

SECTION 11 – INTERNAL CONTROL

Contents:	Page No:
1. INTRODUCTION.....	3
2. DEFINITION OF INTERNAL CONTROL	3
3. INTERNAL CONTROL IN THE SCHOOL ENVIRONMENT	3
4. GOVERNANCE & FINANCIAL MANAGEMENT	3
4.1 Delegation of powers	3
4.2 Clerking of meetings	5
4.3 Roles and Responsibilities	5
4.4 Pecuniary Interests	5
4.5 Prevention of Fraud	6
4.6 Financial Responsibilities	6
4.7 New Governors	7
5. BUDGETARY CONTROL/FINANCIAL MANAGEMENT	7
5.1 The Annual Budget	7
5.2 Changes to the Annual Budget	7
5.3 Reconciliation of the Financial Systems.....	7
5.4 Financial Reporting to Governors	8
5.5 The School Development Plan.....	8
5.6 Three Year Financial Projections	8
6. INSURANCE.....	9
6.1 General	9
6.2 Hirers of the School/Other Users	9
6.3 Staff travelling on school business.....	9
7. SCHOOL FUND ACCOUNT	9
7.1 Audit.....	9
7.2 Audited Accounts	9
8. EMPLOYEES.....	10
8.1 Staff Changes	10
8.2 Personnel Files	10
8.3 Pre Employment Checks.....	10
8.4 Recruitment Process.....	11
8.5 Authorisation of Employee Related Forms.....	11
8.6 Additional Hours/Overtime	11
8.7 Hire of premises forms.....	11
8.8 Annual Leave	12
8.9 Payment of Staff	12
8.10 Personnel Record Storage.....	12
8.11 Payroll - for those schools where a payroll agency is used – including the NCC contractor Mouchel.....	12
8.12 Payroll – schools administering their own payroll.....	14
9. ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES.....	16
9.1 Quotations.....	16
9.2 Leasing	17
9.3 Orders	17
9.4 Deliveries	18

9.5	Invoices.....	18
9.6	Evidence of checks in place.....	19
9.6	Construction Industry Tax Scheme (CIS).....	19
9.7	Payments to Individuals	20
9.8	Purchasing Goods and Services from Relatives	20
10.	LOCAL BANK ACCOUNTS.....	21
10.1	Name of Account	21
10.2	Cheque signatories	21
10.3	Cheques.....	21
10.4	Reconciliation.....	22
10.5	NCC Procurement Card or Credit Cards.....	23
10.6	Petty Cash	24
11.	INCOME.....	25
11.1	Income Policy.....	25
11.2	Charging Policy	25
11.3	Receipt of Cash	25
11.4	Transfers of Cash between Staff	25
11.5	Security of Cash.....	25
11.6	Banking.....	25
11.7	Management Review	26
11.8	VAT.....	26
11.9	Debtors Invoices	26
12.	SIMS FMS.....	27
12.1	Passwords.....	27
12.2	Back ups	27
13.	INVENTORY	27
13.1	Records.....	27
13.2	New Assets Purchased	27
13.3	Annual Checks.....	27
13.4	Temporary Removals.....	27
13.6	Security Marking	28

1. INTRODUCTION

This section of the handbook has been produced by Internal Audit and is designed to provide guidance on requirements for schools to demonstrate that they have sufficient controls in place to ensure the correct administration and stewardship of public funds.

2. DEFINITION OF INTERNAL CONTROL

Internal controls are the whole system of controls established by management to safeguard its assets, secure its liabilities and ensure the accuracy and reliability of its records.

In layman's terms internal controls are necessary to prevent misuse of school monies and to highlight problems as they occur.

3. INTERNAL CONTROL IN THE SCHOOL ENVIRONMENT

The large majority of internal controls operating will fall into one of four main categories:

1. Organisational Controls e.g. controls exercised by the governing body, financial regulations.
2. Human Controls e.g. supervision and authorisation of work, division of duties, such that the work of one person automatically acts as a check on the work of another.
3. Physical Controls e.g. locks and keys.
4. Computer Controls e.g. access to data, passwords etc.

The controls listed below are the key controls which Internal Audit would expect to see operating in the school environment. These are required by:

- **The Governors Handbook;**
- The NCC Scheme for Financing Schools;
- **The Schools Financial Value Standard (SFVS);**
- The NCC Financial Management Handbook for Schools; and
- Good practice and advice.

4. GOVERNANCE & FINANCIAL MANAGEMENT

4.1 Delegation of powers

Any delegation of powers to the Headteacher or committees must be recorded. The Full Governing Body may delegate certain powers e.g. to a committee and in doing so should agree specific Terms of Reference for that committee. These should be reviewed annually by the committee and then taken to the Governing Body for approval.

Governors should agree the maximum level of expenditure Head Teachers can incur without reference to the committee and or Governing Body.

Governors may also wish to agree a level of virement which can be actioned before reference to the Governors – these should then retrospectively be reported. In all other cases virements should be requested and approved by the Governing Body in advance as they are a variation to the budget the Governing Body has agreed.

It would be good practice to review the levels of delegation annually at the same time that committee terms of reference are reviewed; this is in most schools completed in September.

Any individual or committee to whom a decision has been delegated must report to the Governing body in respect of any action taken or decision made and this should be minuted.

Schools should record the levels of delegation and review and approve these each year in a Scheme of Delegation.

The Governing Body should agree at what level decisions will be made and complete the form accordingly. Additional lines can be added to the grid as required. An example is shown below and further examples can be obtained on the internet and adapted for individual school use.

GOVERNING BODY DECISION PLANNER

THIS PLANNER SHOWS TO WHICH LEVEL THE GOVERNING BODY MAY LEGALLY DELEGATE FUNCTIONS

KEY:

- Level 1: Full governing body
- Level 2: A committee of the governing body
- Level 3: An individual governor
- Level 4: Headteacher.

Column blank: Action could be undertaken by this level.

Column blocked off: Function cannot be legally carried out at this level.

Although decisions may be delegated, the governing body as a whole remains responsible for any decision made under delegation

Key Function	No	Tasks	Decision Level			
			1	2	3	4
Budgets	1	To approve the first formal budget plan each financial year				
	2	To monitor monthly expenditure.				
	3	To establish a charging and remissions policy				
	4	Miscellaneous financial decisions				
	5	To enter into contracts (GB may wish to agree financial limits)				
	6	To make payments				

4.2 Clerking of meetings

There should be an effective clerking service for the Governing Body and minutes should be produced for each committee. Confidential minutes should be held separately and not available to staff or the public. The clerk should preferably be independent of the school. Minutes should be produced promptly after the meeting and once approved and signed by the Chair of Governors should be made available to the public if requested with the exception of confidential items.

The minutes should provide a clear and unambiguous record of discussions undertaken at the meetings and the decisions made. This applies to the minutes of the Governing Body and its committees.

A copy of the agenda and all reports presented and discussed at the meeting should be retained with the official minutes so there is evidence of the information provided to the Governors by School Management.

The minutes of any committees should be circulated to all Governors and presented at the Governing Body meetings. This will facilitate communication and ensure that committees make informed decisions.

4.3 Roles and Responsibilities

There should be a written document in which the roles and responsibilities of the Governors, Head Teacher and Bursar are set out. This should be approved by the Governors and reviewed on an annual basis.

4.4 Pecuniary Interests

All Governors, the Head Teacher and any other senior members of staff should complete a Pecuniary Interests Form. It is also recommended that this also

include any members of staff who are able to order goods and services. Example forms are available from Governors Services. The forms should be retained in the form of a Register of Pecuniary Interests and this should be updated each year. At the beginning of the Governors meetings Governors or anyone attending the meeting should be asked to declare if they have any pecuniary interests which may arise at that meeting. If an item is discussed in which they have a pecuniary interest they should withdraw from the meeting.

Governors **and staff** should declare any Pecuniary Interests they have in relation to themselves, their spouse, partner or any close family connections.

They do not necessarily only relate to the purchase of goods or services e.g. it could be that the Governor is related to a member of staff at the school and a school staffing review may be taking place etc.

4.5 Prevention of Fraud

The Governing Body have responsibility for ensuring that appropriate Internal Controls are in place to reduce the risk of fraud and misappropriation of assets. The Governing Body should adopt the Authority's Whistle blowing policy and ensure that all staff are aware of it. If there is any suspicion that fraud is occurring advice should be sought from LGSS Internal Audit before any action or discussions are held in the school with the staff.

4.6 Financial Responsibilities

The Governing Body agendas should ensure that all relevant financial matters are considered: such as budgets (original and revised), budget monitoring, financial responsibilities and regulations, contracts and tenders, income policy and charges, the Schools Financial Value Standard.

Key tasks for the Governing body each year:

- Discuss and agree the School Development Plan and its link to the budget.
- Discuss and approve the annual budget.
- Discuss and approve any subsequent changes to the budget (virements).
- **Discuss and review the level and use of any schools balances.**
- Discuss and review the monitoring reports provided by School Management.
- Review quotations and tenders to ensure value for money is sought.
- Discuss and review three year financial projections.
- Review the policy for income.
- Review the charging policy for activities and lettings.
- **Complete the Schools Financial Value Standard and submit it to the LA each year.**
- Ensure that any Private Funds held by the school have been audited.

4.7 New Governors

New Governors should be given training including an induction training pack on finance. Regular up date training should also be provided to keep Governors informed of changes in funding policy and procedures.

5. BUDGETARY CONTROL/FINANCIAL MANAGEMENT

5.1 The Annual Budget

The budget should be formally discussed and approved by the full Governing Body and this should be recorded in the minutes. A copy of the budget approved should be retained with the minutes.

The budget set should be based on the best and most complete information available (e.g. actual and projected pupil numbers and notifications of funding levels), balanced, aimed at recovering a previous deficit in the agreed manner if the school had previously overspent, or intended to achieve only a prudent planned level of unspent balances.

The Head Teacher and Bursar should retain the working papers used for preparing the budget. It is recommended that a budget file should be set up each year for this purpose. This will also act as a point of reference in subsequent years or if the members of staff involved in this process leave or are absent and colleagues have to take over the monitoring of the budget or prepare the budget in future years.

There should be clear links between the Budget and the Development Plan and these should be demonstrated. This will ensure that plans are realistic and achievable. It also identifies initiatives which can be considered should additional funding be obtained.

The Budget should indicate any Reserves the school holds i.e. carry forwards and their intended use for the coming year and in subsequent years if reserves are being built up for projects etc.

5.2 Changes to the Annual Budget

As the Governing Body are responsible for approving the annual budget any subsequent changes to the budget i.e. virements should also be agreed by them. (See 4.1 Delegation).

Governors should also be advised of any additions to and deductions from the budget that occur during the year.

5.3 Reconciliation of the Financial Systems

Because the budget is subject to change during the year there should be a monthly reconciliation of the budget recorded on SIMS FMS6 and Oracle.

The salary expenditure should also be reconciled each month. Schools not using LGSS payroll should check that data they supply on the monthly payroll costs return has been recorded on Oracle correctly.

It is not possible to reconcile the non-pay expenditure monthly; however checks should be made each time a quarterly VAT claim is submitted to NCC by the school that the correct information has been recorded on the school's accounts

It should be reported to school management that the two reconciliations above have been completed together with details and reasons for any variations.

5.4 Financial Reporting to Governors

A Financial report and a written explanatory report should be presented to the Governing Body on a regular basis. Reference should be made in the minutes to these reports and any points discussed and queried. Copies of all reports presented should be retained with the minutes of the meeting.

At the end of the financial year the "final" Oracle report, which is the statutory record of the accounts, should be presented to the Governing Body and the school's carry forward confirmed. The SIMS report should also be presented. This should be recorded in the minutes.

The Schools Consistent Financial Reporting return should also be presented to the Governing Body and this should be minuted.

5.5 The School Development Plan

The School should have a costed and prioritised development plan. The first year should be in detail and the following two years in outline covering all areas key areas i.e. curriculum, staffing, premises. The plan should be linked to the school budget and this should be demonstrated.

5.6 Three Year Financial Projections

A three-year financial projection should be developed, based on expected pupil numbers, estimated staffing costs etc. to assist management with future planning. This should be linked to the School's Development Plan and other known factors should be modelled in the plan.

The three year financial projections should be presented and discussed at the Governors meetings as they will influence the strategic planning for the school.

Three-year financial plans once produced need to be updated as changes occur and new developments take place.

6. INSURANCE

6.1 General

The Governing Body should ensure adequate insurance arrangements are in place. Schools that choose not to insure through NCC must ensure that they have cover at least as comprehensive as that which is provided through NCC.

6.2 Hirers of the School/Other Users

Hirers of the premises must have the appropriate public liability insurance and schools should check that this is in place before they are allowed access to the premises. Copies of their insurance policy must be retained on file as evidence.

In the case of organisations that have a licence to occupy the premises e.g. caterers, play groups, after school clubs, the insurance policies should also be checked on an annual basis and copies retained on file.

6.3 Staff travelling on school business

School Management should check that any staff travelling on school business and using their motor cars have business cover on their motor insurance policies. This includes staff transporting pupils, visiting the bank, attending training courses. School Management should check their insurance policies on an annual basis and record that this check has been made. Alternatively schools may opt to take out an insurance policy to cover this risk.

7. SCHOOL FUND ACCOUNT

7.1 Audit

The accounts for any private funds operated by the school must be audited annually. They do not necessarily have to be audited by a qualified auditor/accountant. If the turnover is in excess of £100,000 however, it is recommended the auditor is a member of the accounting bodies.

A layperson's guide to the audit of Private Fund Accounts is included in Section 12 - Private Funds.

7.2 Audited Accounts

The annual audited accounts should be presented to the Governing Body meeting at the next meeting following the audit. This should be minuted.

The audited accounts for the school must include the transactions relating to all the accounts the school holds or separate audits must be completed. E.g. if there is one main school fund account and the school operates additional bank accounts for trips/activities/snacks etc these should also be audited to ensure the correct administration of all these monies. It would be more appropriate to

close the additional bank accounts and administer all these activities through the main school fund accounts.

Schools are advised to work towards the following timetable:	
End of School Fund Financial Year	Audited and presented to Governing Body
31 March 2013	September 2013
31 July 2013	December 2013

8. EMPLOYEES

8.1 Staff Changes

All appointments, termination, permanent contract changes, temporary contract appointments etc should be reported to the Governing Body or one of its Committees to which personnel has been delegated.

If the Governors have delegated responsibility for some of these functions to the Headteacher they should still keep the Governors informed of proposed changes and changes that take place.

8.2 Personnel Files

All personnel files should contain a copy of the person's application form, evidence of pre employment checks (see below). Contract letters and any subsequent changes to contract should be held on the employee's personal file.

When staff leave the appropriate documentation should be retained on file i.e. resignation letter and leavers form.

Access to the personnel files should be restricted and they should be kept in locked cabinets or cupboards.

8.3 Pre Employment Checks

Appropriate pre-employment checks should be completed and evidence retained on file i.e. Disclosure and Barring Service (DBS) clearance, copies of relevant qualifications, two written references.

A log should be maintained on which to monitor DBS clearance i.e. the date application forms were given to staff, returned, submitted to the relevant body for clearance and date clearance was confirmed. This log should be examined by the Headteacher at least every half term, to ensure that all checks are completed. This check should be evidenced.

Where agency staff e.g. supply teachers are used, confirmation should be requested from the agency that any staff sent to the school have DBS clearance. It is good practice to also ask the supply teachers arriving at the school for evidence of clearance.

8.4 Recruitment Process

Evidence should be retained of the recruitment process. I.e. a list of candidates interviewed, their applications, evidence of the actual interview process i.e. questions and answers, score sheets etc Data Protection regulations require that for unsuccessful candidates this information is destroyed after six months.

8.5 Authorisation of Employee Related Forms

All appointment, leavers, change of contract and **additional payments** forms must be signed by the Headteacher.

Sickness and absence and supply return forms must be appropriately authorised by **the Headteacher,**

No one should authorise any payments relating to themselves **or a relative.**

Changes to the Headteachers salary or any additional payments to them must be authorised by the Chair of Governors having firstly been approved by the Governing Body and minuted.

8.6 Additional Hours/Overtime

Where staff claim for additional hours e.g. site staff, technicians or invigilators, a timesheet should be completed. Timesheets should clearly state the dates worked and hours worked, be signed by the employee and authorised by their line manager.

Wherever possible it is recommended that additional hours are authorised by Senior Management prior to them being worked as they will in most cases be an additional expense above that which has been budgeted for.

8.7 Hire of premises forms

When the hiring takes place these should be signed by each hirer to confirm to school management that the letting has taken place. The forms should be subject to a detailed check before the authorisation of lettings fees to be paid.

8.8 Annual Leave

For all staff on 52-week contracts formal leave records should be maintained showing entitlement, leave taken and leave remaining. Requests for annual leave should be authorised by the line managers.

8.9 Payment of Staff

Most staff are paid by BACS directly to their bank account. If in exceptional circumstances staff members receive cheques e.g. emergency payments, they should be asked to sign to record receipt of the cheque.

8.10 Personnel Record Storage

Personnel related records must be stored securely e.g., variation to contract and sickness and absence forms, supply returns, Oracle salary reports, personnel files.

Contract records held on computer must be regularly updated and retained in accordance with the Data Protection Act.

8.11 Payroll - for those schools where a payroll agency is used – including LGSS Payroll

Where the school does not process the payroll itself but engages an agency (or LGSS) to do this the following controls should be in place at the school for payroll administration.

There should named contacts only who are permitted to contact the payroll agency.

The persons notifying the payroll agency of changes should not be the same person as the person authorising the payroll.

Where the agency takes payment for salaries from the schools bank account the school should check that the amounts debited to its bank account by the payroll bureau equate to the amount as shown on the payroll reports for that month, the reports should be signed to evidence this check.

Checking the Payroll

In most schools the Bursar or Business Manager will be the main contact with the payroll provider and will also check the reports from the payroll agency. The payments to all staff should be checked, specifically for any change that have been requested e.g. contract changes, additional hours and absence returns.

This checking process should be evidenced with entries made against the items checked.

New Starters

When a new employee commences their payment on the payroll should be checked against their contract details and the payroll report marked to evidence this check has been completed.

Contract Changes

When an employee has a change in their contract e.g.:

- additional increments
- acting up allowances are given or removed
- change in working hours

their payment on the payroll report should be checked against their contract details and the payroll report marked to evidence this check has been completed.

Additional Hours

When an employee has claimed additional hours the payroll report should be checked for reasonableness to ensure that the correct hours have been paid e.g. they have received 1.5 additional hours and have not been paid 15 additional hours in error.

Authorisation of the Payroll

Evidence of the checking procedures completed by the Bursar should be presented to the Headteacher to confirm that these checks have been completed.

The Headteacher should then check the payroll for reasonableness before authorising it. Some payroll agencies call this the validation report check.

With Mouchel this stage is not required but it is recommended that the checked payroll reports are presented to the Headteacher for them to check the payroll for reasonableness before signing them.

Management Check of the Final Payroll Report

The Headteacher should complete a management check of the final payroll report and this should be evidenced.

8.12 Payroll – schools administering their own payroll

Procedures

The procedures to be followed to administer the payroll should be documented. These should specify what has to be done and who is responsible for authorising the various stages of the process.

Resilience

All schools should have resilience either in house or through a buddy arrangement with another school so that if the payroll administrator is absent contingency arrangements are in place.

Payroll Access

Access to payroll records should be restricted to authorised personnel. Where computerised systems are used to administer the payroll e.g. SAGE, systems must be password controlled and screen savers should be used.

Storage and Retention of Payroll records

Payroll records should be held in a secure cabinet in a locked office. Payroll records should be retained for 6 years plus the current year. It is recommended that a Master Payroll File is established for each month which contains all information relating to that months payroll i.e. copy of starter leaver forms, additional hours absence returns, system payroll reports, BACS authorisation reports etc This should provide a complete audit trail and the evidence for the person at the school checking and authorising the payroll for that month.

Back ups of payroll data

If computerised systems are used then a back up should be taken after each pay run and on a weekly basis. This back up should be stored in a fire proof cabinet preferably in a separate office to the one the payroll computer is in and should on a monthly basis be taken off site.

Authorisation of the payroll

Once the payroll input is completed this should be checked by someone other than the person who has prepared the payroll. The checks completed on the payroll reports should be initialled to confirm that this check has taken place.

Checks required are:

- New starters and contract changes – correct salary points and FTEs have been used.
- Leavers – check that all leavers have been removed from the payroll

- Travel – check that correct payments are to be made and that where travel is taxable this has been paid as taxable travel.
- Additional hours and supply – check that the correct amounts are to be paid.
- Mid month starters and leavers – check that part month payments only are to be paid.
- Sick leave – the correct payment is to be made as per their terms and conditions of employment. Particularly relevant for new staff, also that sickness payments are calculated on a rolling annual year rather than a financial year and that checks on long term sickness payments are made i.e. full pay to half pay, half pay to no pay etc.

Periodic checks of the whole payroll.

Where it is manageable the whole payroll can be checked each month, however in the case of Secondary schools this is not always feasible so essential checks such as those listed above are completed each month. Plus in addition to this a number of personnel who have had no contract changes should be checked to ensure that records have not been altered.

There should also be a check made on the complete payroll at least twice a year to ensure that all records are correct, one of these checks will be undertaken in the spring term to assist in budget preparation and the second on the September salary statements which have to be issued to all teaching staff.

At the same time the schools personnel system should be checked to ensure that this is accurate.

Schools should also check their systems have been updated correctly with the appropriate Tax and NI tables and pensions deductions and SSP and SMP tables.

Authorisation of BACS Transfer

There should be a separation of duties between the person preparing the BACS transfer and the person authorising the transfer.

The prepared BACS file information should be checked against the payroll reports to ensure that the total net pay agrees, and the list of employees whose bank accounts will receive monies should also be checked.

When the BACS payments have been transferred a copy of the report should be placed on the payroll file and signed by the person authorising the transfer. This should also be checked to the payroll report.

The processing and authorisation requirements for BACs payments are published on the [NCC Banking for Schools webpage](#).

Payment of salaries

All payments to staff should be made by BACS direct to the employees' bank account; the exception to this could be emergency payments in which case a cheque payment may be made. All Cheque payments to employees should be appropriately authorised and signed for by the employee receiving the payment.

Payslips

Only authorised payslips should be used and these should show all payments and deductions. A payslip should be produced for each employee. Where amendments are made after the payroll run these must be authorised and an adjustment made on the payroll system which will be reflected in the next payslip.

Deductions from Salary

All deductions from salary should be paid to appropriate organisations (Inland Revenue for PAYE, Pension Agencies, Unions etc.) on a monthly basis, in time with the deadlines set by these bodies.

Inland Revenue Year End Returns

Inland Revenue requirements and timescales should be adhered to for Year End returns (P60's, P11's etc.).

Pensions Year End Returns

Teachers Pensions and Local Government year end pensions returns should be completed by the school as appropriate

9. ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES

9.1 Quotations

Alternative quotations should be obtained for all high value purchases in order to demonstrate that value for money has been sought.

Two written quotations should be obtained for goods or services over £1,000 and less than £10,000 in value. For orders under £1,000 there may be instances when the school may wish to obtain quotations in order to secure value for money.

Three written quotations should be obtained for goods or services over £10,000 and up to £20,000 in value.

Goods and Services above £20,000 are subject to a formal tender process as detailed in Section 4 - Ordering, Receiving and Paying for Good and Services

Evidence should be retained in the school to prove that best value has been sought and to demonstrate this to the Governing Body.

Governors should be involved in any tendering procedures and the outcome of the tendering process reported to the Governing Body meeting for consideration and approval.

9.2 Leasing

Schools considering leasing equipment as an alternative to outright purchase should ensure that value for money is sought by obtaining alternative quotations for the cost of equipment and the cost of financing the lease.

Comparative costs should be analysed and presented to the Governing Body for consideration and approval.

Leases for photocopiers and computers should be for a maximum of 3 years which is the expected lifespan for this type of equipment.

Under the Financial Regulations only Operating Leases where the equipment remains in the ownership of the finance company at the end of the lease are permitted and not finance leases which are in effect Hire Purchase Agreements.

A comparison of costs should also be made with purchasing the equipment by utilising NCC's Asset Purchase or Equipment Purchase Schemes – details are contained in the NCC Scheme for Financing Schools.

It is advisable to maintain a separate file for all leasing information and preferably a log of all equipment which is leased. This log should include the date purchased, the number of payments due and when and record when these are made so that the school keeps track of and monitors its payments to inform budget monitoring and budget setting.

Schools should be particularly wary of any agreements where companies offer to change the equipment and update it during the period of the lease – the remaining costs of the original lease are often added to the second lease and so the school is paying for equipment which it has returned in addition to the new replacement equipment.

9.3 Orders

Official (SIMS) orders must be raised for all goods and services excluding public utilities, rents, rates and telephones. These must be authorised and signed by a designated signatory.

Where orders are telephoned to suppliers an official order should be recorded on the accounting system without undue delay, to ensure a record of this financial commitment is made against the budget available.

It is recommended that a copy of the signed order is retained in the school to facilitate cross referencing this with the goods delivered and also to indicate who has authorised the order. In the instances of non-order invoices it will not be necessary for schools to print copy orders, however the school should have some evidence that the purchase has been authorised.

An internal ordering system may be appropriate depending on the type of school and the number of staff involved in placing orders. This would be the case in secondary and large primary schools for example. A copy of the authorised internal order should be attached to the official order.

The internal order form should indicate to staff the threshold for when quotations need to be obtained and advise that these should be retained. It is good practice for these to be handed in to the finance office with the internal order form, so that the Bursar has evidence that value for money has been sought.

Periodic monitoring of outstanding orders should take place; reports of outstanding orders can be obtained from the accounting (SIMS) system. These should be followed up with the supplier and if necessary cancelled. This ensures that commitments against the budget are removed.

9.4 Deliveries

All goods received should be checked against the delivery note, the official order and marked accordingly. Delivery notes should be passed to the finance office to cross reference with the invoices received. These should not simply be ticked but signed or initialled by the person who has received the goods.

9.5 Invoices

A check should be made between the goods/services invoiced, the copy order and any delivery notes to ensure that the school only pays for goods and services received.

Invoice details must be recorded against the order on the accounting system (SIMS). The arithmetical accuracy of the invoice should be checked. VAT should only be reclaimed if an appropriate VAT registration number is provided. Where this is not detailed on the invoice the school should check with the supplier if they are VAT registered and if so request a VAT invoice. If the supplier is not VAT registered or will not supply a VAT invoice then the VAT cannot be reclaimed.

Payment should not be made on copy invoices or statements unless thorough investigation has taken place and it is established that payment has not already been made. This check should be detailed on the copy invoice/statement.

Separation of duties should be demonstrated wherever possible with two members of staff involved in the ordering, receiving and invoicing of goods.

9.6 Evidence of checks in place

The controls that should be in place and how these can be evidenced are as follows:

Control	Purpose	Evidenced by
Goods Received	Confirmation to the person authorising the invoice and also the cheque signatories that the goods have been received.	Evidenced by the person checking the delivery marking the delivery note/order and then signing the appropriate box on the grid stamp.
Prices correct on invoice – compared to order, discount and VAT checked.	Confirmation to the person authorising the invoice and also the cheque signatories that these checks have been completed.	Evidenced by the person checking the invoice signing the box on the grid stamp or initialling next to the total figure on the invoice.
Authorisation of the invoice	Confirmation to the cheque signatories that the invoice has been authorised for payment.	Evidenced by the person checking the invoice signing the box on the grid stamp.

It is recommended that schools purchase a grid stamp to use which can be stamped on the invoices and then the appropriate staff sign in the boxes when checks have been completed as detailed above. Staff should not just tick or cross to evidence a check has been completed they should write their initials so that the person can be identified.

	SIGNED
GOODS/SERVICE RECEIVED	
PRICES CHECKED	
INVOICE AUTHORISED	

Further checks and control are required in the school uses on-line banking to pay invoices by BACs. These are available on the [NCC Banking for Schools webpage](#).

9.6 Construction Industry Tax Scheme (CIS)

Schools are no longer required to submit any CIS paperwork.

Schools may pay contractors directly providing they have completed the appropriate checks to ensure that the self employed/employed status of the contractor has been considered and determined prior to payments being made.

Further guidance is contained in Section 4 – Ordering, Receiving and Paying for Goods and Services.

9.7 Payments to Individuals

All payments to individuals employed by the school must be made through the school's payroll administration in order to avoid contravening HMRC (Inland Revenue) regulations regarding the deduction of income tax and national insurance, unless the individual's status for work completed at the school has been assessed by the school as on a self employed basis.

This is a very complex area; it is not up to the individual to determine their employment status. Someone could be self employed for work they do elsewhere but in the opinion of the Inland Revenue have to be classed as employed when they work for the school.

Guidance is provided in Section 3 - Employees section and schools should contact their payroll provider to seek guidance.

9.8 Purchasing Goods and Services from Relatives

No one should authorise orders to relatives for supplying goods and services to the school or payments to relatives for supplying goods and services to the school.

It is recognised that sometimes relatives/partners/close friends offer to help schools and supply goods or services to them. Alternative quotations should always be obtained in order to demonstrate that value for money has been sought.

Where the Headteacher's relative is to provide services the Chair of Governors or the Chair of Finance Committee should check the alternative quotations and authorise the order. They should also authorise any payments.

There should also be some independence in obtaining the alternative quotations i.e. it would not be appropriate for the Headteacher to obtain these if their relative was also quoting.

The Headteacher should declare these interests on the Pecuniary Interests Form each year.

A summary of payments to the Headteacher's relative should be provided to the Governors each year.

Similar controls should be in place for any other member of staff whose relatives supply goods or services to the school e.g. Governor, Business Manager, Site Manager etc.

10. LOCAL BANK ACCOUNTS

10.1 Name of Account

The title of the public fund account (not the school fund) should include "NCC". This is to clearly identify any public monies the school is administering.

The official funds should only be kept in one current account plus schools may have a linked deposit account with the same bank. The linked deposit account should only be a holding account with monies transferred between this and the local bank account payments should not be made from it or income paid into it.

10.2 Cheque signatories

The Chair of Governors should be included on the bank mandate as a cheque signatory.

All cheques must require two signatories. For cheques in excess of £20,000 three cheque signatories are required, including the Chair of Governors or the Vice Chair or Chair of Finance. Cheques not signed in accordance with the current bank mandate will be returned by the bank to the payee.

The Bursar should not normally be a cheque signatory, although this may not be practical in smaller schools where separation of duties is more difficult to achieve. In larger schools and in Secondary schools the Bursar should only be a cheque signatory in exceptional circumstances

The cheque signatories must be maintained and kept up to date, as staff leave they should be removed from the bank mandate without delay.

10.3 Cheques

Cheques must be stored securely and control should be exercised over all cheques issued including ensuring that cheques are used in a systematic manner and in number sequence.

Storage - Cheque books should be stored in the safe. Cheque stationery should be in the safe or where schools do not have a safe or have insufficient capacity locked cupboards or cabinets. They should not be kept in boxes in an open office.

Sequential use:

The cheque signatories should complete checks to ensure that there is sequential use of cheques. This can be evidenced by using the cheque run report or by maintaining a log.

If the Cheque Run Report from SIMS FMS6 is used it is essential that the cheque signatories also refer to the report from the previous cheque run to ensure that the last cheque number used on that run is the number previous to the first cheque number on the run they are signing.

Where a school uses cheque stationery predominantly and uses a manual cheque book infrequently, the periodic checks must also be made on the use of the manual cheques to prevent these from being misappropriated.

Correct Payment Details - cheque signatories should also check that the payee details are correct and the amount of the cheque corresponds to the invoice total (s). The cheque stub should be initialled to confirm this check has taken place, in the case of cheque stationery the cheque "slip" i.e. top third of the cheque should be initialled.

Spoilt cheques:

Occasionally errors are made when writing cheques or the print run fails for cheque stationery. All spoilt cheques must be retained for audit purposes. They should be crossed through and "Cancelled" written on them to prevent their use.

Spoilt cheques should be presented to the cheque signatories. Cheque signatories should check that these procedures have been followed.

Cancelled cheques:

Where checks have been sent to suppliers and are then cancelled a note should be kept of this and the bank should be notified. It is not sufficient simply to cancel the cheque on SIMS if it has been issued.

Where replacement cheques are issued this should be noted on the cheque run report when presented to the cheque signatories, so that they are aware of why a second cheque has been issued.

10.4 Reconciliation

A monthly bank reconciliation should take place on a prompt basis and the Headteacher should ensure that this is being achieved. This should be evidenced by their signature on the LB6 Bank Reconciliation form. There should be a clear division of duties:

Person Completing the Reconciliation

Business Manager or Bursar

Person Checking

Headteacher or Member of the school Management team e.g. Deputy

Checking the Bank Reconciliation

The person completing the checks should ensure that the closing bank balance on SIMS agrees to the closing balance on the bank statement. Also the items listed on the reconciliation should be reviewed.

A copy of the LB6 Bank Reconciliation form plus supporting bank statements and FMS6 reports is to be submitted to LGSS Finance on a monthly basis.

10.5 NCC Procurement Card or Credit Cards

The Governing Body should agree the use of any credit/business cards within the school and agree the credit limit for the card. A member (or members) of staff should be nominated as the card holder(s).

When the card(s) is received at the school it should be stored in a secure place such as a safe, to which there is limited access.

The nominated card holder(s) should sign a declaration before being issued with a card. The declaration will list the card number, the credit limit, likely uses, an agreement not to misuse the card or to use it for personal gain and to observe rules for using the card i.e. regular submission of receipts for inspection, etc.

The cardholder will then sign the back of the credit card in the Head teacher's presence and it should be stored in a secure place except when being used.

The cardholder(s) will be given a copy of this guidance when the card is handed over.

Personal Identification Numbers (PINs) should only be known to official cardholders.

All cards will have a monthly credit limit. All card holders should maintain a record of expenditure incurred.

Card holders should ensure that full and official VAT receipts are obtained in all instances where the card is used. These should be submitted to the Headteacher.

Monthly statements should be checked by the Headteacher at the time that the cheque payment is made. The Headteacher should ensure that all expenditure was properly incurred by the card holder(s) in the course of their official duties, and is fully supported by signed vouchers and receipts. The card holder(s) should also examine and sign the statement, to confirm their agreement to the expenditure stated on it.

If the Headteacher is satisfied he/she should sign the statement as evidence of this check.

The receipts and statement for the Headteacher's card should be checked by the Chair of Governors/Chair of Finance Committee **who should sign the statement as evidence of the check.**

Each month the balance on the procurement/ credit card should be cleared to nil by making payment from the local bank account and coding the expenditure to the appropriate codes, including the VAT.

If the card is misused it should be immediately withdrawn from the card holder.

If the card is lost, the loss must be immediately reported to the Headteacher and the bank.

If a card holder leaves the school's employment, the card must be handed in to the Headteacher, cut in half and cancelled at the bank.

Value for money should be obtained for all purchases and any annual charge should be taken into account when applying for the card bearing in mind the proposed frequency and value of usage.

10.6 Petty Cash

The Governors should agree a level of petty cash (petty cash float) to be held by the school for local purchasing e.g. stamps, cookery ingredients.

All purchases should be authorised preferably in advance. Receipts or invoices should be provided by staff who seek reimbursement. These should be authorised by the Headteacher before reimbursement is made.

Schools should use a voucher system – staff should complete a form or voucher to claim petty cash. This should provide details such as the amount, the items purchased, where from and from which budget code. Receipts or an invoice should be attached to the form. The form and receipts should be checked by the Bursar and then authorised by the Headteacher before payment is made to the member of staff.

VAT receipts should be obtained, where these are not then VAT cannot be reclaimed by the school.

VAT can only be reclaimed on cash purchases. If the member of staff has used their own credit or debit card the supply is not deemed by HMRC to be to the school and so the VAT cannot be reclaimed. The member of staff may be reimbursed the full amount and this must then be charged to the schools budget i.e. the school will lose the 17.5% VAT.

Value for money should be obtained – e.g. schools should not be attracted by 10% savings if the VAT of 17.5% cannot be reclaimed as the member of staff has not obtained a VAT receipt.

Before more Petty Cash is drawn a reconciliation should be completed and presented to the Headteacher. The cash in hand should be checked and the expenditure and the Petty Cash report signed to confirm this. Cash in hand plus the expenditure should reconcile to the Petty Cash float level.

11. INCOME

11.1 Income Policy

Each school must have an income policy incorporating the administration of income and credit control procedures (if applicable) which must be approved by the governing body. The policy should be reviewed annually.

11.2 Charging Policy

Each school must have a charging policy stating the rates to be charged for services provided by the school which must be reviewed and approved by the governing body annually.

Any changes from this must be approved by the governing body.

11.3 Receipt of Cash

A record of all monies received should be maintained on SIMS FMS. An official receipt book should be used or a day book to record cash/money received where this is not immediately recorded on the system and a receipt printed. "Activity" sheets may be used as an alternative to a day book. These should record the amount, date received, what for and the name of the pupil. Cheque and cash payments should be clearly identified

Official receipts should be provided where relevant.

Where money is collected in the classroom, this should be marked on a class list e.g., trip money per pupil.

11.4 Transfers of Cash between Staff

Where cash is passed between members of staff this should be signed for or receipted e.g. by the bursar issuing a receipt to a member of staff or signing a class list and retaining a copy.

11.5 Security of Cash

All cash must be securely stored and banked promptly. Keys to safes & cash boxes should be sufficiently restricted.

11.6 Banking

All income should be banked promptly and without deduction. Income over £50 should be banked at least weekly.

At the time of banking the day book should be ruled off and totalled. This should then be checked to the amount of cash and cheques to be banked and recorded on SIMS FMS.

The Headteacher should be advised if the amounts differ as monies may have been misappropriated since being received.

Where possible there should be a separation of duties between the person receiving monies and the person preparing the banking.

11.7 Management Review

There should be a monthly management review that all income collected is posted to the SIMS FMS accounts and checks should be made to ensure that all income **received has been banked promptly and in full without deductions..**

This check is achieved by comparing the day book (or activity sheets totals if a day book is not used) to the SIMS paying in slip and the bank paying in book AFTER banking. The bank paying in book should be initialled to evidence this check. Where delayed banking occurs e.g. where there is a cash collection or where monies are deposited at the bank the check will need to be against the bank statement.

11.8 VAT

VAT on relevant income should be accounted for in accordance with Section 5 – VAT.

11.9 Debtors Invoices

An official invoice should be raised for all debts due to the school. The Accounts Receivable guidelines in Section 8 - Income should be followed.

Sample checks should be made to ensure invoices have been raised where appropriate, on a timely basis and that charges are accurate.

Aged debtor reports should be reviewed on a monthly basis in order to monitor debt collection procedures (which should be identified in the school's income policy).

Aged Debtor reports should also periodically be presented to Governors so that they are aware of the monies owed to the school and if there are any bad debts and this should be minuted

12. SIMS FMS

12.1 Passwords

Access to the accounting system should be controlled by the correct use of ID and passwords.

Passwords should be changed on a termly basis. When users leave the employ of the school their password should either be changed by the system manager or you should contact your IT systems support team e.g. Capita.ICT for instruction on how to achieve this.

12.2 Back ups

Regular backing up of data should take place and a back up log maintained.

Back up discs and tapes should be filed in a fireproof container. Where this is not possible or the fireproof container is not in a separate building to the hardware, periodic (minimum of weekly) copies should be held off site e.g., staff member's home/other NCC establishment. As an added precaution an off site back up should be kept in addition to an on site back up.

13. INVENTORY

13.1 Records

A record of permanent and leased assets must be maintained using a book or spreadsheet for all items of £100 or more (excluding furniture) in value.

Access to the book or spreadsheet should be limited. A hard copy of the record should be printed annually and a comparison made with the previous year's record to ensure that all items are accounted for.

13.2 New Assets Purchased

New items should be included on the inventory when acquired.

13.3 Annual Checks

A physical check should be made each year by someone other than the person that maintains the record. The record should be completed and evidenced by signature at the foot of each page.

13.4 Temporary Removals

These should be authorised and recorded by school management and their return monitored e.g. laptops, digital cameras. School equipment should only be removed for the purposes of the school and must not be lent out to, or borrowed by employees, governors or pupils etc for personal use.

Where staff are provided with equipment e.g. laptops they should sign for these and the agreement should state that these must be returned when requested e.g. when staff leave/responsibilities change.

13.5 Disposal of Assets

Must be documented in the inventory book, showing who has authorised the item for disposal and the reasons why.

13.6 Security Marking

Inventory items should be security marked in case of theft.