sums.

## **5. Invoices issued within 30 days**

Where invoices are required they are issued within 30 days.

## **6. Pre-numbered receipts issued**

Village Infants School issues official, pre-numbered receipts for chargeable income received above the amount of £20. Receipts are stored on the financial system and manual copies also held in the Finance Office.

## **7. Security of cash & cheques/BACS Card Reader**

Cash and cheques are locked away in the safe at the end of each working day to prevent loss or theft.

## **8. Paying into bank**

Collections are paid in promptly and in full. Paying-in slips show clearly the split between cash and cheques and list each cheque individually and are clearly coded to the appropriate income code.

## **9. Income collection not used for payments**

Income collections are not used for the encashment of personal cheques or for other payments.

## **10. Reconciliation of collections and deposits**

This reconciliation involves regular monitoring to match income receipts/other documentation to accounting records on RM Finance/financial system. These reconciliations are reviewed by someone independent of income processing

## **11. Collection of income (debtors accounts) and writing off debts**

Village Infants School uses the RM Finance invoicing system to record and monitor income due and this acts as a procedure for collecting the income from the debtor account, Debts are only written off in accordance with the school's policy which is aligned with the Councils regulations.

Village Infants School keeps a record of all sums written off. Village Infants School staff must not write off debts without appropriate approval.

Irrecoverable debts may only be written off in accordance with the following approvals:

- A debt may be written off when two demands for payment have been made, in writing, by the Headteacher or Chair of Governors and it is believed by the Headteacher that there is no reasonable prospect of payment without recourse to law.
- As a general principle governors will take legal action to recover debt in excess of £50 unless there are exceptional circumstances.

The above is written in consideration of The Council's guidelines.

### **12. Machine cash handling by two people**

At present Village Infants School does not have machines that take money .

### **13. Recording reimbursements of money to staff**

Village Infants School ensures that reimbursements of money to staff are against appropriate receipts and are recorded and signed for.

## **Section G**

### **Banking**

The proper administration of all bank accounts held by the school (including the imprest system) is crucial for providing good financial control and probity. In particular, regular bank reconciliations at Village Infants School are essential.

The procedures in this section cover bank account and cheque controls. Failure to keep to these standards leaves areas of Village Infants School finances open to potential error or fraud and indicates a possible breakdown in the school's internal control systems.

#### **Supporting documents: Banking**

- Monthly bank reconciliations
- Document showing interest rate on savings account
- Correspondence with bank on overdraft prohibition
- Bank Mandate
- List of banks and building society accounts held by school

#### **1. Bank reconciliations**

Bank reconciliations are a key control because they facilitate accurate and true accounts. Bank reconciliation involves comparing what is in Village Infants School financial records with the bank statement relating to the same period. If the two records do not match (excluding uncleared cheques and receipts), the discrepancies are investigated. This process will uncover any fraud or error in the accounts.

#### **2. Reconciliations reviewed and certified**

All bank reconciliations are signed by the School Business Manager who undertakes the reconciliation and are then reviewed and countersigned by the Headteacher. This provides the division of duties in accordance with financial regulations and Audit requirements.

### **3. Optimal investments of surpluses**

Discussion will take place with the Local Authority regarding any significant funds surplus to immediate requirements to ensure that they are invested to optimal effect. Where relevant, a list of investments would be subject to regular reports (at least termly) to the Governors. All new and revised investments must receive Governing Board approval.

### **4. No overdrafts**

Village Infants School bankers have been advised and should be periodically reminded that the Village Infants School account should not be allowed to go overdrawn.

### **5. Approval of non-Council loans**

Village Infants School must not enter into any loan agreements, other than with the Council, without the prior approval of the Secretary of State for Education.

### **6. Two signatories needed on all cheques/Bacs Payments**

Village Infants School procedures require that all cheques/BACS must bear the signatures of two signatories approved by the Governing Board.

### **7. Supporting documentation for cheque signatories**

Village Infants School procedures ensure that supporting documents, e.g. invoices are made available to cheque/BACS signatories to safeguard against inappropriate expenditure.

### **8. All cheques crossed**

Village Infants School procedures require that all cheques drawn on the account are crossed 'account payee only' to avoid the possibility of improper negotiation of the cheques.

### **9. Cheque signature requirements**

Village Infants School procedures require that only manuscript signatures are used and cheques should not be pre-signed.

### **10. Security of cheque books**

Cheque books, pre-printed cheque stationery and paying in books are held securely in the safe when not in use.

## **Section H**

### **Payroll**

There are strict rules related to payments to individuals who provide goods and services for the school. Statutory requirements relate to PAYE, National Insurance, Construction Industry Scheme and VAT.

#### **Supporting documents: Payroll**

- HR procedures
- Up-to-date list of staff employed
- Payroll transaction reports
- Service Level Agreements
- Claims/overtime form
- Car Mileage allowances
- Other expenses via Payroll

#### **1. Procedures HR/payroll matters**

Village Infants School follows established Council procedures for the administration of personnel activities, including appointments, terminations and promotions. Village Infants School buys in to the Council's service level agreements for HR, Payroll and Pensions services.

## **2. Division of duties – decisions**

The Headteacher/School Business Manager ensures that, where practicable, the duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff (Headteacher) are separated from the duties of processing claims (Finance Office). There should be prior approval for all overtime or claims.

## **3. Division of duties – process**

The Headteacher/School Business Manager ensures that at least two individual are involved in the processes of completing, checking and authorising all documents and claims relating to appointments, terminations of employment and expenses.

## **4. Authorised access to personal files**

The Headteacher/School Business Manager ensures that only authorised staff have access to personnel files and that staff have the facility to obtain access to their own records.

## **5. Proper payroll transactions**

All Payroll transactions must only be processed through the payroll system.

## **6. Regular updating of staff employed**

The Headteacher/School Business Manager maintains a list of staff employed. This list is updated promptly to reflect new starters and leavers. Village Infants School has access to a HR establishment report which is updated to reflect new starters and leavers.

## **7. Payroll checks**

The School Business Manager regularly undertakes checks between HR payroll reports, RM Finance establishment report and school documentation (staffing forecast spreadsheet) to ensure:

- There are no people who should not be paid by the school
- Staff are being paid the correct rates/hours/incremental progression and allowances
- Leavers have been removed from the payroll
- Starters have been added to the payroll
- Pay increases, changes to PAYE and National Insurance have been applied

## **Section I**

### **Petty Cash**

Village Infants School uses petty cash for making purchases of a minor nature. Nevertheless it is essential that the proper controls are in place to prevent losses and fraud.

The standards below provide petty cash controls covering authorisation, documentation and secure storage of cash.

#### **Supporting documents: Petty Cash**

- Document showing maximum level of petty cash approved by Governors

- Petty cash standardised forms
- Receipts/VAT invoices to enable the reclaim of VAT
- Copies of top up relating to petty cash
- Signed evidence of petty cash reconciliations

#### **1. Agreed level of Petty Cash**

The agreed level of petty cash to be held is up to £100.

#### **2. Security of petty cash**

The Headteacher/School Business Manager ensures that the petty cash fund is held securely and that the designated staff have direct access. The Petty Cash is held in the safe.

#### **3. Proper use of petty cash**

Payments from the petty cash fund are limited to minor items, which have been approved in advance by an authorised member of staff. Personal cheques are not cashed from the petty cash fund.

#### **4. All Expenditure supported by receipts**

All spending from the fund must be supported by receipts, identifying any VAT paid. It must be signed for by the recipient and countersigned by an authorised member of staff. In the event that a receipt has been lost the Headteacher will authorise the payment.

#### **5. Accounting records are kept**

Proper records are kept of amounts paid into and taken out of the fund. All transactions must be entered in the petty cash record, which is checked and signed monthly by the Headteacher/School Business Manager.

#### **6. Regular independent check on petty cash**

The amount of petty cash fund is checked and reviewed at least monthly against the accounting records by the School Business Manager.

#### **7. Division of duties – process**

The Headteacher/School Business Manager ensures that at least two individual are involved in the petty cash process.

### **Section J**

#### **TAX (VAT, CIS and other tax related issues)**

The Headteacher/School Business Manager is responsible for ensuring that Village Infants School complies with VAT and other tax regulations.

The deduction and claim of VAT can be complex. The following sets out the control framework for Village Infants School. The School adopts the Council's guidance on VAT and will consult the Council's VAT officer for advice and guidance when required. In addition, Village Infants School follows the guidance given on the Construction Industry Scheme and other tax related matters.

**Supporting documents: Tax**

- School VAT, tax and CIS procedures
- VAT invoices
- VAT circulars
- list of vatable and non vatable items and services (e.g. chargeable activities)
- Copy of Construction Industry Scheme

### **1. Relevant staff aware of tax regulations**

The Headteacher/School Business Manager ensures that all relevant finance, administrative staff and staff responsible for purchasing are aware of Value Added Tax (VAT), Income Tax and the Construction Industry Scheme (CIS) regulations.

### **2. Payments only on VAT Invoices**

A proper VAT invoice is the only basis on which VAT can be reclaimed. It contains the following elements:

- The supplier's name, address and VAT registration number
- The date goods/services were supplied
- The name and address of Village Infants School and LBBDD
- The goods or services supplied
- Amount payable excluding VAT
- Amount of VAT
- VAT rate

### **3. VAT on business activities etc**

The following sets out some examples of regular VAT transactions on business activities, school trips and other taxable activities which should be accounted for, both within the delegated budget and in voluntary funds.

This includes some examples of the main areas of activities, which generate income within each business group and the applicable VAT rate associated with each one.

Severe penalties from Customs and Excise are liable if VAT is incorrectly applied. The Council's VAT officer must be consulted whenever the position is unclear.

#### **Expenditure**

Sports Development courses	Exempt
Private telephone calls	Standard
Payphones	Standard
Book sales	Zero
Children's clothing (Note 1)	Zero
Adults clothing	Standard
School uniform (Note 1)	Zero
Exam/enrolment fees	Non-Business
Sale of work from classes to pupils	Non-Business
School trips - curriculum based	Non-Business
Training/retraining courses	Exempt
Meals supplied to pupils at Council schools by the Council	Non-Business
Meals supplied to adults at Council schools	Standard

#### **Income**

Lettings	
- room only	Exempt
- use of equipment only	Standard
Lettings	Exempt
- sporting (Note 2)	Exempt
- sporting < 10 lets	Standard

#### **Notes**

1. School uniform with school logo supplied to children under 14 years of age is zero-rated. All sizes 34 inches and above, disregarding age without a school logo, are standard-rated.

2. The letting of sporting facilities is exempt where 10 lets are booked at one time for the same facility with a gap of not more than 2 weeks between each let. Payment can be made in stages provided the series of lets are for more than 10 weeks. If the rules do not apply, the lets will be standard-rated.

The Council VAT Guidance Manual is available from the Corporate Finance Resources and Technical Team.

#### **4. Payments according to CIS**

Village Infants School will only make payments to contractors and subcontractors in accordance with the Construction Industry Scheme (CIS).

## **Section K**

### **Assets and Security**

It is essential that the school creates and maintains an effective inventory system to provide:

- Accurate valuation of the school's assets
- Information relating to refurbishment and replacement programmes
- Detailed information for insurance claims due to loss of assets from, e.g. fire, theft and vandalism
- Security and audit trail of valuable and attractive assets
- Write off/disposal record

In accordance with the above Village Infants School maintains an up to date inventory, for all attractive and portable items and equipment ranging from library books to computers, video cameras and televisions with a purchase value of £200 or above. These assets are kept securely and recorded in the inventory. This is subject to annual review. A copy of the inventory is in our safe.

#### **Supporting documents: Assets**

- Inventory
- Development Plan for the use, maintenance and development of premises
- Annual stock check certificate
- General guidance for Inventory
- Write off/disposal policy
- Loan register (n/a at Village School)

#### **1. Maintenance of stock levels**

The Headteacher/School Business Manager ensures that stocks are maintained at reasonable levels and subject to a physical check at least once a year.

## **2. Security marking and asset inventories**

The inventory must be updated to include any new acquisitions. Removable School property with a purchase value of over £200 will be security marked. This will include items such as ICT equipment, videos, cameras and televisions.

The register contains details covering asset cost, identification/serial number, location within school. School procedures ensure that every time an asset is purchased, disposed of or becomes obsolete the inventory is automatically updated.

This will provide evidence in the case of an insurance claim.

## **3. Check on inventories annually**

The Headteacher/Office Manager will arrange for inventories to be checked at least once a year against physical items. An annual stock check certificate should be presented to the Governing Board.

## **4. Procedures for property taken off site**

Whenever properties belonging to the school, for example musical instruments or computers, are taken off Village Infants School site they should be signed for and the loan register noted accordingly.

## **5. Authorisation of write-offs and disposals**

All write-offs and disposals will be reported to the Governing Board and subject to the write-off and disposal policy of the school in compliance with the Council's financial regulations.

## **6. Security of safes and keys**

Village Infants School safe is kept locked. The safe is operated by a digital pad. The team are aware that the loss of the safe keys should be reported immediately to the Headteacher and the Council. The people with key access to the safe are the Headteacher/School Business Manager and Deputy Head Teacher.

## **7. Plan for use maintenance and development of buildings**

The Governing Board have a plan for the use, maintenance and development of Village Infants School buildings as outlined in the School Development Plan.

## **Section L**

### **Insurance**

Village Infants School is protected against risk via the insurance policies administered by the Council. The risks include third party liability, subject to agreement with the Council, property, money, personal accident and fidelity guarantee insurance (to cover the loss of assets due to fraud or dishonesty on the part of employees).

Village Infants School reviews its exposure to such risks on a yearly basis to ensure that cover remains adequate. The Governing Board will determine if additional cover is required.

#### **Supporting documents: Insurance**

- Up-to-date insurance policy administered by the Council
- Up-to-date insurance policies – additional cover

### **1. Annual review of risks**

Village Infants School review all risks annually, in conjunction with the Council where appropriate, to ensure that the sums insured are commensurate with the risks.

## **2. Additional insurance cover where appropriate**

The Governing Board should consider whether to insure risks not covered by the insurer. The cost of such premiums should be met from Village Infants School delegated budget.

## **3. Notification procedures for new risks/changes**

Village Infants School will notify its insurers of all new risks, property, equipment and vehicles, which require insurance, or of any other alteration affecting existing insurance. The Council requires regular updates of any changes, to ensure all risks are kept to a minimum.

## **4. No indemnity to third parties without authorisation**

Village Infants School will not give any indemnity to a third party without the written consent of its insurers.

## **5. Notification of insurance losses and claims**

Village Infants School will immediately inform its insurers of all accidents, losses and other incidents, which may give, rise to an insurance claim.

## **6. Insurance of property taken off site**

Insurance arrangements will cover the use of school property, for example musical instruments or computers, when off the premises (as long as the item being taken is for work purposes).

## **Section M**

### **Private and Voluntary Funds**

Voluntary funds provide Village Infants School with an additional source of income. Although the funds do not form part of the finance available to Village Infants School as a maintained school, the standards for the guardianship of these funds is as rigorous as those for the administration of Village Infants School delegated budget.

Village Infants School Voluntary fund account will be annually certified by its external auditor and the audit report will be formally presented to the Governing Board.

#### **Supporting documents: Voluntary Funds**

- Bank statements relating to voluntary funds
- Bank reconciliations
- Copy of Bank mandate
- Report to parents
- School Fund Policy
- Copy of last year's audited accounts, audit certificate and report
- Current insurance policy

## **1. Separate accounting from school budget**

The Headteacher/School Business Manager ensures that voluntary funds are accounted for separately from Village Infants School delegated budget and are held in a separate bank account.

## **2. Treasurer/Bursar appointed to oversee the fund**

The Governing Board has appointed the Headteacher/School Business Manager to oversee the funds.

## **3. Independent External auditor appointed**

The Governing Board has appointed Village Infants School external auditors to audit the accounts.

## **4. Same accounting standards as for school budget**

The Headteacher/School Business Manager ensures that the same standards of financial accounting which apply to income and expenditure for Village Infants School delegated budget are applied to the voluntary funds.

## **5. Use for voluntary funds only**

Income, which relates to Village Infants School delegated budget, should not be credited to the voluntary fund. For example lettings income, should always be paid into the mainstream bank account as it relates directly to the school premises.

## **6. Audited accounts to Governing Board annually**

The Headteacher/School Business Manager will present the audited accounts, the auditor's certificate and a written report on the accounts to the Governing Board as soon as possible after the end of the accounting year.

## **7. Procedures for signing cheques**

The Headteacher/School Business Manager ensures that two signatories authorised by the Governing Board sign every cheque drawn against the voluntary fund bank account. *N.B this should be no less than two signatories.*

## **8. Banking**

Any voluntary fund income must be paid into the voluntary fund bank account on a regular basis, subject to the insurance value limit for the school safe.

## **9. Procedures for issuing receipts**

### **L10: Pre-numbered receipts issued**

Village Infants School issues official, pre-numbered receipts for any chargeable income received above the level of £20. Receipts are stored on the financial system and manual copies also held in the Finance Office.

## **10.Regular reconciliations with bank statements**

The Headteacher will ensure that regular reconciliations between the accounting records and bank statements are undertaken and independently reviewed. This process is undertaken by the School Business Manager each month.

## **11.Insurance cover for voluntary funds**

The voluntary fund is subject to the same conditions and cover provided by the Council's general insurance scheme.

*N.B. Unless the school has registered VAT as a separate entity VAT will not be chargeable on income or reclaimable on expenditure*

## **Section N**

### **Data Security**

Village Infants School is now reliant on computers to process and record personal, financial and other management data. Most of the controls in this section therefore cover access to data held on computers. It is important that management information is properly protected from unauthorised access and that it is backed up regularly. It is also important that Village Infants School has a recovery plan to ensure continuity of financial management in the case of an emergency.

The Data Protection Act is designed to protect the rights of individuals in relation to the personal data that is held about them. It sets out requirements about the processing, storage and disclosure of that data and extends the coverage of the previous legislation from data handled electronically to certain manual record systems.

The Act requires Governing Bodies and head teachers to notify the Data Protection Commissioner where the activities they are engaged in are covered by this legislation. It is highly probable that pupils' paper records will fall wholly or partly under the requirements of the Data Protection Act and be subject to notification.

#### **Supporting documents: Data protection**

- Emergency recovery plan
- Notification to the Data Protection Commissioner (Data Protection Act)
- Data Protection Certificate

#### **1. Security of access**

Computer systems used for school management are protected by password security to ensure that only authorised staff have access. Passwords should be changed regularly or when prompted by the system. Passwords are cancelled immediately when staff resign or leave the employment with the school.

It is necessary on some systems to use levels of access e.g. RM Finance to ensure that only appropriate access is permitted. Graded access could, for instance, allow a member of staff to read but not alter records, or to authorise financial transactions.

#### **2. Back-up procedures**

The Headteacher/School Business Manager ensures that data is backed up regularly and that all back-ups are securely held in a fireproof location and a second copy is held offsite.

#### **3. Recovery plan for emergency**

The Headteacher/School Business Manager has established a recovery plan to ensure continuity of financial administration in the case of emergency.

#### **4. Protection against computer viruses**

To prevent viruses being imported, only authorised software agreed by ICT should be used.

There is protection against viruses in two main ways:

- By installing and regularly updating anti-virus software
- By blocking the use of unauthorised software

#### **5. Data Protection Act notification**

Village Infants School Data Protection Policy is renewed annually.

The Governing Board ensure that the Data Protection Commissioner is notified in accordance with the Data Protection Act and that Village Infants School use of any electronic or relevant manual systems to record or process personal information, and any disclosure of that information, complies with the legislation.

## School BACS Payments - Procedures

Village Infants is now able to pay supplier invoices by BACS. This also applies to staff reimbursements.

BACS should be used where possible as it provides a more secure form for payment and reduces the risk of fraud. It is recognised that some suppliers will continue to require payment by cheque but these will reduce over time.

The following BACS procedures are to be followed:

1. The same procedures should be followed as described when placing orders and when processing invoices. Cheque payments can still be processed and will still apply in some circumstances.
2. All invoices must include valid and up to date bank details. The SBM and Office Assistant [Daniel Smith] are both required to maintain accurate records of suppliers. Hard copy details of supplier accounts are kept in the school office.
- 3. Local controls (using online Banking)**
  - Employees may only log onto Lloyds Commercial Banking Online from the school and not from remote locations.
  - Only payments which have been generated through the schools Finance Management System (RM Finance) can be made in Lloyds Commercial Banking Online.
  - An authorised signatory must compare and sign the RM Finance BACS Run Report with the Lloyds Commercial Banking Online BACS Bulk Payment report.
  - Lloyds Commercial Banking Online users must not share user names and PIN numbers – this control is vital to ensure that no individual can both make a payment and approve it in Lloyds Commercial Banking Online.
  - Any member of staff who hands in their notice should have their access to Lloyds Commercial Banking Online removed immediately.
  - All transactions in Lloyds Commercial Banking Online can be traced back to the individual who made them. Schools must emphasise traceability of all transactions to individuals with Lloyds Commercial Banking Online access.
- 4. Approver**

The authoriser releases BACS payments in Lloyds Commercial Banking Online. This is the equivalent of signing a cheque. Authorisers must ensure that they have checked the payments in Lloyds Commercial Banking Online to the RM Finance BACS Run Report and obtained any signatures needed to comply with

the school's Scheme of Delegation. This control is essential to ensure that no changes have been made to the payment file generated in RM Finance.

## 5. Lloyds Commercial Banking Online Authorisation Form

Roles are set to determine what a user has access to do in Lloyds Commercial Banking Online. For audit and security controls to work correctly, three roles are defined by the School Business Manager during the initial registration and set-up period, and only these roles may be assigned to school users. Schools will decide which of their users undertakes which roles. A user can have more than one role, but no user should have both the Payer and Authoriser roles as these must be kept separate at all times.

- **School Administrator** [Lloyds Banking online Role defined as 'Audit']
  - The School Administrator usually administers the Lloyds Commercial Banking Online set-up and determines who can make or authorise payments.
  - The School Administrator role also has access to add/edit users and roles.
  - Dual Administration is enabled in the set-up so that any changes like adding/editing/deleting users and roles needs to be authorised by another user with Administration access [ALLPMTS].
  - The School Administrator will not have either the Payer role, or the Authoriser role under any circumstances.
  
- **Payer / Enter BACS** [Lloyds Banking online Role defined as 'ALLPMTS']
  - The payer imports the RM Finance BACS file into Lloyds Commercial Banking Online and is usually the person who also enters all BACS data into RM Finance.
  - The BACS payer will also have the Administrator role but will not have the Authoriser role under any circumstances.
  
- **Authoriser / Authorise BACS** [Lloyds Banking online Role defined as 'APPRPAY1', 'APPRPAY2' & 'APPRPAY3']:
  - The Authoriser approves the payment of the RM Finance BACS file once it has been imported into Lloyds Commercial Banking Online.
  - Each Authoriser has 3 Votes each. 6 Votes are required to release the payment.
  - The School has nominated three authorisers, all of whom are cheque signatories.
  - An Authoriser can also have the Administrator role, but must not, under any circumstances, have the Payer role.

Schools Administrator [Audit]: School Business Manager Payer/Enter BACS [ALLPMTS]: Office Assistant [Daniel Smith] Authorise BACS 1 [APPRPAY1] Head teacher Authorise BACS 2 [APPRPAY2]: Deputy Head Teacher

