

# **Financial Regulations for Schools**

**2020**

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# **1 INTRODUCTION**

## **1.1 Background**

- 1.1.1 Every Local Authority (LA) needs a financial framework which provides the necessary control on financial matters whilst at the same time encouraging “best value” and promoting local accountability for schools.
- 1.1.2 These Regulations outline the approved system of financial control to secure the proper administration of the school s’ financial affairs, as required by Section 151 of the Local Government Act 1972. The Director of Finance shall be responsible for ensuring the school s’ continuing compliance.

## **1.2 Financial Regulations and the Management Style**

- 1.2.1 It may seem that the Director of Finance’ legal responsibilities clash with the Council’s management style, with its emphasis on devolving responsibility and decision taking. They need not.
- 1.2.2 Accordingly, Financial Regulations are not intended to keep an oppressive grip, but to provide a clear and helpful framework within which employees at schools can act in confidence, without fear that the financial appropriateness of their actions might be open to question. In this sense the Regulations are intended to enable, not to restrict.
- 1.2.3 Sound financial management and controls are essential to schools because they provide an effective framework for financial planning and accountability and safeguard the use of public funds.
- 1.2.4 It is good practice to align financial and management responsibilities whenever possible, otherwise financial decisions may be made regardless of the effect on services and services may be managed without regard to finance. Financial Regulations are intended to facilitate this by advising schools of how to approach budget setting, virement, ordering, certification of payments etc. The basic framework can readily be supplemented by advice from the contacts shown. Advice rather than instruction is the preferred style throughout the Regulations. At times the delegation to schools and ‘recognition of the risks’ may lead such advice to be questioned. This is accepted, but there are also times when, in view of the Director of Finance’s statutory responsibilities, his advice must be followed.
- 1.2.5 These Regulations should be seen, then, as part of the Director of Finance’s service to schools. Their main aim is to facilitate good financial administration. If they do not, the Director of Finance is only too keen to know why so that changes can be considered. Comments from users should be addressed to Internal Audit.

### **1.3 Supporting Legislation and Documents**

1.3.1 Financial Regulations are one of a set of management documents which collectively control and co-ordinate the affairs of the LA. Whilst intended to be self-contained, they should therefore be read in the wider context of:

- Consistent Financial Reporting framework
- Bromley Scheme for Financing Schools ‘
- Bromley’s Corporate Financial Regulations
- School Standards and Framework Act 1998
- Schedule 14 to the Act
- Statutory Instruments including the School and Early Years Finance (England) Regulations
- Schemes for financing Local Authority maintained schools – statutory guidance
- Schools Financial Value Standard
- Accounts and Audit Regulations 2015

### **1.4 School Financial Value Standard (SFVS)**

1.4.1 Local Authority maintained schools must submit the SFVS annually to their Local Authority. Local Authorities use this information to inform their programme of financial assessment and audit.

1.4.2 The standard consists of a checklist and a dashboard.

1.4.3 The checklist asks questions of governing bodies in 6 areas of resource management. It provides clarification for each question, examples of good practice and details of further support available to assist schools in addressing specific issues.

1.4.4 The dashboard shows how a school’s data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes. It provides explanations of each of the indicators and helps schools to fill in their data and understand the results.

### **1.5 Aims of the Regulations**

These Financial Regulations provide a framework through which the Director of Finance can satisfy himself that proper financial administration is being achieved.

1.5.1 These Regulations aim to:

- Help ensure that high standards of propriety and best value are achieved
- Provide schools with an effective framework of financial control, management, monitoring and reporting.
- Provide a framework within which all school staff and governing body members can carry out their responsibilities in an open and consistent manner.

1.5.2 These Regulations aim to promote and maintain high standards by:

- Placing clear authority and accountability with staff and governing body members



- Establishing key principles and processes which should be followed
  - Enabling continuous internal audit to ensure compliance with the approved standards and procedures.
- 1.5.3 All governors and staff have a duty to promote these aims, not just by following Financial Regulations but in their general approach. Concern with propriety and best value is as much an attitude of mind as a matter of following regulations.

## **1.6 Breaches of the Regulations**

- 1.6.1 Substantial breaches of Financial Regulations shall be reported to the governing body and Director of Finance by the relevant Head Teacher and may be treated by the governing body as disciplinary offences. Where the Director of Finance considers it appropriate he will report any substantial breach of these Regulations to the next meeting of the Audit Sub-Committee.

## **1.7 Compliance**

- 1.7.1 The Regulations shall not override any statutory provisions that apply. In addition, with the agreement of the Director of Finance (or his delegated representative), the full governing body may waive compliance with any of these Regulations in a particular case or in any particular class of case. Separate provisions exist for alternative courses of action (e.g. for tendering) within specific regulations.
- 1.7.2 Consultants or agencies acting for the school will be bound by these Regulations and it should be a condition of their employment or engagement that they do so. The provisions of these Regulations shall also apply to services carried out under agency arrangements for any other authority or organisation, except where otherwise required by that Authority.

## **1.8 Review of Regulations**

- 1.8.1 These Regulations shall be reviewed at least every three years by the Director of Finance. The Audit Sub-Committee should approve all amendments. Relevant financial thresholds (e.g. write-offs, petty cash payments) should be additionally reviewed against inflation on a periodic basis wherever possible.
- 1.8.2 As suggested good practice, it is recommended that these Regulations be applied to transactions relating to any non- public funds handled by staff in the course of their duties.

## **1.9 Updates**

- 1.9.1 The Regulations will be updated with implications of new legislation, new ways of working or changes to thresholds as required. These updates will be communicated to the schools.

## **2 ROLES AND RESPONSIBILITIES**

### **2.1 The Role of the Director of Finance**

- 2.1.1 The essence of the Director of Finance' statutory role as responsible financial officer is laid down by the Local Government Act 1972: "Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
- 2.1.2 The Accounts and Audit (Amendment) Regulations 2015 supplement this general role. These require that the Director of Finance should determine the accounting system, form of accounts and supporting accounting records, and ensure that the accounting systems determined by him are observed and that the accounts and supporting records of the Authority are maintained in accordance with proper practices and kept up to date. The 2015 Regulations also require the Council to maintain an adequate and effective internal audit which, at Bromley, has been delegated to the Director of Finance.
- 2.1.3 Therefore, The Director of Finance has specific legal duties at all schools to ensure adequate standards of financial administration throughout the Council.
- 2.1.4 The Director of Finance has to express an annual opinion on the system of internal financial control for the Local Authority taking into consideration a number of factors including maintaining an adequate and effective internal audit of its accounting records and systems of internal control. In reaching his overall opinion the Director has to rely on work performed by internal audit, external audit and any other management review. Internal Audit reviews play a critical role in ensuring that the internal control environment is in place within each school.

### **2.2 The Roles of the Governing Body**

- 2.2.1 Each governing body is responsible for ensuring that these Regulations are strictly adhered to, throughout the establishment under their control. Except where otherwise stated, all references in these Regulations to "Head Teacher" should be read as meaning staff that are carrying out duties on behalf of the Head Teacher. Such delegation by Head Teachers should be formally approved and documented in procedure manuals etc.
- 2.2.2 The governing body should issue clear directions to the Head Teacher and Bursar or Finance Officer and any additional staff on their respective responsibilities for financial affairs. This is essential for sound financial control and they should take the form of written directions. Failure to formally allocate responsibilities can create a vacuum in important financial areas.
- 2.2.3 To establish proper financial management arrangements and accounting procedures and maintain a sound system of internal controls, including safeguards against fraud and corruption.
- 2.2.4 It is the responsibility of the governing body, in conjunction with Head Teachers, to set out an agreed scheme of delegation. (For a suggested template see [Appendix 1](#))

## **2.3 The Role of the Head Teacher**

2.3.1 The Head Teacher has responsibility for:

- The management of the school's financial position at a strategic and operational level.
- The management of effective systems of internal control.
- The management of other financial issues.

2.3.2 Each Head Teacher should ensure that all staff in their establishment are made aware of and fully understand the requirements and implications of Financial Regulations as far as they relate to their professional duties and responsibilities. However, this does not remove the requirement for all staff to make themselves conversant with these Regulations and comply with their requirements.

2.3.3 The Head Teacher has overall responsibility for the school's activities, of which financial activities are clearly a part. The Head Teacher is therefore considered by the LA to be the person with overall responsibility to the governing body for the financial management of the school.

2.3.4 The Head Teacher should ensure that the governing body is provided with financial advice, that proper and adequate financial systems and controls are in place and that accounts are prepared and maintained as required by the governing body or the LA. In practice, the Head Teacher will often delegate much of the financial management to a Bursar/Finance Manager, while retaining ultimate responsibility for this.

2.3.5 Each Head Teacher shall prepare such financial instructions as are considered necessary for the proper financial management, operation and control of the services for which they are responsible, in accordance with these Schools Financial Regulations.

2.3.6 Such financial instructions shall, in accordance with the Accounts & Audit (Amendment) Regulations 2015 contain measures to:

- Ensure that the financial transactions of the school are recorded as soon as reasonably practical and as accurately as reasonably possible;
- Enable the prevention and detection of inaccuracies and fraud; and
- Facilitate the ability to reconstitute any lost records.

## **2.4 The Role of the Bursar/Finance Manager**

2.4.1 The Bursar or Finance Manager is the member of the school's staff with day to day financial responsibility for the school. This person may have delegated financial responsibility for the premises, central services and other costs budget and as such should form part of the management structure within the school.

2.4.2 It is essential that the governors ensure that the Bursar or Finance Manager is suitably qualified and has sufficient resources to carry out the function and should not be subject to time constraints which may affect their ability to discharge their financial responsibilities effectively.

### **3 CORPORATE GOVERNANCE**

Contacts: **Internal Audit /Schools Finance Team**

#### **3.1 Roles and Responsibilities**

**3.1.1** The roles and responsibilities of the governing body, its committees, the Head Teacher and other staff in relation to financial decision-making and administration should be set out and agreed in writing and should comply with these Financial Regulations.

#### **3.2 Finance Committee**

**3.2.1** A finance committee should be set up to consider strategic financial issues on behalf of the governing body and its remit and membership should be reviewed annually.

#### **3.3 Limits of Delegated Authority**

**3.3.1** The governing body should establish the financial limits of delegated authority, in compliance with these Financial Regulations.

#### **3.4 Financial Information for Governors**

**3.4.1** The governing body should agree with the Head Teacher the minimum frequency, level of detail and general format of the financial information to be provided to it, especially in relation to budget monitoring reports.

#### **3.5 Minutes**

**3.5.1** Minutes should be taken of all meetings of the governing body and its committees and include all decisions and by whom action is to be taken. The agreed minutes should be signed and dated.

**3.5.2** All signed minutes should be retained for 6 years.

#### **3.6 Gifts and Hospitality**

**3.6.1** All offers, gifts, hospitality as inducements for favour should be refused. All refused items should be recorded by a member of staff or governor and reported at the next meeting of the Governing Body where it should be minuted.

**3.6.2** Each School Governing Body shall maintain a register of all gifts and hospitality received by individual members of staff and Governors in their School. Any hospitality or gifts accepted must be recorded in the relevant register. Governors should set a reasonable minimum value that would be excluded from registering when received from pupils and parents.

### **3.7 Raising Concerns in Schools**

- 3.7.1 The Corporate Raising Concerns (Whistleblowing) Policy should be referred to for all raising concerns within a school. Copies of this document have been issued to all Bromley maintained schools and will be available on request from the Local Authority.
- 3.7.2 The principles and procedures set out in the Corporate Raising Concerns (Whistleblowing) Policy should be followed but the roles and responsibility will need to be adapted for schools. For Officer responsibilities detailed in the Policy the school should identify their own hierarchy of responsibility and any reference to Members would be substituted by Governors.
- 3.7.3 The Director of Education and the Liberata Schools Team will be the first points of contact for any guidance required and the Council's Human Resources Division would also be able to offer advice.

### **3.8 Register of Business Interests**

- 3.8.1 Schools are required to maintain a register for all governors and those staff with financial responsibilities which should detail any business interest they may have which could be relevant to goods and services supplied to the school. This register should be reviewed on an annual basis.
- 3.8.2 Where it has not been possible to gain register entries from individuals, the school should retain documentation to demonstrate what efforts have been made to ensure compliance.
- 3.8.3 When staff become aware of such interests, they shall notify the clerk of governors or bursar in writing who will enter it into the register.
- 3.8.4 Please see [Appendix 2](#) for a template register of business interests.
- 3.8.5 If it comes to the knowledge of any member of staff employed by the school *that* they have a business interest, whether direct or indirect, in a current contract or a contract due to be entered into by the school, they shall as soon as practicable give written notice of the interest to their Head Teacher, who should notify the Chair of the Governing Body.
- 3.8.6 In the case that the interest relates to a Head Teacher or member of the governing body, written notice should be given as soon as practicable to the Chair of the Governing Body. They shall maintain a record of all such notifications of staff and governors interests in contracts

## 4 BUDGETS

Contacts: **Schools' Finance Team**

### 4.1 Preparation of Budgets

#### **School Budget Share**

- 4.1.1 Each school is required to submit a budget plan to the Local Authority in accordance with the Scheme for Financing Schools. This should show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Further revised budget monitoring reports may have to be provided at quarterly intervals to the LA as stipulated in the Scheme for Financing Schools.
- 4.1.2 There should be a clear, identifiable link between the school's annual budget and its school development plan.
- 4.1.3 The school's budget should be based on realistic estimates of all expected expenditure and income, including grant income, so that planned expenditure does not exceed the available budget.
- 4.1.4 The governing body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not perpetuated.
- 4.1.5 The Head Teacher should profile the budget and forecast cash flow to take account of likely spending patterns.
- 4.1.6 Any budget surpluses should be earmarked for specific future needs to ensure that pupils benefit from a planned approach to spending that does not deprive them of resources in a given year.
- 4.1.7 The governing body should endeavour to approve the school's budget and School Development Plan after careful consideration and before the beginning of the relevant financial year.

#### **Capital**

- 4.1.8 It is determined in the Scheme for Financing Schools the responsibilities for school premises repairs and maintenance. The scheme determines which categories of work are the responsibility of governing bodies to finance from their delegated budget shares and which repairs and maintenance expenditure is deemed to be capital and is to be retained by the LA (where applicable).

## 4.2 Allocation of Budgets to Budget Managers

4.2.1 Dependent on the size of the school and the complexity of the budgetary control system required, there will be a need to create cost centres in order to allocate budgets to Budget Managers. The responsibilities of each Budget Manager should be clearly defined. The Budget Manager will then become responsible for controlling expenditure within the relevant budget heading. The following budgets will be required in all schools:

- Staff costs
- Educational supplies
- Premises, central costs and other costs.

Schools may consider additional budget headings. However it is important that the budget responsibility aligns with the management structure.

4.2.2 The budget managers may divide their budgets between a number of budget holders who will then be responsible for all expenditure incurred against their budget. The budget holders would then be answerable to the budget manager who would monitor expenditure incurred by each budget holder. Dependent on the size of the school, the educational supplies budget may be divided between either subject area, key stage or year co-ordinator.

## 4.3 Monitoring

4.3.1 The Head Teacher is responsible for producing monthly budget monitoring reports for income and expenditure, including sums committed but not yet paid and outturn forecasts, against the approved budget. Income and expenditure should be monitored in accordance with the “Scheme of Financial Delegation” (For a template scheme of delegation see [Appendix 1](#)).

4.3.2 The Head Teacher is responsible for providing budget monitoring reports to the school finance committee at least once a term. These should show any significant variances against the budget with explanatory notes and, where necessary, remedial action plans including virements. The LA will permit schools to plan for a deficit budget only with the prior permission of the Director of Education. The details as stipulated in the Scheme for Financing Schools must be complied with.

4.3.3 The Head Teacher should monitor expenditure on the initiatives set out in the School Development Plan. Even if there is insufficient budgetary provision a School Governing Body may incur expenditure for exceptional items required under the school’s statutory obligation or to carry out any repair, replacement or other work which is of such extreme urgency that it must be done immediately. When such an occasion arises, the Head Teacher shall advise the LA promptly.

4.3.4 Head Teachers (or delegated officers such as Bursars) are responsible for producing monthly cash flow forecasts to ensure that the school bank accounts do not go overdrawn.



## **4.4 Reporting**

- 4.4.1 An annual financial return should be submitted by the Head Teacher to the Director of Education as soon as practical after the end of each financial year but within a timescale determined by the Local Education Authority as stipulated in the framework of the scheme for Consistent Financial Reporting (CFR).

## **4.5 Approved Banks and Building Societies**

- 4.5.1 The banks and building societies which may be used for the purpose of receiving budget share payments are specified below:

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

## 5 ORDERS FOR GOODS, WORKS & SERVICES

Contact: **Schools' Finance Team/Internal Audit**

### 5.1 Responsibilities

- 5.1.1 The governing body should determine which staff in their school *should* be allowed to be Initiating Officers and raise and sign orders on their behalf. (For more information on the separation of duties see FR 7.3). Head Teachers are normally responsible for the control of all orders held and issued by their school.
- 5.1.2 It shall be the responsibility of a member of staff issuing an order to ensure, as far as is responsible and practicable, that value for money is obtained in respect of each transaction.
- 5.1.3 All goods, works and services ordered shall be for the exclusive use of the school.
- 5.1.4 All leasing arrangements must have the governing body's prior approval.
- 5.1.5 The school will retain ownership of any goods or equipment purchased and has the ultimate responsibility for ensuring that contracts are fulfilled and invoices paid.

### 5.2 Raising an Official Order

- 5.2.1 An official order, or its equivalent, must be raised for all goods, works and services except:
- (i) where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services;
  - (ii) rents, business rates, council tax and utility services as supplies of a continuous and obligatory nature;
  - (iii) petty cash payments.
  - (iv) inspection copy for books delivered to school
- 5.2.2 In urgent cases only, an oral order may be made. In such cases the serial number of the written order which must be issued as confirmation should be quoted to the supplier, together with details of the ordering establishment. The confirmation order should be despatched the same day where possible and certainly no later than within two working days and should be clearly marked "confirmation only".
- 5.2.3 Where a school utilises Order Requisitions as well as Orders, then this may be regarded as the initiating document. All controls and requirements hereby placed on Orders should be taken to also apply to Order Requisitions.

### **5.3 Requirements of an Official Order**

5.3.1 Official orders, or their equivalent, shall as a minimum:

- (i) be clearly identifiable as an order from the School, including invoice address, staff contact etc.;
- (ii) be serially numbered;
- (iii) be physically or electronically signed by an authorised signatory;  
N.B. The method by which an official order is issued is at the discretion of the initiating officer. This may be via post or (with the Governing Body's initial approval) by internet e-mail or via the supplier's web site. A copy of all authorised orders should be retained.
- (iv) include sufficient information, and any appropriate terms and conditions, on the goods, works or services being ordered (including prices and quantities) to enable adequate pre-payment checks to be undertaken in accordance with Section 7 of these Financial Regulations.

### **5.4 Orders and Authority**

5.4.1 Before an order is raised for the purchase of goods or services, you need to ensure that there are sufficient funds available, not already committed for the purchase of other items, to meet the estimated cost of the order.

5.4.2 However, there are specific circumstances (e.g. urgent repair or maintenance) where these conditions may not be met – For further guidance on such circumstances, please see FR 4.3.3.

### **5.5 Value for Money**

5.5.1 The Governing Body and Head Teacher are responsible for obtaining value for money when purchasing goods works and services.

5.5.2 Before placing an order the Initiating Officer shall estimate the probable cost of the goods, works or services required. This estimate cost will determine the normal procedures to be followed in obtaining quotations or tenders. These procedures are outlined in the Council's Contract Procedure Rules which have been issued to all schools.

5.5.3 In order to ensure best value, at least three competitive quotes must be obtained in writing or via authorised e-mail where costs exceed £5,000. Where this is not practical to do so, the reasons must be submitted to the Finance Committee and/or governing body, in writing.

5.5.4 Schools are required to inform the Finance Committee of any expenditure incurred over £5,000 where quotations were not sought.

5.5.5 In determining the estimated cost of goods, works or services the following shall apply:

- (i) staff shall not sub-divide work which could reasonably be treated as a single contract;
- (ii) the total estimated value of orders for a year for a given type of goods, works or services should, wherever practicable, be amalgamated when determining purchasing procedures.
- (iii) if a contract / arrangement is for a period greater than one year then the estimated value of orders to be placed over the full period should be used to determine the appropriate procedure;
- (iv) where contracts run year to year with the school or Contractor having the option to terminate on notice the value of the contract shall be calculated over the period prior to the date when the break clause may first be exercised;
- (v) where leasing arrangements are used, the total amount payable over the life of the lease shall determine the appropriate procedure;
- (vi) where contracts entail both revenue and capital costs (e.g. acquisition and support for IT systems) the revenue costs shall be estimated according to paragraph (iii) above;
- (vii) if the lowest quote obtained exceeds the upper limit applicable to the procedure selected, the Head Teacher should consider whether the procedures for the higher category should be applied. If this is not considered appropriate, the reasons for not applying higher category procedures should be recorded.

## **5.6 Insufficient Quotations**

5.6.1 For orders valued at between £5,000 - £100,000, if at least two quotations are received the relevant Head Teacher shall have authority to accept a quote which they consider represents best value to the school and is within 10% of the approved budget subject to agreement of the school governing body.

5.6.2 Where the selected quote exceeds the approved budget by more than 10% the Head Teacher shall determine whether to seek further quotes or seek approval of a supplementary budget from the relevant governing body sub-committee.

## **5.7 Exceptions to Quotations for Goods, Works and Services**

In the following circumstances, competitive quotations are not required:

5.7.1 If the Head Teacher and Chair of the Governing Body consider that there are special circumstances which justify the need to waive the requirement for competitive quotes, they may, upon documenting the reasons and with the specific approval of the Chair of the Governing Body, award the contract by way of negotiating or re-

negotiating.

- 5.7.2 Where the goods, work or services required by the school are of such an urgent or specialised nature that in the opinion of the Head Teacher it is not reasonably practicable to obtain such quotations.
- 5.7.3 Where a contract has been entered into with another local or public authority for the supply of goods, services or works e.g. consortium, it shall not be necessary to seek competitive quotations provided the said local or public authority can satisfy the Head Teacher that they have done so in initially selecting their supplier / provider.

## 6 CONTRACTS

Contacts: **Head of Procurement**

- 6.1.1 The Corporate Contract Procedure Rules should be referred to for all matters relating to Contracts. Copies of this document have been issued to all Bromley maintained schools and will be available on request from [procurement@bromley.gov.uk](mailto:procurement@bromley.gov.uk).
- 6.1.2 The principles and procedures set out in the Corporate Contract Procedures Rules must be followed but the roles, responsibility and authorisation will need to be adapted for schools. References to the Legal, Procurement and Finance Teams should be substituted by the school with the resources available in the school and to fit in with the established decision-making and governance processes. School Governors will deliver the governance and scrutiny role undertaken by Members for Corporate contracts. The school's Finance Committee and the Full Governing Body replace any references to the Authority's Committees. For Officer responsibilities detailed in the Contract Procedure Rules, the school should identify their own hierarchy of responsibility, but the Head Teacher has overall responsibility for the financial management and is therefore seen as the budget holder.
- 6.1.3 The Council's Procurement Team will be the point of contact to offer advice and guidance but the responsibility for all procurement will be with the school.

## 7 PAYMENT OF ACCOUNTS

Contacts: **Internal Audit / Schools' Finance Team**

### 7.1 Payment Arrangements

- 7.1.1 The governing body is responsible for making safe and efficient arrangements for all payment of accounts. All payments on behalf of the school *shall* therefore be made by the governing body or under arrangements approved by them.
- 7.1.2 Payments should normally only be made against official invoices received from suppliers, and not against statements, delivery notes etc.
- 7.1.3 Payment against copy invoices (i.e. duplicates / photocopies) should only be made where detailed checking has confirmed that no payment has been made against an original and the member of staff should endorse the copy invoice to that effect. E-mailed invoices are acceptable. E-mailed invoices must contain the full company name and details, as with standard invoices.
- 7.1.4 The Governing Body shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments may be made via cheques or electronic transfer (e.g. BACS) where appropriate controls are in place. Cheques should be despatched independently of ordering or payments staff.
- 7.1.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.

### 7.2 Authorised Signatories

- 7.2.1 Each Governing Body shall determine persons in their School *authorised* to sign for all main financial transactions on their behalf. These should as a minimum include:
- i orders for goods, works or services;
  - ii payment of accounts;
  - iii travel, subsistence and special assistance claims;
  - iv payroll documents (e.g. overtime claims, timesheets)
  - v recommendations for write-off
- 7.2.2 The governing body shall maintain up to date lists of all authorised persons together with copies of their specimen signatures, initials and any financial limits that apply. Additionally, copies of these lists and specimen signatures shall be provided to the Director of Finance and Director of Education where prime documents are processed under procedures within his control (i.e. in the event of financial delegation being withdrawn).

## 7.3 Separation of Duties

7.3.1 Each Governing Body is responsible for ensuring, so far as is reasonably practicable, that there is adequate internal separation of duties in their department in relation to significant financial transactions. For example:

- staff responsible for calculating, checking and recording monies due to or due to be paid by the school shall not receive or make such payments;
- staff examining and checking the accounts of cash transactions shall not carry out (i.e. process) such transactions;
- staff who sign orders, confirm receipt of goods or services, and certify payments shall not perform more than one function for the same transaction.

7.3.2 Head Teachers should ensure that all invoices input onto the school financial database for payment have been properly authorised and certified, with evidence in the form of signatures of at least three designated officers having been involved in the whole process (ordering / receipt of goods or services / payment). The Director of Finance must specifically approve exceptions to this requirement e.g. where less than three officers are involved in the process.

7.3.3 Head Teachers may delegate the authority to authorise and certify invoices to members of staff within their establishment. Head Teachers must maintain up to date lists of members of staff in their establishment together with specimen signatures and any financial limits that apply.

7.3.4 All payments of invoices or accounts for payment shall be approved by at least two members of staff (prior to input onto the schools financial database), neither of whom has signed the original order.

7.3.5 Each Head Teacher shall arrange a suitable division of staff duties within their school so that the member of staff who certifies an individual invoice for payment shall not be the person who either approved the order, or has confirmed the receipt of goods or completion of the work concerned.

7.3.6 Employees are not permitted to certify payments to themselves or to another employee who is related.

7.3.7 The following role definitions will normally apply (notwithstanding that different terms may be in common day to day use within schools s):

- (a) Initiating Officer role: a member of staff authorised by their governing body to sign official orders (or order requisitions where utilised) on behalf of the school. They would normally identify the potential supplier, ensure budget provision is available and best value is obtained, by using or their own knowledge and experience, in accordance with Section 5 of these Financial Regulations.

Schools may of course prefer that one member of staff completes an order requisition form for approval by a manager but this is not a requirement of



School's Financial Regulations. In such cases, it may be that the manager takes responsibility for checking budget provision and demonstrating best value. However, the manager who signs the order is deemed the Initiating Officer and he/she therefore cannot authorise or certify the invoice.

- (b) Authorising Officer role: a member of staff other than (a) or (c), who passes an invoice for certification, having confirmed receipt of goods or services and checked arithmetical accuracy, quantities, prices etc. to the original order. This member of staff may in practice be the person who requested the goods / services as they will often be best placed to confirm the order has been delivered accurately.
- (c) Certifying Officer role: a member of staff other than (a) or (b), designated by the School Governing Body to certify individual invoices for payment. In certifying an invoice for payment the Certifying Officer is indicating that all relevant Financial Regulations have been complied with and evidenced in paying the invoice, prior to input and certification onto school financial system.
- (d) Cheque Signatory role: the school Governing Body should determine a minimum of four cheque signatories of which two should sign each cheque for the school bank account. The cheque signatories may include any of the persons (a) – (c) above.

## **7.4 Checking Required**

- 7.4.1 The overriding principle to be adhered to is that authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those members of staff who are in a position to judge, for instance, whether goods / services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous e.g. an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore not acceptable.
- 7.4.2 Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid. The following checks are regarded by the Director of Finance to be good practice.
- 7.4.3 For all invoices:
  - (a) where appropriate, a match is made with the official order, agreement, or other document authorising the expenditure;
  - (b) payment details are recorded on the official order or other suitable record;
  - (c) prices are in accordance with quotations or are otherwise reasonable;
  - (d) that the invoice arithmetic is correct

- (e) goods have been received, examined and approved with regard to quantity and quality and / or that work done or services rendered have been satisfactorily carried out or provided
- (f) where VAT is charged that the invoice carries the VAT registration number of the supplier;
- (g) the invoice has not been previously passed for payment;
- (h) the invoice is a proper liability of the school, has been duly authorised and is, to the best of the member of staff's belief, legal expenditure.

## **7.5 Credit Cards**

7.5.1 It is identified that there are circumstances within schools when payment by credit card may be considered more suitable. In circumstances when this payment method is deemed necessary, the following controls should be strictly implemented:

- (a) The governing body should approve a list of authorised users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards.
- (b) A member of staff, who is not a card signatory, should be appointed to control the use of the cards and a signing-out procedure implemented for the issue of cards to authorised staff.
- (c) Documentary proof of any goods purchased with the charge or credit card including details of the nature and cost of those goods should be returned to the person responsible for recording charge card transactions as soon after purchase as is reasonably practical.
- (d) Transactions should be reconciled to statements by someone other than the card signatory.
- (e) The school should ensure adequate arrangements are in place to protect them against fraud and corruption by misuse of the card either with the credit card company or through their insurance policy.
- (f) The Local Authority to be notified as soon as possible of any amendments to existing arrangements or any new credit card accounts that are established including details of credit limits and authorised users.

## **7.6 Purchasing on the internet with approved cards.**

7.6.1 The Royal Bank of Scotland are the approved providers of a purchase card. Cards should be allocated to authorised users who sign up to conditions of use.

7.6.2 Controls should include those for use of a credit card as detailed in 7.5.1 (a) to (f) of these Regulations. Conditions of use should include safe storage of the card and adhering to limits that are set, cash withdrawal should not be permitted.

7.6.3 The following step-by-step guide to using a card over the Internet has been devised as good practice.

1. Use secure websites (indicated by a padlock icon, the web address includes "https" rather than "http"). You normally get a message saying that you are being transferred to a secure connection. You can check encryption is being employed by going to **File** and then choosing **Properties**.
2. As long as you use the card wisely, the School is protected from fraud.
3. Employ adequate password security.
4. Use "trusted suppliers" - it should not be difficult to draw up a suppliers list.
5. Ensure supplier has an encryption certificate.
6. Where e-mails are used for notification, the best system has truncated details (do not use suppliers who use the full card number).
7. Print a copy of online transactions. This should include items purchased, total amount, trader name, contact information, unique order number. Note also the telephone number and address.
8. Query anything you are unsure of by telephoning the Company.
9. If you are unsure of whether to pursue, use an alternative form of transaction.

## **7.7 Late Payment of Debts**

7.7.1 Guidance on Late Payment of Debts legislation is set out in [Appendix 3](#)

## **8 PETTY CASH AND IMPREST ACCOUNTING**

Contact: **Schools Finance Team/Internal Audit**

### **8.1 Agreed Level of Petty Cash**

8.1.1 The governing body may, at their discretion and at the request of Head Teachers, make available petty cash floats to facilitate the cost-effective payment of minor items of expenditure on behalf of the school. The governing body should set out in writing an appropriate level for the amount of petty cash to be held. This amount should represent a balance between convenience and the risk of holding cash on the premises.

### **8.2 Control and Operation of Petty Cash**

8.2.1 Any member of staff to whom petty cash has been made available shall be responsible for the control and operation of the petty cash float. In particular, each such member of staff shall:

- (i) ensure that vouchers are obtained and retained to substantiate payments made;
- (ii) ensure that receipts, where possible, relating to expenditure from a petty cash float are attached to the relevant voucher;
- (iii) ensure the safe custody of petty cash monies in their possession;
- (iv) restrict the amount of any individual payment to an agreed amount above which prior approval should be obtained from the Head Teacher. Petty cash holders must not sub-divide payments to a single recipient;
- (v) ensure that the account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash amount/continuing need for the petty cash is regularly reviewed;
- (vi) where applicable, sign a statement at the end of each financial year confirming the amount of the imprest held. This should also be counter-signed by a senior member of staff.

8.2.2 If it becomes apparent that the current level of petty cash is insufficient, the items on which the petty cash is expended should be reviewed. If it is clear that there is no reasonable alternative to expenditure through the petty cash float, a formal approval to have it increased should be granted by the governing body.

8.2.3 No member of staff shall authorise their own claims from a petty cash float.

8.2.4 Expenditure which should form part of the payroll system, e.g. car allowances, shall not be processed through petty cash accounts.

### **8.3 Security of Petty Cash**

8.3.1 All schools' holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer.

### **8.4 Imprest Accounting**

8.4.1 The encashment of personal cheques and the advancing of loans from an imprest account is strictly forbidden.

8.4.2 The general principle of imprest accounting is that at any time the cash and bank balance, together with the aggregate value of any receipts on hand, non-reimbursed claims and cheques not credited should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero.

## **9 VAT**

Contact: **Principal Accountant – Chief Executives Department**

### **9.1 General**

9.1.1 Head Teachers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprests or petty cash) in accordance with current VAT regulations. Failure to do so can lead to loss of income and/or imposition of penalties by Revenue and Customs

9.1.2 All limits shown in these Regulations exclude VAT.

9.1.3 Members of staff responsible for instigating income collection for the school shall satisfy themselves that the school has complied with the relevant VAT legislation with regard to the supply of its services.

### **9.2 Payment of VAT**

9.2.1 VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Members of staff responsible for authorising payments (as defined in Section 7 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.

9.2.2 VAT should only be accounted for on imprest or petty cash payments where the supplier's VAT registration number is shown on the receipt.

### **9.3 VAT Returns**

9.3.1 All schools should complete and return their monthly VAT returns to the Chief Executives Department by 15<sup>th</sup> of each month following the month in question (e.g. April's return due 15<sup>th</sup> May). In the event of any problem which may cause delay, schools should notify Schools Finance Team or the Chief Executives Department as soon as possible.

9.3.2 For Secondary Schools, the VAT return should include a brief summary of VAT on all returns exceeding £10,000  
For Primary schools, the VAT return should include a brief summary of VAT on all returns exceeding £5,000  
Schools should attach copies of any invoices, which include VAT of more than £1,000 to their VAT returns.

### **9.4 Further Information**

9.4.1 Further guidance and advice on VAT matters is contained at [Appendix 4](#) and is also available from the Chief Executives Department Accountancy Section.

## **10 SALARIES, WAGES & PENSIONS**

Contact: **Internal Audit**

### **10.1 Payments**

- 10.1.1 All payments of salaries, pensions, compensation and other emoluments to all employees shall be made by the governing body or under arrangements approved by them.
- 10.1.2 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation, Revenue and Customs Regulations and relevant decisions of the LA and School Governing Body.

### **10.2 Authorisation**

- 10.2.1 Each governing body should nominate those members of staff within their school who will be authorised to certify timesheets, overtime claims and claims for travelling and subsistence. A list of such members of staff, together with specimen signatures, shall be maintained by the Head Teacher. Changes shall be notified promptly as they occur.

### **10.3 Notifications to HR and Payroll**

- 10.3.1 Each Head Teacher, or their nominated representative, shall notify their payroll and/or HR provider as soon as is practicable of all matters affecting the payment of emoluments by the school and in particular:
- (i) appointments, resignations, retirements, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status, dependants and deaths;
  - (ii) amounts to be recovered from pay e.g. repayment of training expenses on leaving;
  - (iii) absences from duty for sickness or other reason (e.g. jury service), apart from approved paid leave;
  - (iv) changes in remuneration (either permanent or temporary), other than normal increments, pay awards and agreements of general application;
  - (v) information necessary to maintain records of service for pensions, income tax, national insurance etc. This will include information on benefits in kind necessary to complete Inland Revenue forms P11D for employees e.g. leased cars;
  - (vi) all time sheets affecting payments due.
- 10.3.2 Notification may be by on-line entry into systems where appropriate.

#### **10.4 Disclosure of Officers' Emoluments**

10.4.1 The school shall disclose to the LA the number of officers whose emoluments in the year were £50,000 or more, grouped in rising bands of £10,000. It is a requirement of the CIPFA Accounting Code of Practice and Accounts and Audit Regulations (Regulations) 2015 that this is included in the LA annual statement of accounts.

#### **10.5 Self-Employed Status**

10.5.1 All payments to individuals, who consider themselves to be self-employed in respect of services provided to the school, shall still be processed through the payroll system unless the status of the individual has been confirmed as self-employed in accordance with the latest HMRC Guidelines. All casual and part-time employees will nevertheless be included on the payroll.

#### **10.6 Travel, Subsistence & Other Allowances**

10.6.1 All claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be completed in a form approved by the School Governing Body, and paid in accordance with approved school procedures as currently in force.

10.6.2 Below Head Teacher level, claims by members of staff must be certified by an appropriate line manager, authorised to do so by their Head Teacher. Once claims are authorised, this indicates that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the school.

#### **10.7 Teachers Pensions Returns** (applicable to ex-Grant Maintained Schools and those schools that do not receive payroll via LBB)

10.7.1 In accordance with the School Standards and Framework Act 1998, the LA is responsible for the remittance of all Teachers Pension Agency contributions including Additional Voluntary Contributions (AVC's).

10.7.2 Schools are required to notify the Local Authority by the 28<sup>th</sup> of each month what the total pension and AVC deductions are for each School. Payments will then be paid to Teachers Pensions Agency and Prudential by the Local Authority with a deduction the following month from each school budget share payment. Payments to Teachers Pension Agency and Prudential will be made by the 7<sup>th</sup> each month.



## **11 COLLECTION OF INCOME**

Contact: **Schools' Finance Team/Internal Audit**

### **11.1 Monies Due**

11.1.1 The identification of all monies due to the school is the responsibility of the School Governing Body.

11.1.2 Head Teachers will take prompt action to either:

- (i) collect the income due within arrangements approved by the School Governing Body; or
- (ii) collect all income due or to ensure that appropriate recovery procedures are undertaken where necessary

### **11.2 Receipt of Monies**

11.2.1 Where appropriate (i.e. excluding school dinner monies), every remittance or sum of money received by a member of staff at the school shall immediately be acknowledged by the issue of an official receipt.

11.2.2 If a payer by cheque does not require a receipt, the amount should still be recorded with the receipt being retained. The form of all receipts or other official documents in use should be approved by the Governing Body. Receipt books should be serially numbered and a register should be kept of all receipts and issues of such documents to members of staff, which shall be acknowledged by the signature of the recipient.

11.2.3 All monies received on behalf of the school should be paid forthwith at the Governing Body's instructions either to an appointed contractor or be banked direct to the credit of the school. Every employee who receives monies shall maintain a record, in a form approved by the Governing Body, of all amounts received and deposited.

### **11.3 Transfers of Money**

11.3.1 Every transfer of official money from one member of staff to another will be evidenced in the records of the school concerned by the signature of the receiving officer.

### **11.4 Banking**

11.4.1 All bankings must be made promptly and intact i.e. personal cheques should not be cashed out of money received on behalf of the school and official expenditure should not be incurred (i.e. school meals income) from monies collected and due to be banked.

11.4.2 All members of staff responsible for banking monies should ensure that individual cheques are listed clearly on the reverse of the bank paying-in slip or comprehensive listing. Each member of staff who so banks should also enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

## **11.5 Security of money held**

11.5.1 Responsibility for the safe keeping of all school monies must be designated by Head Teachers to specified members of staff within their establishments.

11.5.2 Where monies are held overnight, secure arrangements must exist for their safekeeping. Keys to safes and other secure containers should be carried on the person of the key-holder or kept under secure conditions.

## **11.6 Charges**

11.6.1 All charges determined by the school shall be reviewed at least annually by the appropriate Governing Body Sub-Committee. Such reviews should consider the possibility of introducing charges where none are currently made.

## **11.7 Write-offs**

11.7.1 The Governing Body may write-off bad debts up to £1,000 for Secondary Schools and up to £500 for Primary Schools

11.7.2 Approval for all write-offs should be detailed in committee minutes. No uncollectable amounts above the limits set above including bad debts, should be written off except with the approval of the Director of Finance, whether exercised personally or properly delegated by him to a member of his staff for this purpose.

11.7.3 Any decision to write-off an amount must be taken with the authority of the Director of Finance, as stipulated in the Accounts and Audit Regulations 2015 whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.

11.7.4 For further guidance on write-off procedures see [Appendix 5](#).

## **12 BANKING ARRANGEMENTS**

Contact: **Internal Audit / Schools Finance Team**

### **12.1 LBB Banking arrangements**

- 12.1.1 For schools that bank via LBB banking arrangements, any changes in the formal signatories should be notified to the authority along with a sample of the signature.
- 12.1.2 Schools should consider banking via the authorities main bankers, currently HSBC. Favourable interest rates and reduced charges are advantages to be considered.

### **12.2 HSBC Banking**

- 12.2.1 Schools are able to view their balances and statements on-line
- 12.2.2 All banking arrangements should be made by or via the Head Teacher, who is responsible for liaising with the school bankers in relation to the school bank accounts and the issue of cheques.
- 12.2.3 The Head Teacher shall be authorised to operate such subsidiary bank accounts as they deem necessary. Only the Head Teacher may open or close a bank account for dealing with the school's funds. All bank accounts shall be in the name of the school and never an individual.

### **12.3 Overdraft Facility**

- 12.3.1 School bank accounts shall not be permitted to become overdrawn.

### **12.4 Bank Reconciliations**

- 12.4.1 The Head Teacher shall ensure that the school's main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.
- 12.4.2 The Head Teacher shall ensure that all subsidiary accounts under their control are reconciled at least once a month, and subject to independent review, with large or unusual items investigated as appropriate.

### **12.5 Cheques**

- 12.5.1 Cheque stationery shall be ordered only on the authority of the Head Teacher, who shall ensure that adequate bank records are maintained and regularly reconciled to records of cheques issued by the school.
- 12.5.2 Adequate security arrangements shall be maintained by the Head Teacher for all unused cheques for accounts under their control.

12.5.3 Cheques should only be signed by approved signatories after the cheque (including its counterfoil) has been completed in full. They should not be pre-signed under any circumstances.

12.5.4 All cheques must bear the signatures of two signatories approved by the governing body.

## **12.6 Approved Banks and Building Societies**

12.6.1 Accounts for receiving budget share payments and managing the school's financial affairs may only be held at any one of the banks or building societies as determined by the Director of Finance. These banks and building societies are as follows:-

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

These restrictions do not apply to School Voluntary Fund bank accounts.

## **12.7 Closing Accounts**

12.7.1 Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

## **13 ASSETS**

Contact: **Internal Audit**

### **13.1 Responsibility of Head Teacher**

13.1.1 Head Teachers are responsible for the safe custody of all assets, including plant, machinery, vehicles, furniture, equipment and other non-consumable property held within their school.

### **13.2 Asset Register**

13.2.1 Each Head Teacher shall maintain either manual or electronic inventories listing all movable equipment (but not furniture, filing cabinets etc) in the custody of their school which:

- (i) cost or is valued in its current condition at more than £1,000; or
- (ii) is attractive and portable; and

13.2.2 The inventory should, where applicable, record details of make, model number etc of equipment held and wherever possible a serial number, and at least one copy should be held separately from the assets that it lists.

13.2.3 Each Head Teacher shall arrange for physical verification of the items on their inventory records to be undertaken at least annually. This verification should be evidenced in writing, signed by the authorised member of staff and retained for audit purposes.

### **13.3 Removal of property from school site**

13.3.1 The school's property shall not be removed except in the normal course of the school's business or used otherwise than for the school's purposes unless specifically authorised by the Head Teacher. Where a Head Teacher authorises temporary removal of property, a formal record shall be maintained indicating where the property can be located and shall be signed by the member of staff responsible for its safekeeping.

### **13.4 Identifying assets**

13.4.1 So far as is practical, all items should be effectively marked (using current security techniques e.g. invisible ink) as school property.

### **13.5 Deletions from the asset register**

13.5.1 Head Teachers may authorise items to be deleted from an inventory of their School where:

- (i) the item has become obsolete and / or is no longer adequate for the purpose intended;

- (ii) the item is broken or worn and of no further useful purpose;
- (iii) the item has become surplus to requirements;
- (iv) has been lost or stolen, in which case the Director of Finance should be informed for insurance requirements (where applicable).

### **13.6 Disposal of assets**

13.6.1 For disposal procedures see [Section 14](#)

## **14 DISPOSAL OF ASSETS**

Contact: **Internal Audit**

### **14.1 Obtaining Best Price**

14.1.1 Each School Governing Body is responsible for ensuring that the best possible price is obtained from the disposal of assets under their control.

### **14.2 Assets under £1,000**

14.2.1 If assets to be disposed are under the value of £1000, they should be disposed of at the discretion of the Governing Body.

### **14.3 Assets £1,000 to £40,000**

14.3.1 Where the estimated current value of the asset exceeds £1,000 but is less than £40,000 the following should be considered:

- (i) offer the item(s) to all schools and then Council Departments
- (ii) sealed tenders or offers;
- (iii) advertising;
- (iv) sale by public auction;
- (v) sales to staff (this method of disposal should be used only where there are good reasons for not pursuing other alternatives and should always be by sealed offers unless otherwise agreed by the Director of Finance).

### **14.4 Assets exceeding £40,000**

14.4.1 Where the estimated value of the asset(s) is over £40,000, the tendering procedures in [Section 6](#) of these Regulations shall be followed.

## **15 LOANS AND INVESTMENTS AND LEASES**

Contact: **Schools Finance Team/Internal Audit**

### **15.1 Loan Agreements**

15.1.1 As schools do not have the legal powers to borrow, the school Governing Body should not enter into any loan agreements, other than with the LA, without the written permission of the Secretary of State for Education and Employment as stipulated in the Scheme for Financing Schools.

### **15.2 Leases**

15.2.1 This prohibition also applies to some types of lease, which are equivalent to borrowing. Therefore, apart from operational leases such as those for photocopiers schools should seek the advice of the Local Authority for other types of leases.



## **16 INSURANCE, SECURITY OF ASSETS AND RISK MANAGEMENT**

Contact: **Insurance**

### **16.1 Introduction**

- 16.1.1 The School Governing Body shall be responsible for effecting or approving the arrangements for all insurance cover on behalf of the school. All such policies should be made available to the Director of Finance for inspection. The School Governing Body will also make arrangements to ensure that appropriate records are kept of all property and risks covered.
- 16.1.2 In accordance with the Standards & Framework Act 1998, the LA will require the school to demonstrate that cover relevant to the LA's insurable assets, under a policy arranged by the School Governing Body, is at least as good as the relevant minimum cover determined by the LA.
- 16.1.3 The School Governing Body is responsible for ensuring that all appropriate employees of the school shall be included in suitable fidelity insurance.

### **16.2 Assets**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.2.1 The Head Teacher shall notify the Insurance and Risk Manager promptly in writing of any proposals that will effect insurance arrangements. Any additions, deletions or alterations in the functions of the establishment and any alterations or extensions to the school buildings, that could increase or decrease insurable risk should also be notified in writing. The Insurance and Risk Manager will give advice as appropriate.
- 16.2.2 All overnight cash holdings in safes must in practice be agreed with the Insurance Manager to effect Money Insurance cover, as this is covered internally as a risk rather than with external insurers. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding (as determined by the insurance market) and the agreed amount for the particular location. The overnight limit includes cash, postal orders, cheques and anything negotiable as money.
- 16.2.3 Schools will be advised of maximum levels of cash holdings for insurance purposes.
- 16.2.4 Head Teachers must ensure that the Insurance and Risk Manager is kept informed of any changes to the official departmental safe inventory, whether new safes or replacements.

### **16.3 Off-site assets**

- 16.3.1 Any employee of the school who is authorised to make use of their own vehicle in the execution of the school's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Head Teacher on request evidence of the adequacy of such cover, unless the school's insurance policy specifies otherwise.
- 16.3.2 Schools shall ensure that any item on the asset register taken off-site, are included under the insurance cover arranged either by the school or the LA.

### **16.4 Claims**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.4.1 Head Teachers shall immediately notify the Insurance and Risk Manager and, where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their school except that notification is not required if the value is less than £500 and results from malicious damage. Initial notification may be by telephone. Evidence supporting the claim should be provided in such form as may be required by the Insurance and Risk Manager.
- 16.4.2 In respect of liability claims, *no* comment should be made to any third party and *no* action taken without first consulting with the Insurance Section.
- 16.4.3 Head Teachers are responsible for ensuring that insurance limits are not exceeded in their establishments.

### **16.5 Security**

- 16.5.1 Keys to safes and similar receptacles shall be in the safekeeping of those responsible at all times. The loss of any such keys shall be reported to the Head Teacher immediately
- 16.5.2 Each School Governing Body is responsible for maintaining adequate security at all times for all assets under their control. All monies must be locked away when unattended and lockable cupboards should be used in the absence of a safe.
- 16.5.3 Head Teachers and Governing bodies shall take steps to adhere to any financial systems of check in connection with Fidelity Guarantee Insurance.
- 16.5.4 The Governing Body are responsible for maintaining proper security, at all times, for the buildings and assets under their control

## **16.6 Contractors**

16.6.1 It is the responsibility of the Head Teacher to ensure that any contractors appointed by the school provide details of adequate, continuing public and product liability insurance. Seek advice from the Insurance Manager regarding adequate insurance cover for contractors. Where any contract is arranged via the LA , the responsibility for verifying insurance shall fall to the appointing officer

## **16.7 Risk**

16.7.1 The Governing Body should ensure that a risk management process is maintained for the school.

16.7.2 Head Teachers must:

- ensure that adequate risk management controls are implemented, monitored and reviewed;
- notify the Insurance and Risk Manager immediately of any loss, liability or damage that may lead to a claim against the Council or the school;
- notify the Insurance and Risk Manager of all new risks, properties or vehicles that require insurance and of any alternations affecting existing insurances;
- consult with the Insurance and Risk Manager and the Head of Legal on any terms or any indemnity that the Council is requested to enter into on behalf of the school.

## **16.8 Further Contact**

16.8.1 Full details of information regarding insurance can be obtained from the Insurance and Risk Manager , Finance Department

## **17 INTERNAL AUDIT AND INTERNAL CONTROL**

Contact: **Head of Audit and Assurance**

### **17.1 Definition and Responsibilities**

17.1.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Charter for Bromley's Internal Audit service is included at [Appendix 6](#).

17.1.2 An adequate and effective system of internal audit of the accounting records and control systems of the Authority will be maintained by the Director of Finance, under delegated authority from the Council.

17.1.3 The Accounts and Audit Regulations 2015 require the Authority ("relevant body") to maintain responsibility for internal audit, rather than the Responsible Financial Officer (RFO) designated under section 151 of the Local Government Act 1972. However, Bromley, like many other local authorities, has delegated this responsibility to the Director of Finance.

### **17.2 Access to documents and information for audit**

17.2.1 Upon production of proof of identity and authority, the Head of Audit and Assurance or his representative shall have the right to enter, without prior notice, every School and require any officer, member, teacher or governor:

- (a) to make available all documents of the School which relate to their accounting and other records as appear to the auditor to be necessary for the purpose of the audit, including any information of a confidential nature;
- (b) to supply such explanations and information as are considered necessary for the purpose of the audit; and require any member of staff, Governing Body or agent of the School to account for assets under his/her control.
- (c) to produce cash, stores or any property of the School in their custody.
- (d) the Head of Audit and Assurance or his representative shall be able to enter any Council premises or land, including the premises of Schools receiving delegated budgets from Bromley Local Education Authority;

### **17.3 The Audit Cycle**

17.3.1 The schools audit cycle is based on an assessment of risks. An annual report is provided to the Audit Sub-Committee which includes the schools' audits carried out during the previous year.

### **17.4 Audit Reports**

17.4.1 All audit reports shall be presented by the Head Teacher to the Governing Body for consideration. Where recommendations are accepted, their implementation shall be overseen by the Governing Body. Recommendations may only be rejected where there are valid reasons for doing so, and these reasons have been notified to Internal Audit.

### **17.5 Internal Control**

17.5.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives.

17.5.2 Head Teachers and Governors must ensure that adequate systems of internal control are established, adhered to, tested and reviewed.

## **18 FRAUD & CORRUPTION**

Contact: **Head of Audit and Assurance**

### **18.1 Reporting Irregularities**

18.1.1 Head Teachers and Governing Bodies under the Schools' Raising Concerns ("whistleblowing") procedure shall inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council so that the Director of Finance may, if he considers it appropriate, conduct an independent investigation thereof.

18.1.2 All employees have a responsibility for the security of the School's assets. Any employee or Governor who becomes aware of non-compliance with these Regulations or suspects any irregularity in respect of the Schools' systems and procedures should immediately notify their Head Teacher, normally through their line manager. If for any reason an employee or Governor feels unable to raise their concern through school management, they should do so through a nominated officer referring to the Council's whistleblowing policy as detailed in section 3.7 of these Regulations.

### **18.2 Further Guidance**

18.2.1 Further guidance is contained in the Fraud & Corruption Protocol at [Appendix 7](#).

## **19 INFORMATION SYSTEMS**

Contact: **Information Management / Internal Audit**

### **19.1 Data Protection**

19.1.1 Each School shall ensure that adequate procedures exist to ensure compliance with the Principles of the GDPR and UK DPA Act 2018 in respect of personal data held in computerised and manual information systems. More information on the requirements of the Act can be found at <https://ico.org.uk/>

Each Head Teacher shall nominate a Data Protection Officer

- to inform and advise you and your employees about your obligations to comply with the GDPR and other data protection laws;
- to monitor compliance with the GDPR and other data protection laws, and with your data protection policies, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;
- to advise on, and to monitor, [data protection impact assessments](#);
- to cooperate with the supervisory authority; and
- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

### **19.2 Freedom of Information**

19.2.1 Each School shall comply with the requirements of the Freedom of Information Act 2000.

### **19.3 Safeguarding Information**

19.3.1 Information should be safeguarded and adequate back-up procedures should be followed. Any copies taken off-site should be stored securely.

19.3.2 All employees have a responsibility to ensure that they do not cause the loss, unauthorised destruction or disclosure of personal data in contravention of such Principles.

19.3.3 Each Head Teacher shall be responsible for ensuring that access to computer systems under their responsibility is properly controlled (e.g. appropriate use of, and regular changing of, confidential passwords)

### **19.4 Disaster Recovery Plan**

19.4.1 The Head Teacher shall establish a disaster recovery plan, which considers the recovery of records and data in the event of a serious incident such as a fire. Where possible this plan should be tested to ensure that school business shall continue as far as is possible.

## **19.5 Further Guidance**

### 19.5.1 Contact the Council's Information Management Team



## **20 VOLUNTARY FUNDS**

Contact: **Schools Finance Team**

### **20.1 Standards of Guardianship**

20.1.1 Voluntary funds often provide schools with a substantial additional source of income. Although such funds are not public money, the standards for the guardianship of these needs to be as rigorous as those for the administration of the school's delegated budget. Parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed.

### **20.2 Voluntary Fund Account**

20.2.1 Where a School operates a Voluntary Fund that incorporates a separate bank account, accounts should be drawn up annually, including:

- A Balance Sheet
- Income and Expenditure Statement

20.2.2 Where the voluntary fund is merged into the main school fund, transactions for voluntary funds should be clearly identified.

### **20.3 Audit of Voluntary Fund**

20.3.1 Voluntary fund accounts should be audited by a suitably qualified individual independent of the fund. The auditor should give assurance that the same standards of financial accounting which apply to income and expenditure for the school's delegated budget are applied to the voluntary fund.

20.3.2 The audited accounts and audit certificate should be presented to Governors as soon as possible after the end of the accounting year and their approval minuted.

20.3.3 Internal Audit reserve the right to review the Voluntary Fund if required.

## **21 RETENTION OF DOCUMENTS**

Contact: **Director of Education and Information Management Team**

### **21.1 Secure Retention**

21.1.1 Head Teachers shall be responsible for ensuring that the accounts and supporting records of the school are maintained securely in accordance with proper practices and for the safe custody and proper use of controlled stationery (i.e. having an implicit monetary value) within their establishment.

Head Teachers shall ensure that accounting records are retained in safe custody for such period as shall be determined by the Director of Finance and no voucher or other document shall be destroyed before the specified period has elapsed. The Director has determined that the Financial, Payroll and Pension records should be kept in line with the Information and Records Management Society of the UK "School's Toolkit". Please follow the link below:

[IRMS Schools Toolkit](#)

### **21.2 Disposal of Documents**

21.2.1 Application of a current year +6 year retention for most financial records related to schools is likely to be an adequate minimum retention period, except for loans and grants and contracts under seal where current year + 12 years minimum is required.

21.2.2 The ultimate disposal of financial records should be arranged by each Head Teacher as "confidential waste" and on no account should sensitive information be disposed of through the normal waste collection process.

**APPENDIX 1: SCHOOL FINANCIAL MANAGEMENT - LINE DELEGATION AND ACCOUNTABILITY**

**Governing Body**

Delegated powers for decision-making to:-

FINANCE COMMITTEE  
(Via Terms of Reference)

**Finance Committee**

Budget Approval  
Virement approval over (amount agreed to be input)  
Monthly Monitoring Reports  
Termly reporting to full Governing Body  
Accountability to LA and Parents  
Delegation to HT

**Head Teacher**

Preparation of Draft Budget Report  
Reporting to Governors  
Virement of monies up to (amount agreed to be input)

Weekly Monitoring  
Delegation to Senior Admin Officer  
Monitoring or Expenditure  
Authorising Orders/Invoices  
Ensure up to date inventories are kept of stock and other assets – checked annually  
Ensure compliance with schools Financial Regulations

**Staff who are Named Signatories**

To sign Cheques

**NB Three people to be involved in the whole payment process through from ordering to signing of cheque.**

Finance Officer or Equivalent

See Tasks

**Tasks for the Finance Committee**

To report to the Governing Body termly, in writing

To agree virement over £..... (AMOUNT AGREED BY GOVERNORS TO BE INPUT)

To participate in Budget Setting

To monitor Monthly Budget Reports

To monitor expenditure against Budget and evaluate the outcomes

### **Tasks for the Head Teacher**

Agreeing Budget Share Allocation with LA

Drafting the Budget with Finance Committee

Consulting the Deputy Head re Curriculum Budget, other Post holders and non teaching staff along with SIP priorities

Monitoring of Budget Spending

Approving Invoices for payment

Signing Cheques in the absence of Deputy Head or other signatories

Presentation of Accounts to Finance Committee (Budget Share Account/Voluntary Fund Account)

Ensure that internal financial procedures and systems are followed

Sign off bank reconciliation when completed

### **Tasks for the Deputy Head**

Participation on the Finance Committee

Signing Cheques

Authorising Orders and Invoices in the absence of the Head Teacher

### **Tasks for the Post holders and Site Manager**

Planning, presentation and monitoring of their particular curriculum and/or management budgets

**Tasks for the Finance Officer or Equivalent**

To be responsible for:-

Recording External Income

Reconciling Bank Statement monthly

Banking of all monies

Raising all Orders

Checking receipt of goods

Checking Invoices – preparing for payment

Payment of Invoices

Signing of Cheques

Checking correct coding to Ledger Code and Cost Centre

Control of Petty Cash Accounts

Monitoring of recording procedures

Finance Committee monthly reports

Monthly reports to Budget Holders re spending

Ensuring regular back-up procedures are followed for computerised financial records

Recording income and expenditure for School Voluntary Fund

Preparing and submitting School Voluntary Fund for auditing

Ensuring 'value for money' when ordering

Chasing up outstanding goods

Reporting damaged or faulty goods to suppliers

**APPENDIX 2: REGISTER OF GOVERNORS AND STAFF BUSINESS INTERESTS**

Example

I set out below any business interests (e.g. directorships, partnerships, see overleaf) which could be relevant to goods and services supplied to the school, and have put “none” where I have no such interests.

Governor/Staff Member (please delete accordingly)

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Close family member i.e. Spouse/Partner

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**I declare that I have not knowingly:**

- omitted any information that I ought to declare;
- provided any information that is false.

**Signed:**

---

**Print Name:**

---

—

**Date:**

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—

**Clerk to the Governors:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**BUSINESS INTERESTS**

- 1) We have no set definition of a 'significant interest'. You should consider whether the interest is likely to be regarded as such if it were publicly known. For example, we are not likely to regard £5,000 invested in a major national organisation (eg: Barclays Bank) as significant; whereas £5,000 invested in a smaller company providing local services would be something which you should declare. If in doubt, please tell us.
  - take no part in the consideration or the discussion of the contract or matter,
    - unless the governing body otherwise allow, withdraw from the meeting during such consideration or discussion; and
  - do not vote on any question with respect to the contract or matter.
- 2) A person shall be treated as having an indirect business interest in a contract, proposed contract or other matter within paragraph 1) if:
  - He/she or any nominee of his/hers is a member of a company or other body with which the contract was made or is proposed to be made or which has a direct business interest in the matter under consideration: or
  - He/she is a partner, or is in the employment of, a person with whom the contract was made or is proposed to be made or who has a direct business interest in the matter under consideration.
- 3) A person shall be treated as having a direct or indirect business interest in a contract, proposed contract or other matter, if a relative (including his/her spouse) living with him/her, to his/her knowledge has, or would be treated (under paragraph 2) above) as having such an interest, direct or indirect.

## APPENDIX 3: LATE PAYMENT OF DEBTS

### Background

1. The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2013 provides a statutory right to claim interest on the late payment of commercial debts. Previously, businesses were only able to claim interest on late paid debts if it was included in the contract or if they pursued the debt through the courts and the courts decided to award interest.

### Contracts

2. The legislation gives precedence to contractually agreed provisions. However, the Act contains provisions to prevent parties to a contract “contracting out” of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply the test of “reasonableness” to such terms.

### Definition of key terms

3. *Late payment*: a payment is “late” when it is received after:
  - the expiry of the contractually agreed credit period (whether agreed orally or in writing); or
  - the credit period in accordance with trade custom and practice or in the course of dealing between the parties; or
  - the default credit period defined in the legislation (30 calendar days).
4. *Commercial debt*: the Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

### Size of Debt / Statute of Limitations

5. No minimum level has been set below which a claim for interest cannot be made but claims for interest must be made within six years.

### Credit periods

6. Where no credit period is defined in a contract, or no contract exists, the Act sets a default credit period of 30 (calendar) days from delivery of an undisputed invoice for payment, or delivery of the goods and / or service, whichever is the later.
7. This is also the measure used by the Local Authority for payment of undisputed invoices. Time starts from the date the Local Authority (not the payment section) receives the invoice to the date of:





## APPENDIX 4: ACCOUNTING FOR VAT

Schools (excluding Community non-cheque book schools) are responsible for the administration of VAT relating to their own activities.

It is important that each school understands its responsibilities in this regard. Failure to comply with the requirements of HM Revenue and Customs may result in penalties being imposed on the Authority. In this situation the penalty would have to be met from the school's budget share.

The guidance set out below is intended for general guidance only. For more detailed and definitive advice schools should get further information and VAT advice from Maria Wiles in the Chief Executives Department.

### Income

Debtors' invoices raised by Schools need to meet the same requirements as a full tax invoice received from suppliers (see below under "checking that your invoices are valid") and must also include a "unit price". Unit price applies to countable goods or services, for example an hourly rate for services or price per item for goods. If the supply cannot be broken down into countable elements then the total tax exclusive price will be the unit price. The unit price may not need to be shown at all if it is not normally provided in a particular business area and is not required by the customer.

### Expenditure

The VAT element of expenditure should always be coded out separately.

Checking that your invoices are valid

**HM Revenue & Customs lays down strict rules on what constitutes a valid VAT invoice. You must ensure that the invoices processed by your School meet these requirements in order for the Authority to be able to recover the VAT. Details are as follows:**

Full Tax Invoice - (for all Invoices of more than £250)

A full tax invoice must show the following information:

An identifying number for the invoice

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The customer's (the London Borough of Bromley or its representative e.g. School) name and address

The unit price

The total charge made, excluding VAT

The rate of any discount offered, if applicable

The total VAT payable, shown as a separate amount

Less Detailed Tax Invoice - (for Invoices of £250 or less including VAT)

A less detailed tax invoice (e.g. a till receipt) must still show the following information:

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The total charge made, including VAT

The rate of VAT applicable (not all supplies may be standard rated)

Invoices or reimbursements of less than £25 (including VAT) for the following do not require VAT invoices:

Telephone calls from public or private telephones

Purchases through coin operated machines

Car park charges (on-street parking meters are not subject to VAT)

HM Revenue & Customs will allow recovery of the VAT element as long as the supplier is properly VAT registered. Most of the payments will be staff expenses reimbursed via petty cash and schools are reminded that the VAT element of such payments must be separately allocated.

Errors on Tax Invoices

Where errors have been identified on tax invoices e.g. the VAT has been calculated incorrectly, you must not attempt to correct these or amend the invoice in any way.

The supplier must cancel the invoice, usually by way of a credit note, and re-issue a correct tax invoice.

**Pro Forma Invoices**

Pro forma invoices are sometimes used by suppliers to offer goods or services, which may or may not be taken up by the customer. Pro forma invoices cannot be used as evidence for reclaiming VAT and will normally be marked "THIS IS NOT A VAT INVOICE". Where such payments are made the supplier must issue a proper tax invoice.

**Part Payments on Disputed Invoices**

If a part payment is made on a disputed invoice VAT should be calculated on this amount and added to the payment. The original invoice should be retained and any VAT included in the part payment can be recovered in the normal way as long as it does not exceed the VAT shown on the disputed invoice. Where the disputed invoice subsequently turns out to be incorrect the supplier should be requested to issue a credit note, which bears a reference to the identifying number and date of the invoice. The VAT adjustment on the credit note, plus the VAT element on the original invoice, should then equate to the actual payment of VAT.

**Sub-Contractors Invoices**

Where a contractor to the Council who is not registered for VAT employs a sub-contractor who is registered for VAT, the Council cannot recover VAT included on the sub-contractor's invoices even if these are made out to the London Borough of Bromley. This is because the supply for VAT purposes is between the sub-contractor and the main contractor and not the Council.

## Removal Expenses

Where an employee is reimbursed actual removal expenses the School can reclaim the VAT element of those expenses from HM Revenue & Customs even though the original invoice is made out to the employee. The majority of these reimbursements are made through payroll. When schools submit removal expenses claims for reimbursement would they please ensure that the VAT element is identified so that the payroll section/provider can allocate the VAT separately and that valid VAT invoices accompany all claims.

Where a school makes the payment direct please ensure that the VAT element is separately coded

## Monthly VAT Return

All VAT should be accounted for on a payments and receipts basis. When the VAT return is received at Chief Executives Department it will be consolidated into the Authority's overall return to HM Revenue and Customs. Once this has been done a payment will be made to the school for reimbursement for the VAT submittal.

## Penalties

HMRC may impose penalties for misdeclarations of VAT for whatever reason. The penalty may represent 100% of the amount involved. Where the total of all misdeclarations or errors is £10,000 or less no penalty will be imposed as Customs & Revenue allows these misdeclarations to be included in the next VAT return without any specific reference to the local VAT office. However, if the misdeclaration or error in total exceeds £10,000 Schools should not attempt to correct these but should instead notify Maria Wiles in the Chief Executives Department on extension 7565. Generally, errors can only be corrected in the last four years. These will then be referred on a case-by-case basis to the VAT office in London.

Interest will be charged on misdeclarations of VAT even if no penalty is imposed. However, Schools should be aware that they will be charged with any interest or penalty payments that may be payable to Revenue & Customs.

## Supplies of Goods and Services between Local Authorities

Local Authorities are required to charge VAT on the sale of goods to other Local Authorities in the same way, as VAT is chargeable on sales to other organisations. Please remember to charge VAT on such sales at the standard rate (20%).

Certain services between Local Authorities are also subject to VAT if provided in competition with other organisations. However, VAT should not be charged on any services provided under a statutory obligation as these are deemed to be non-business. If you are in any doubt about the correct VAT treatment you should contact Maria Wiles in the Chief Executives Department on extension 7565.

## Guidance Notes

As you are aware VAT is a very complex area of taxation. If your School wishes to issue further guidance notes to staff it is MOST IMPORTANT that all drafts of guidance are cleared by the Chief Executives Department before being issued. Your

draft can be e-mailed to Maria Wiles who will check your guidance against the latest HMRC advice.

**VAT Registration Number**

The London Borough of Bromley's VAT registration number is "205 5959 54"

**Queries**

Any VAT queries should be referred to Maria Wiles in the Chief Executives Department on extension 7565.

## **APPENDIX 5: PROCEDURE FOR WRITE OFFS**

### **Background**

1. The Authority has a duty to maximise revenue collection. However, circumstances may arise in which amounts due must, for all practical purposes, be deemed un-collectable.
2. The Accounts & Audit Regulations 2015 require that in such circumstances a decision to write-off an amount must be taken with the authority of the “section 151 officer” (i.e. Director of Finance), whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.
3. No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.

### **Bad Debts / Loss of Income**

4. The Director of Finance may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
  - (i) bankruptcy or liquidation (where every effort should be made to minimise the loss);
  - (ii) the company having ceased trading and there being no assets;
  - (iii) the debtor being untraceable or having moved abroad;
  - (iv) court decisions;
5. Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:
  - (i) By the Governing Body, if it does not exceed £1,000 for secondary schools and £500 for primary schools;
  - (ii) by the Director of Finance, or his delegated officer, if over £1,000 not exceeding £5,000;
  - (iii) by the Director of Finance after consulting with the relevant Executive Member if over £5,000 not exceeding £25,000;
  - (iv) by the Director of Finance with the approval of the Executive if exceeding £25,000.

## **APPENDIX 6: INTERNAL AUDIT CHARTER**

### **Purpose**

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve the London Borough of Bromley's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit is a statutory requirement. The Accounts and Audit Regulations 2015 require the Council as a "relevant body" to maintain an "adequate and effective system of internal audit of their accounting records and control systems".

The Public Sector Internal Audit Standards (PSIAS) set down the scope, powers and responsibilities of internal audit functions and internal auditors. Internal Audit supports the Director of Finance in undertaking statutory responsibilities for the proper administration of the Council's financial affairs and for reporting unlawful actions under the Local Government Act 1972 Section 151. The Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service.

### **Authority**

Internal Audit, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full unrestricted access to any and all of the organisation's records, physical properties, assets and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. The Head of Audit and Assurance will also have unrestricted access to the Chief Executive and the Chairman of the Audit Sub-Committee.

To enable the external auditors to discharge their responsibilities, Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised.

### **Responsibility**

The Head of Audit and Assurance provides an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit Sub-Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. To achieve this, Internal Audit has the following objectives:

- ▶ Provision of an independent and objective audit service that effectively meets the Council's needs, adds value, improves controls and helps protect public resources,
- ▶ Assure management that the Council's business is being conducted in accordance with statutory requirement, internal regulations and procedures,
- ▶ To impact on the effectiveness of governance, risk management and internal control of the organisation,

- ▶ Provision of advice and support to management to enable an effective control environment to be maintained,
- ▶ To promote, in conjunction with the Royal Borough of Greenwich, an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud,
- ▶ To investigate, in conjunction with the Royal Borough of Greenwich, allegations of fraud, bribery and corruption,
- ▶ Co-ordinating the National Fraud Initiative (NFI) exercises for the Council,
- ▶ Liaising with and advising the Royal Borough of Greenwich about other proactive exercises to identify fraud,
- ▶ Advising on and carrying out, as required, the investigation of suspected irregularities and advising on the appropriate action to be taken,
- ▶ Provision of relevant training, fraud awareness, audit controls on key findings and risk management.

Sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance.

### Counter fraud

The role of Internal Audit in relation to Counter Fraud is set out in the Anti-Fraud and Corruption Strategy. Internal Audit may assist or lead in the identification and investigation of suspected fraudulent activity in conjunction with its partnership with the Royal Borough of Greenwich Fraud Team. This may include referrals through the Council's Whistleblowing Policy (Raising Concerns), the National Fraud Initiative, or matters identified in the course of audit work. The outcomes of counter fraud work are communicated to the Audit Sub-Committee and senior management where appropriate.

### Risk management

Internal Audit is responsible for co-ordinating risk management work and developing the risk management approach with the Corporate Risk Management Group. These roles, together with authoring risk reports and providing advice, are legitimate roles for Internal Audit so long as safeguards are in place. The Chartered Institute of Internal Auditors' position paper on 'The role of internal audit in Enterprise-wide Risk Management' defines what is considered legitimate. These include:

- Ensuring that overall responsibility for risk management sits with the Corporate Leadership Team, Directors and the Audit Sub-Committee,
- A resource to provide risk management services is made available and reported in the audit plan, agreed by the Audit Sub-Committee,



- Internal Audit do not set the risk appetite for the Council, or take operational responsibility for risk actions and
- Any review or internal audit of the effectiveness of the risk management process will be undertaken independently. This enables independent assurance to be provided to the Audit Sub-Committee.

### Insurance

The Head of Audit and Assurance has line management responsibility for the Insurance service. This is a separate service to the Internal Audit function. Any audit of Insurance will be audited independently and reported to the Director of Finance.

### Advice and consultancy

Internal Audit resources may, occasionally, be better focussed on providing advice and consultancy reviews rather than assurance. Consultancy activities (eg guidance, advice and training) carried out are intended to improve governance, risk management and control processes and add value.

### Management responsibilities

Internal Audit requires the full co-operation of senior management if it is to be effective. In approval of this Charter, the Audit Sub-Committee and the Director of Finance require management to co-operate with Internal Audit in the delivery of their work. This includes, but is not limited to, agreeing the terms of reference for audit assignments, providing access to appropriate records, systems and personnel, responding to draft reports and implementing audit recommendations in line with agreed timescales.

Senior management will also update the Head of Audit and Assurance of significant proposed changes to systems, processes, organisation structures, newly identified significant risks and cases of suspected or detected fraud, impropriety or corruption.

Senior management will also ensure that Internal Audit has sufficient resources to fulfil the Annual Audit Plan agreed by the Audit Sub-Committee.

### **Due Professional Care**

In carrying out our Internal Audit work we are bound by the requirements of:

- UK Public Sector Internal Audit Standards,
- Chartered Institute of Internal Audit's Code of Ethics and
- All Council policies and procedures,
- Bromley's Code of Corporate Governance,
- All relevant legislation,
- Seven Principles of Public Life (Nolan Principles),
- Bromley's Financial Regulations and Contract Procedure Rules.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

### **Independence**

The Head of Audit has free and unfettered access to the following:

- Chief Executive,
- Director of Finance,
- Monitoring Officer (who is the Director of Corporate Services),
- Chairman of the Audit Sub-Committee and
- Chief Officers

Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not compromised in the event of any potential conflicts of interest.

### **Reporting**

The UK Public Sector Internal Audit Standards require the Head of Audit to report at the top of the organisation and this is done in the following ways:

- ▶ The Internal Audit Charter and any amendments to it are reported to the Audit Sub-Committee for formal approval annually,
- ▶ The annual Internal Audit Plan is compiled by the Head of Audit and Assurance taking account of the Council's risk framework and after input from Senior Management. It is then presented to the Audit Sub-Committee for formal approval. The Internal Audit Plan includes timing as well as budget resource requirements for the financial year,
- ▶ The Internal Audit budget is reported to Members and Full Council for approval annually as part of the overall Council budget,
- ▶ The adequacy, or otherwise, of the level of Internal Audit resources (as determined by the Head of Audit and Assurance) and the independence of Internal Audit will be reported annually to the Audit Sub-Committee,
- ▶ Performance against the Internal Audit Plan and any significant risk and control issues arising from audit work are reported to the Audit Sub-Committee periodically. Any significant deviation from the approved Internal Audit Plan will be communicated through this reporting process,
- ▶ Any significant unplanned activity not included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Audit Sub-Committee,
- ▶ Any significant findings from Internal Audit's Quality Assurance and Improvement Programme will be reported to the Audit Sub-Committee.

Management will receive a timely written report at the conclusion of each Internal Audit engagement which:

- will have a short management summary,

- will detail any matters of significance that have arisen with priority one issues highlighted,
- will provide an opinion of the adequacy of controls reviewed with one of four assurance opinions given i.e. substantial, reasonable, limited or no assurance,
- will recommend practical ways in which system weaknesses can be addressed.

The distribution of reports will be set out within the terms of reference issued prior to an audit. In the event of major findings, these are reported to Chief Officers, the Chief Executive and Audit Sub-Committee.

**External Auditors**

Internal Audit will closely liaise with the external auditors to ensure maximum coverage, non duplication of audit coverage, sharing of information and the placement of reliance on Internal Audit work

## APPENDIX 7: FRAUD & CORRUPTION PROTOCOL

### Introduction

This protocol specifies how the Director of Finance and Head Teachers and Governing Bodies should manage alleged cases of fraud or corruption. It clarifies responsibilities for carrying out investigations and advises on action to be taken.

Fraud is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

Corruption is defined as:

The deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

Theft is defined as:

The physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

Money laundering is defined as:

The process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Money Laundering Policy.

Bribery is defined as:

The Bribery Act 2010 introduces four main offences, simplified as the following.

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

All employees have a responsibility for the security of the Schools assets. Any employee who suspects any irregularity should immediately inform their Head Teacher, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, then they should refer to the procedure outlined in section 3.7, Raising Concerns in Schools and seek advice from the Director of Education or Liberata Schools Team in the first instance.

Head Teachers and nominated officers, under the Raising Concerns Procedure, have a responsibility to inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council. The Director of Finance may, if he then considers it appropriate, conduct an independent investigation.

The Council in consultation with school management, will take legal and/or disciplinary action in all cases of fraud or irregularity where it is considered appropriate.

### **Initial Allegation or Suspicion**

Internal Audit and the Head Teacher should be promptly informed of any allegations or suspicions of fraud or irregularity. To facilitate a speedy and appropriate response to any concerns expressed, initial information provided should, where possible, outline the following:

- The nature of the potential or actual loss to the School
- When and how the matter came to light
- Officers and /or other parties alleged to be implicated (names and designations where appropriate)
- “Organisation” structure showing the position and responsibility of the person(s) allegedly involved
- identify those who are aware of the potential fraud/irregularity

Care needs to be taken to ensure that members of staff who may be involved in the suspected irregularity do not become aware of the situation. Staff should not carry out their own investigation prior to notifying Internal Audit as this can affect any subsequent investigation.

Internal Audit will advise if the circumstances demand immediate action to safeguard evidence or to avoid further loss to the School. This may include removing documentation from the site and /or the suspension of employees.

Internal Audit will also advise on whether, and if so when, the Police should be informed. Initial contact with them should be made by Internal Audit. As a general rule the Council can carry out its own investigations regardless of any police involvement.

(Note: there may be instances where it is not possible to contact Internal Audit promptly e.g. weekends or evenings. At such times, for cases of identified theft rather than suspected fraud or irregularity, it is more appropriate for the matter to be reported immediately to the local police station and a crime reference obtained. In these instances Internal Audit, line management and the Insurance Manager should be informed of the details the next working day.)

### **Investigation**

Responsibility for carrying out independent investigations lies with Internal Audit in partnership with the Royal Borough of Greenwich’s Fraud Team. In some cases, however, it may be more appropriate for staff in the relevant School to carry out the investigation with Internal Audit acting in an advisory capacity. The most appropriate approach will be decided by Internal Audit following the initial contact and may be revised during the investigation.

Any investigation should be carried out promptly and thoroughly. To do this staff may need to be interviewed and documentation reviewed. All stages of the investigation should be thoroughly documented. The investigation should involve, as a minimum, the following:

- a clear understanding of the allegation/suspicion
- a review of all relevant documentation. Note that documents may need to be retained during the investigation
- identification and interviews with all appropriate staff/individuals to determine such things as relevant procedures and practices
- consideration of alternative explanations for the situation
- an evaluation of all the evidence
- a conclusion based on the findings

The findings of the investigation could be used during disciplinary or legal action. Consequently care needs to be taken to ensure that evidence is safeguarded and that the investigation is thorough and the conclusions reached are valid. The findings of the investigation should be treated as confidential.

During the investigation it may be necessary for individuals to be interviewed under caution. This should be carried out by suitably qualified staff following Legislation and relevant guidelines.

There will be instances where documentation is taken away by Internal Audit or the investigating officer for safeguarding during the investigation. The originals should be removed rather than copies. These should be kept secure and a statement prepared stating how, when and who removed the documents and where they will be stored. A decision on the removal of documents needs to be made early on in the investigation to avoid the risk of unauthorised removal or tampering.

The Head Teacher and Head of Audit and Assurance should be kept informed of progress during the investigation. This can be done verbally and/or by preparing written progress reports. At the end of the investigation a report should be prepared for the Head Teacher and Head of Audit and Assurance. This should include all the issues listed above together with any other relevant information. This should form the basis of a decision for any further action to be taken.

### **Action**

It is for the Head Teacher to take appropriate action where there is evidence to support instances of fraud or irregularity. The Head of Audit and Assurance should be kept informed of action taken and relevant outcomes. These could include referral to the police, disciplinary action and/or recovery of any amounts involved.

The Head Teacher is also responsible for ensuring that any system weaknesses identified during the investigation are addressed.

The authority has a detailed anti fraud and corruption strategy that sets out Bromley's expectations. It is suggested that Schools make reference to the Anti-Fraud and Corruption Strategy 2019. Further advice is available from the Head of Audit and Assurance.