

## **Cambridgeshire County Council**

### **Financial Regulations for Schools**

**Under Section 151 Local Government Act 1972 and  
Section 114 Local Government Finance Act 1988 and  
Section 48 and 49 School Standards and Framework Act 1998**

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# FINANCIAL REGULATIONS FOR SCHOOLS

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## **1.0 GENERAL CONTEXT**

- 1.1 Under the School Standards and Framework Act 1998 all schools are required to have a set of Financial Regulations. Schools can either draft their own regulations or adopt those contained in this document, but these regulations form the minimum standard, and school's own regulations must be no less rigorous than these.
- 1.2 These regulations are established by law and by the Cambridgeshire County Council's Constitution (Financial and Contract Procedure Rules). They detail the responsibility of Headteachers and Governors in ensuring the proper administration of the Council's financial affairs.
- 1.3 Under Article 13.01 of the Constitution, Cambridgeshire County Council's (thereafter the Local Authority [LA]) Head of Finance (§151) is the Chief Finance Officer designated under Section 151 of the Local Government Act 1972 to be responsible for the proper administration of the LA's financial affairs. He/she is also responsible under Section 114 of the Local Government Finance Act 1988 to report formally any instance of unlawful expenditure (potential or actual) to the authority's members and external auditors.
- 1.4 These Financial Regulations for Schools should be read in conjunction with the Scheme of Financing Schools, the Contract Regulations for Schools and the Corporate Requirements Framework for Schools..

## **2.0 BUDGETARY PROCEDURES**

### **2.1 Budget Allocations**

- 2.1.1 Budget allocations for the following financial year are sent to schools by the Local Authority by 31 March, with the schools budgeting toolkit.
- 2.1.2 This provides schools with a tool for:
- estimating budget allocations for a multi-year period.
  - forecasting demography.
  - estimating staffing costs.
  - building a budget for submission to the LA.
- 2.1.3 Each Governing body (or committee), in consultation with the head teacher, must approve an annual budget. The budgeting toolkit containing the approved budget must be sent to the LA within 6 weeks of receiving the final budget allocation.
- 2.1.4 Budgets only generally change for reasons set out in the formula or in the Scheme for Financing Schools. The 'Guide to Schools Budgets' document sets out in detail all funding factors.

### **2.2 Earmarked Funds**

- 2.2.1 The Local Authority may make devolved allocations to the school for specific activities or responsibilities outside the original budget. These sums will be 'earmarked' for those purposes, and you may not assimilate them into the school's budget share. The LA may require any unspent allocations to revert to us.

## **2.3 Contingency Fund**

- 2.3.1 The LA holds a small amount of funding as a contingency for schools to draw upon if unforeseen/exceptional needs are experienced. Schools wishing to draw upon this funding should write to the LA giving details of the situation and full costs. The details would then be forwarded to the relevant sector head teacher representatives for their opinion and agreement. All claims are subject to a 1% deduction of school ISB.

## **2.4 How Schools Receive their Budget Share**

- 2.4.1 The budget share is credited directly into school bank accounts each month, as per the funding statement using a LA timetable published at the beginning of each financial year (contained within the Corporate Requirements document).

## **3.0 FINANCIAL CONTROL - GENERAL**

- 3.1 The Governing Body must immediately inform the LGSS: Director of Finance of any matters arising, decision or course of action or proposed decision, proposed course of action or entry of an item of account which may give rise to a report under Section 114 of the 1988 Act (see Regulation 1.3 above).
- 3.2 The Governing Body shall ensure that the Scheme for Financing Schools, Financial Regulations & Contract Regulations are observed throughout the school.
- 3.3 The Governing Body shall:
- (a) ensure that the allocation of resources promotes the aims and values of the school, as per the School Development Plan.
  - (b) safeguard the spending of public money from waste or misuse.
  - (c) comply with any statutory obligations or requirements of the Local Authority in the management of school finances.
  - (d) annually set a balanced budget, and where this is not possible to apply to the Local Authority for a licensed deficit budget, including submitting a recovery plan. The Local Authority cannot write off a school deficit.
- 3.4 The Governing Body is responsible for the control of staff and the security, custody and control of all other resources including plant, buildings (except

where they are the responsibility of the Head of Property and Procurement), materials, cash and stores appertaining to the school.

- 3.5 The Governing Body is responsible for the overall finances of the school. Day to day financial and management responsibilities must be aligned so that head teachers are responsible for the financial consequences of their decisions. Budgets must be assigned to one authorised budget holder only.

#### **4.0 FINANCIAL SYSTEMS / RECORDS**

- 4.1 The LGSS: Director of Finance is responsible for the operation of the LA's accounting system, the form of accounts and the supporting financial records.

- 4.2 All schools are required to keep a commitment accounting system. This must be a locally held system. The LA supports SIMS FMS, however schools can choose a different system as long as it meets Corporate requirements. Schools are required to maintain suitable back-up arrangements for the local system.

- 4.3 The E-Business Suite (LA's main finance system) shall be the prime system upon which final assessments of financial performance shall be made in conjunction with the school's approved financial statements and Consistent Financial Reporting Return.

- 4.4 Schools must submit financial returns in accordance with required reporting procedures such as corporate requirements and closedown documents published annually The LA may request additional reports or a change in reporting pattern as a result of concerns with a school or a number of schools.

- 4.5 All documents, invoices, etc, pertaining to transactions on local accounting systems must be retained in accordance with the requirements set out in Appendix A (Retention of Financial Records).

#### **5.0 BANKING AND CASH MANAGEMENT**

- 5.1 The LGSS: Director of Finance has delegated responsibilities for the Treasury Management function (management of debt and the borrowing and investment of money) and arranging and operating the Local Authority's banking facilities. This means that no other officers (Head teachers or Governors) are empowered to open any kind of bank account, to invest or borrow any money, or to enter into any credit arrangement. The exception on bank accounts is where schools are given permission to open accounts in accordance with the Local Authority's Scheme of Financial Management for Schools.

- 5.2 The LGSS: Director of Finance will approve a Scheme of Operation for maintaining all of the LA's bank accounts.

- 5.3 Schools must use a local bank account. Schools can choose to bank using a sub-account of the LA's bank or with any other approved bank.
- 5.4 Schools must comply with the reporting and operating requirements specified by Schools Finance, details of which can be found in the *Bank Account School Information Pack and Corporate Requirements document*. If, in the judgement of the Head of Finance (§151), a school fails to carry out the processes and requirements of running a bank account or reporting satisfactorily, ultimately a Notice of Concern may be issued, or in extreme cases withdrawal of the delegated budget as per the Scheme for Financing Schools.

## **6.0 FINANCIAL CONTROL - CAPITAL**

- 6.1 Authority for expenditure of devolved capital funding is conferred on the Governing Body insofar as it relates to a project identified within the capital programme as agreed by the LA (normally via the School Asset Management Plan).
- 6.2 Schools are not permitted to undertake a capital project (a project costing over £20,000 to acquire or provide land, buildings or ICT hardware) without notifying the Executive Director (CFAS), and schools have no power to borrow externally to meet capital expenditure requirements.
- 6.3 The levels of authority within schools for capital expenditure shall be those defined in the school's own financial regulations, but in any event the levels shall be no greater than those specified in the Contract Regulations for Schools (Regulation 2 - Delegation of Responsibilities).

## **7.0 FINANCIAL CONTROL - REVENUE**

- 7.1 Authority for expenditure of delegated revenue funding is conferred on the Governing Body insofar as it relates to spending for the purpose of the school as outlined in the Scheme for Financing Schools or additional purposes as prescribed by the Secretary of State under Section 49.
- 7.2 Schools are able to use some of their budget share to meet the cost of capital expenditure on their premises. This is known as 'capitalising revenue' where revenue is transferred to capital. In all cases where revenue is to be capitalised, schools must ensure:
- a) That using revenue will not cause a revenue deficit in the next two years;
  - b) That all available capital funds have already been exhausted;

If the expected capital expenditure from the budget share in any one-year will exceed £20,000 the governing body must notify the Executive Director

(CFAS) and must take into account any advice from the Director as to the merits of the proposed expenditure. If the premises are owned by the LA, or the school has voluntary controlled status, the governing body must seek the consent of the LA to the proposed works. The consent of the LA would only be withheld if there were grounds in respect to Health and Safety.

- 7.3 The Governing Body may choose to delegate responsibility for some levels of expenditure, as defined in the school's own financial regulations, but these levels shall be no greater than those specified in the Contract Regulations for Schools (Regulation 2 - Delegation of Responsibilities).
- 7.4 Schools may vire money from one budget heading to another within their delegated budget, but not at the expense of statutory duties. The Governing Body should decide the appropriate levels of delegated responsibility to the Headteacher for virements. This should be recorded either in the schools financial regulations or in Governing Body minutes.  
No virement responsibility levels are specified in the Scheme, other than the overall limit of the delegated budget.
- 7.5 Schools are required to maintain up-to-date budgets and profiles for BCR reporting each month. When additional funding is received schools should adjust the budget and profiles to reflect the increase.
- 7.6 Schools are not permitted to obtain any loan or finance lease, other than that provided by the LA, without the permission of the Secretary of State. Schools can enter into operating leases where over the period of the lease the school pays 90% of the cost of the equipment and ownership does not automatically transfer to the school at the end of the agreement.

## **8.0 VOLUNTARY & NON PUBLIC FUNDS AND TRADING ACCOUNTS**

- 8.1 Voluntary funds must be accounted for separately from the public funding and audited annually by an auditor who is completely independent of the school or an Independent Assessor. A copy of the auditor's certificate must be sent to Schools Finance.
- 8.2 It is recommended that where the voluntary fund exceeds £20,000 the annual audit should be carried out by someone with a formal accountancy / audit qualification.
- 8.3 Any voluntary fund with an income or expenditure greater than £5,000 must be registered with the Charity Commission.
- 8.4 Any voluntary fund with a taxable income or expenditure greater than the limit specified by HM Customs and Excise (currently £79,000) must be registered for VAT.
- 8.5 A copy of the annual accounts of any trading units controlled by the school must be sent to Schools Finance.

## **9.0 PROMPT PAYMENT OF INVOICES**

- 9.1 Under the Late Payments of Commercial Debt (Interest) Act 1998, interest may be payable to suppliers where invoices are not paid within 30 days of receipt or as specified in the contract terms. Schools are responsible for date stamping invoices upon receipt and ensuring prompt payment of their invoices. Any charges incurred as a result of the school delaying payment shall be borne by the school.
- 9.2 Construction Industry Tax Scheme (CIS) reporting - where a contract is between the school/governing body and a subcontractor (i.e. not with the Local Authority) CIS reporting is not required. This means that schools can pay the subcontractor direct and do not have to report these invoices via the Tax Officer. Where there are major capital works the contract is usually (but not in all cases) between the subcontractor and the Local Authority. Where this is the case invoices are paid by the Local Authority and will be reported for CIS purposes.

## **10.0 DEBT MANAGEMENT**

- 10.1 Income / debt should ideally be managed and collected in accordance with procedures set by the Head of Finance (§151) , in consultation with Directorate Management Teams (see Appendix B – Debt Management Escalation Protocol).
- 10.2 The Governing Body is responsible for the collection of income and the management of debt relating to the school, and must adopt any procedures and targets set by the LA for the reduction of outstanding debt.
- 10.3 All schools should have an escalation procedure to ensure effective debt management, similar to that shown in Appendix B.
- 10.4 The Governing Body may write off debts to a limit of £250. For amounts greater than this, approval is required from the Head of Finance (§151).
- 10.5 When there are disputes relating to debts internal to the LA, these shall be resolved by the Head of Finance (§151) and the LGSS Director of Law, Property & Governance, after the debt has been outstanding for more than six months.

## **11.0 AUDIT**

- 11.1 Under the Scheme of Delegation, the Head of Audit & Risk Management shall:
- (a) maintain an adequate and effective internal audit of all the activities of the LA.
  - (b) have authority to visit all schools and have a right of access at all times to such documents, other records, computer systems, and LA



property as appear to him/her necessary for the purpose of the audit.

- (c) be entitled to require from any Governor or school employee such information and explanation as he/she thinks necessary to satisfy himself/herself on any matter.

- 11.2 The Governing Body shall bring immediately to the notice of the Head of Audit and Risk Management any suspected or apparent financial irregularity affecting the School or the Local Authority. If the irregularity is confirmed, the Head of Audit & Risk Management shall be advised.
- 11.3 Internal Audit shall examine arrangements to ensure standards of internal control are adequate.
- 11.4 Attention is drawn to the statutory role of the LA's external auditors (currently PricewaterhouseCoopers), which involves the same rights of access and entitlement as those set out for Internal Audit in Regulation 10.1.

## **12.0 RISK MANAGEMENT & INSURANCE**

### Strategy

- 12.1 The Head of Audit & Risk Management has delegated powers to establish and maintain a systematic strategy, framework and processes for managing risk. Part of the strategy is to identify the risks facing the organisation and analyse what types of protection are required to manage adverse risks.
- 12.2 Effective insurance is one element of that strategy which can be underwritten by insurance policies to give a measure of financial protection against loss.
- 12.3 This strategy does not obviate the need for each Governing Body to manage all forms of business and operational risk in connection with the running of the school and its activities.

### Insurance Programme

- 12.4 The LGSS Director of Law, Property & Governance, in consultation with the, has delegated powers to effect and manage insurance cover for specific risks and decide what is the most appropriate package of internal (self-funded) and external insurance.
- 12.5 Schools have the option of buying into the Local Authority's insurance scheme or buying insurance cover from an external insurer, however **any alternative insurance cover must not be less than that provided by the Local Authority's scheme.**
- 12.6 The Local Authority must be named on all insurance policies.

- 12.7 The LGSS Director of Law, Property & Governance shall keep a register of all insurance policies held and a full record of what property and risks are covered thereby.
- 12.8 A brief statement of the main policies taken out by the Local Authority is given here. Where additional cover is required schools must contact the Insurance Section for advice to avoid duplication of existing insurance arrangements.

Centrally arranged policies are: -

1. fire and associated risks for all buildings which the Local Authority owns, or for which it has accepted legal responsibility by way of a lease or licence.
2. public and employers' liability, including libel and slander, professional indemnity, officials' indemnity and land charges.
3. personal accident cover for risk of assault on employees of the Local Authority and for injury to Local Authority Members and authorised volunteers.
4. motor vehicles - comprehensive cover on all Local Authority vehicles, together with contingent liability cover for use of privately owned vehicles used on official business.
5. pecuniary loss (money, fidelity guarantee and cheques indemnity).
6. costs of reinstatement and recovery of business data and ensuring business continuity protection for ICT infrastructure and systems.

Details of the policy numbers, name of current underwriters or information on the scope of cover or policy terms and conditions are available from the Insurance Section.

- 12.9 The Local Authority insurance does not cover Non Public Funds. The Insurance Section operates a separate insurance scheme for Non Public Funds which schools can purchase.

#### Notification of Changes of Risk

- 12.10 Governing Bodies shall give prompt notification to the Insurance Section of all new risks, property, vehicles and other assets or contractual obligations which require to be insured and alterations that may affect existing insured risks (including closure of buildings, sale of vehicles or disposals of other insured assets).
- 12.11 Where contracts are to be entered into for services to be provided to an external party, the Insurance Section must be consulted on appropriate levels of cover before the terms are agreed. For lettings to casual users, insurance cover can be obtained via the Insurance Section. For lettings to

regular or commercial users, the hirer should obtain their own insurance cover, which should cover legal liability.

- 12.12 Provision of indemnities which may assume legal liability for the actions of another party must not be accepted without full consultation with the Local Authority's legal advisers and if accepted must also be notified to the Insurance Section.
- 12.13 Governing Bodies must formally assess their insurance requirements at least annually. To avoid action that may unintentionally negate existing insurances, Governing Bodies must seek advice from the Insurance Section if additional insurance cover is purchased.
- 12.14 Governing Bodies are responsible for ensuring that all assets are included on inventory records, in accordance with Financial Regulation 20 (Security of Assets) and Appendix C.

#### Reporting of incidents, losses and potential claims

- 12.15 Schools must make a written report of any event, loss, liability or damage which may result in an insurance claim and give full and timely assistance with the conduct of any investigation which may follow. Advice must be sought immediately from the Insurance Section if there is a suspicion that a civil legal action is in prospect.
- 12.16 Civil procedure rules and protocols must be strictly adhered to in order to avoid cost penalties or unnecessary litigation expenses. Employees and other persons must not attempt to negotiate a settlement, give interviews, make statements or offer to pay compensation in any way that may prejudice any civil legal action which may be brought subsequently against the Local Authority.
- 12.17 The same incident may lead to an investigation for an alleged breach of or failure to comply with some part of the Health and Safety at Work Act and the regulations made hereunder.

#### Use of motor vehicles

- 12.18 All staff using their own private vehicles on behalf of the School shall maintain appropriate insurance cover for business use.
- 12.19 Drivers must be authorised to drive School or LA owned or hired vehicles before use. Only drivers who hold the LA Minibus Driving Permit will be authorised to drive a School or LA minibus with passengers. The 'Minibus & Other Passenger Carrying Vehicles' regulations must be followed by schools.

### **13.0 PURCHASING OF GOODS / WORKS / SERVICES**

#### Separation of Duties

- 13.1 The four elements of ordering and invoice processing should, as far as possible, be carried out by separate people, i.e.
- a) order completion, including authorisation.
  - b) checking that goods have been received as ordered, including certifying invoices to show that goods have been received.
  - c) checking off invoices against copy orders for correctness of price and ensuring items have not been previously passed for payment.
  - d) authorising invoices for payment.
- 13.3 In such circumstances where this separation is impractical, as a minimum the person checking that the goods per invoice have been received must not be the person authorising the order and/or certifying the invoice. This must be the exception, and only applied where the full separation of duties as outlined in 13.1 is not possible.

#### Use and Control of Official Stationery

- 13.4 Carbon Copy Order Books should clearly be identified as belonging to the school.
- 13.5 If applicable, blank orders must be held securely, used sequentially, and all orders should be accounted for with any cancelled orders crossed through and retained.
- 13.6 Copy orders must be retained in accordance with Retention of Records and filed in an orderly manner and marked clearly to show items received and paid for.

#### Raising Orders For Goods / Work / Services

- 13.7 All orders must be signed by the appropriate Budget Holder or by a person who is authorised to sign orders on his/her behalf.
- 13.8 Schools are encouraged to use approved Local Authority suppliers for all purchases made. Where no approved supplier can provide the goods/works/services, the Schools Purchasing Advisor should be contacted for advice.
- 13.9 The Contract Regulations for Schools must be followed in respect of all purchases.
- 13.10 Oral (telephone) orders and orders made over the internet must only be made with the prior knowledge and approval of the Budget Holder and should be confirmed immediately afterwards by raising an official order clearly annotated "Confirmatory Order" and signed by the Budget Holder.
- 13.11 The Budget Holder must authorise all orders raised.

13.12 When authorising the order, the Budget Holder is responsible for ensuring that the order:

- (a) is completed properly.
- (b) complies with Financial Regulations, Contract Regulations and EU directives.
- (c) is appropriate for school purposes.
- (d) offers the most favourable terms for price delivery and quality for the school.
- (e) can be covered by the appropriate budget.

#### Payment of Accounts

13.13 Budget Holders and other authorised signatories are given authority by the school to authorise invoices for payment. Each authoriser is required to certify that the payment voucher is correct by signature on a certification slip, prior to being paid.

13.14 A register of specimen signatures of those authorised to pay accounts must be maintained by the school.

13.15 In certifying the invoice, the authoriser is responsible for ensuring that:

- (a) payment is only made where goods or services have been received or carried out and examined as to quantity and quality. (Note: in certain limited circumstances e.g. payment of course fees, payment may be required in advance. In these circumstances, if unavoidable, payment may be made provided proper procedures are introduced that ensure that the goods/services paid for are received and are of sufficient quality and if not a refund obtained).
- (b) the expenditure is lawful (i.e. within the powers of the Local Authority).
- (c) purchases are only made for Local Authority purposes. Staff and any other organisations are not permitted to use Local Authority orders for non-Local Authority purchases.
- (d) the prices, discounts and other allowances are correct, and that all calculations on the invoice (including VAT) are arithmetically correct.
- (e) the expenditure is within budget limits.
- (f) the invoice has not previously been passed for payment.

13.16 Virtually all VAT charged to the Local Authority by suppliers can and must be reclaimed. So VAT must be coded out separately, otherwise schools (and the Local Authority) are bearing an unnecessary cost. For more information or guidance on VAT, contact the Schools Corporate Team (01223 699757).

- 13.17 Copy invoices and invoices that are hand-written or have no VAT registration number should be subject to thorough checks to establish their validity, and checks made to ensure that they have not been previously passed for payment. Statements of account must not be passed for payment.
- 13.18 Proforma invoices should not be used as a substitute for a creditor's proper invoice and, where possible, should be supported by correspondence or such other documentation as may be necessary to establish that payment is due. Where VAT is payable on advance payments, a VAT receipt must be obtained and filed.
- 13.19 All invoices must be paid within 30 days of receipt or within the time limits specified by suppliers. Therefore, all invoices must be date-stamped upon receipt, certified and authorised as per paragraph 13.15, and paid promptly. Any delays could result in the payment of interest charges by the school.
- 13.20 VAT receipts for purchases under £250 only need to have a VAT number. It is acceptable for the school to calculate the VAT, and add a description to the receipt of the type of goods purchased if not already shown.
- 13.21 Advice on whether a payment is lawful can be obtained from Schools Finance or Internal Audit. Any suspicion that a payment is not lawful must be reported to the Head of Audit.

#### **14.0 PERSONAL EMPLOYEE EXPENSES**

- 14.1 Payroll providers have a responsibility to provide the HMRC with details of all benefits in kind provided or expenses reimbursed to its employees, and must ensure that income tax and national insurance contributions are collected on all qualifying expenditure.
- 14.2 Where schools fail to comply with the procedures set out by the HMRC or payroll provider, their own individual budgets will be charged with any tax, national insurance, interest and penalties assessed on the school.
- 14.3 All employee expenses claims must be approved by the claimant's line manager and approved by the appropriate Budget Holder as being correct and in accordance with the requirements of the service.
- 14.4 Staff must not authorise their own claims. Headteachers should get claims authorised by the Chair of Finance, or the deputy head/senior teacher. If the deputy head/senior teacher authorise claims, the Chair of Finance should review the claims on a quarterly basis.
- 14.5 The Budget Holder is responsible for:
- (a) ensuring that payments are only made to bona fide employees who are eligible to receive payments at that time according to current rules laid down by the LA.

- (b) ensuring that payments are in accordance with current rates.
  - (c) making prompt, complete and accurate returns to HR/Payroll providers, of information needed for returns to the HMRC such as cars provided to employees outside the normal lease car scheme, telephones, living accommodation etc., and any other possible taxable benefits.
- 14.6 All claims for reimbursement of expenditure by individuals must be processed through the school's payroll system and not via the school imprest, petty cash or bank account.
- 14.7 Claims must be made using the appropriate claim forms, with supporting receipts where applicable.
- 14.8 Schools can reclaim approximately 1p per mile VAT on mileage claims, if deemed worthwhile. Such claims would need to be put on the VAT submittal, and have petrol receipts for the period with at least the amount of VAT being reclaimed.
- 14.9 Leavers must be notified to the school's HR provider and payroll provider in order to reclaim any repayment of expenses due. Relocation and training expenses can be repayable if the employee leaves within a specified period.

## **15.0 PAYROLL**

- 15.1 The school's payroll provider is responsible for making payment of all salaries, wages, gratuities, compensation and other emoluments to all current and former employees of the school.
- 15.2 The rules for determining whether an individual is treated as an employee or as self-employed for tax purposes are complex, and there are severe penalties for failing to deduct tax where it is due. Budget Holders should refer to their HR or Payroll provider for advice where necessary.
- 15.3 It is the Headteacher's (or other delegated person's) responsibility to ensure that: -
- (a) payments are correct, authorised and accounted for properly
  - (b) payments are made only to bona-fide employees of the school and to valid beneficiaries of the Pension and Compensation Schemes.
  - (c) allowances and deductions are authorised, correct and are properly accounted for and the persons in receipt of allowances are eligible for them.
  - (d) payments are lawful (i.e. within the powers of the Local Authority).
  - (e) payments are within budget.

- 15.4 The Headteacher must ensure that the appointment of all employees is in accordance with the policies of the Governing Body, at the approved grades and rates of pay.
- 15.5 No person may authorise any notification to the payroll provider concerning amendments to his/her own pay.
- 15.6 The school's payroll provider must be notified as soon as possible, in a form acceptable to them, of all matters affecting payroll payments, such as appointments, dismissals, resignations and retirements, or any other change of circumstances affecting remuneration.
- 15.7 The school's payroll provider must be notified of all information to ensure that the correct deductions are made for pensions contributions, Income Tax, National Insurance, sickness and maternity pay, and other miscellaneous deductions.
- 15.8 All documents sent to the school's payroll provider should identify clearly to whom they relate, i.e. by showing the name, payroll reference number and/or job title and place of work.

## **16.0 INCOME**

- 16.1. It is the Budget Holder's responsibility to ensure that procedures for the collection or invoicing of income due are operating such that:
- (a) all income due is identified and accounted for properly.
  - (b) invoices for income due (or credit notes) are raised as soon as the chargeable goods or services are provided.
  - (c) all monies received are brought into account promptly, correctly, accurately and completely.
  - (d) all income collected is held securely, banked promptly and intact.
  - (e) VAT is accounted for correctly. (For further information, see Guidance on Value Added Tax)
- 16.2 All income received must be recorded on the school's prime accounting records.
- 16.3 All monies received must be receipted in a receipt book or otherwise adequately recorded (e.g. dinner register) at the time of receipt. Cash received that is under £10 does not have to be receipted.
- 16.4 Receipts should also be provided for Non Public Fund money.



- 16.5 For remittances where receipts are not always issued (e.g. settlement of debtors invoices) an accounting record (such as a remittance list) must be made immediately on receipt.
- 16.6 Each person responsible for paying money into a bank account must enter onto the copy paying-in slip sufficient information to identify each transaction including the amount of the cheque and a reference (such as receipt number or debtor name) to connect the cheque with the service provided. On the back of each cheque the person should enter sufficient detail to identify the school.
- 16.7 On handing cash over to another person, all employees should ensure that they receive a suitable formal acknowledgement such as a receipt.
- 16.8 To ensure adequate separation of duties within the cash collection and banking process, so far as is possible, different people should undertake the following activities:
- (a) collecting or receiving money.
  - (b) recording and banking receipts.
  - (c) reviewing and reconciling receipts to cash banked.
  - (d) authorisation of debt write offs.
  - (e) custody of saleable stock and materials.
- 16.9 Where the number of staff is not sufficient to allow such separation, as a minimum, the person responsible for reviewing and reconciling receipts to cash banked and/or authorising debt write offs should not be the person responsible for collecting and/or banking receipts. This must be the exception, and only applied where the full separation of duties as outlined in 16.8 is not possible.
- 16.10 Regular reconciliations of amounts collected (per till rolls, receipts etc.) to cash banked as recorded on copy paying-in slips should be carried out, by someone independent of the persons carrying out the receipting, recording and banking of income.

## **17.0 CASH SECURITY**

- 17.1 All persons involved in cash handling have a duty to ensure that practice and procedures properly safeguard cash holdings in their possession, **but not at any risk to their own person.**
- 17.2 Headteachers must ensure that written procedures exist covering the aspects of cash security covered below, and what action staff are to take in emergencies, e.g. attempted theft; fire alarms etc.

17.3 Headteachers must ensure that adequate arrangements are made to safeguard monies pending banking and within insurance levels. Such arrangements include:

- (a) use of locked cashboxes held in a safe or locked drawer or cabinet.
- (b) restricted access to the keys for the above.
- (c) locking cash away when unattended.
- (d) not counting cash or accessing the safe etc. in view of visitors and members of the public.
- (e) where large amounts are collected, considering the physical security of the cashier's office (e.g. access arrangements to the cashiers area; screens; alarm systems etc).

17.4 Headteachers must ensure that banking arrangements minimise monies held, do not exceed insurance levels and minimise the risk to staff undertaking the bankings. Such arrangements include:

- (a) measures to minimise actual cash (e.g. use of cheques and debit/credit cards).
- (b) regular bankings, at least weekly and daily whenever cash exceeds £5,000.
- (c) use of night safe facilities when banks are not open.
- (d) varying the timing and route of visits to the bank, and the staff undertaking the bankings.
- (e) not utilising conspicuous bags etc. to transport monies.
- (f) use of security services for cash sums in excess of £5,000.
- (g) Headteachers must not allow levels of cash held to exceed the maximum permitted limits (£5,000) set under the insurance policy for monies held in a safe during working hours and overnight.

## **18.0 PETTY CASH**

18.1 Petty cash can be held within the school providing that there are suitable arrangements in place for safeguarding the cash and that it is recorded using the school's financial system.

### Inappropriate Expenditure

18.2 The following expenditure must not be made through Petty Cash:-

- (a) payment of salaries or wages to staff or payments which could be considered as such by the Inland Revenue e.g. honoraria.
- (b) payment of any expenses to employees.
- (c) payment for items which can be acquired using a Procurement Card (see Government Procurement Card Procedures Guide).

#### Supporting Documentation

- 18.3 Claims must be supported by adequate documentation to support the expenditure incurred. This should demonstrate that the expenditure is bona-fide, lawful and in accordance with the requirements of the service. The documentation should record:
- (a) the reason for/details of the expenditure.
  - (b) date expenditure was incurred.
  - (c) amount of expenditure.
  - (d) signature of person incurring the expenditure.
  - (e) where expenditure incurred is large (over £30), a second member of staff must sign the supporting documentation.
- 18.4 Wherever possible the supporting documentation must be a VAT invoice/receipt to enable the VAT element to be reclaimed. Failure to obtain such a voucher means that the school budget will have to bear the VAT element of any expenditure.

#### Separation of Duties

- 18.5 There must be a separation of duties between the persons operating the petty cash system and reconciling it.
- 18.6 The person operating the petty cash must not be a cheque signatory.
- 18.7 An independent person should:
- (a) checking that the documentation supporting petty cash is complete and satisfactory.
  - (b) checking that the petty cash reconciliation statement is correct both in principle and arithmetically.
  - (c) physically checking the figures in the reconciliation statement.
  - (d) count the cash in hand, and ensure it agrees to the amount entered within the records.

### Petty Cash Levels

- 18.8 The level of cash held should be a maximum of £200 for Primary Schools.
- 18.9 Special and Secondary school cash limits will be reviewed annually to ensure they are set at an appropriate level.

### **19.0 GOVERNMENT PROCUREMENT CARDS**

- 19.1 Schools are able to use the LA's government procurement card scheme. See policy for further details.
- 19.2 Each procurement card is assigned to an individual cardholder who has personal responsibility for its proper operation, in accordance with this Regulation. Procurement cards must not be used for private use.
- 19.3 The Headteacher is responsible for ensuring that all staff assigned a Procurement card are operating procedures such that:
- (a) cards are safeguarded from theft and misuse.
  - (b) expenditure incurred through the use of procurement cards is bona-fide, lawful and in accordance with the requirements of the service.
  - (c) expenditure is within budget limits.

### **20.0 STOCKS AND STORES**

- 20.1 The school will hold stocks and stores of some items needed on a day-to-day basis.
- 20.2 The Headteacher is responsible for ensuring that adequate procedures and financial controls are in place to ensure the appropriate use of these assets, such that:
- (a) records and procedures are sufficient to identify transactions and the volume and value of all usable stocks/stores held.
  - (b) stocks and stores are properly secured.
  - (c) best value is obtained in the provision of stocks and stores.

### Best Value

- 20.3 In general, stocks/stores should be maintained at minimum levels consistent with operational requirements.

- 20.4 Order quantities should be calculated to obtain economies in purchasing consistent with minimising investments in stocks.
- 20.5 Where stocks have a limited shelf life or are liable to obsolescence, stores should be used on a first in first out basis.
- 20.6 Disposal of surplus or obsolete stocks/stores must be undertaken in accordance with the Contract Regulations for Schools.

## **21.0 SECURITY OF ASSETS**

- 21.1 This Regulation applies to all assets (owned or leased), which cost more than £500 and to all portable and attractive items owned by the Local Authority or the school.
- 21.2 Headteachers are responsible for ensuring that:-
- (a) proper security is maintained at all times for all buildings, furniture, plant, equipment, vehicles, stores, stocks, cash etc. under their control. They should also aim to achieve maximum utilisation of such assets in the provision of services.
  - (b) appropriate inventory records are maintained, in accordance with the instructions in Appendix C.
  - (c) surplus or obsolete materials, stores or equipment are disposed of in accordance with the Contract Regulations for Schools.
- 21.3 Inventory records should be maintained using an Inventory Book, or by alternative electronic means.
- 21.4 Registers of key holders for buildings, safes etc. should be maintained. Keys should be issued to as few people as possible.
- 21.5 The Head of Property and Procurement shall maintain a register of all properties held by the Authority, showing the purpose for which the property is held, the location, extent and plan reference, purchase details and the nature of the interest.
- 21.6 The Head of Legal Services shall arrange for the safe custody of title deeds in respect of land and properties.

## **22.0 INFORMATION SYSTEMS SECURITY**

- 22.1 Ensuring the integrity, availability and confidentiality of data is an important matter and is subject to a number of legal acts (e.g. Computer Misuse Act 1990, Data Protection Act 1998, Copyright Designs and Patent Act 1988). The Local Authority's Information Systems Security Policy must be followed.

## **23.0 FRAUD AND CORRUPTION**

23.1 The Local Authority is committed to the elimination of fraud and corruption and is determined to protect itself from such unlawful activities, whether they are attempted from within or by an outside individual, group or organisation. The Local Authority's Anti-Fraud & Corruption Policy must be followed.

## **24.0 AUDIT REPORTING AND ESCALATION PROTOCOL**

24.1 Audit Managers are responsible for both ensuring the issue of audit reports within a maximum of 4 weeks of completion of fieldwork and ensuring a satisfactory response is received. Written responses should normally be made within 4 weeks of issue. Reminders are issued after 4 weeks.

24.2 Where material recommendations are not accepted or no response is received, after a further week the Audit Manager will discuss with the auditee and, if still no acceptance or response, will report to the Service Director: Strategy and Commissioning (CFAS).

24.3 If a satisfactory response is not received after referral at 24.2 above, the Audit Manager reports to the Head of Audit & Risk Management who decides on further action. (This may involve reporting to the LGSS Director of Law, Property & Governance and/or Service Director with recommendations for further action).

24.4 Reports outstanding for more than 2 months will be reported to the Policy Scrutiny and Audit Committee.

24.5 Timescales will be accelerated where there is significant risk of material loss or error or where particularly sensitive or contentious issues are involved.

24.6 Audit Managers are responsible for bringing to the attention of the Head of Audit, significant audit findings and sensitive or contentious issues.

24.7 The Head of Audit & Risk Management briefs the Head of Finance (§151) monthly on audit issues and findings. The Head of Audit is responsible for deciding on those issues sufficiently important to bring to the Head of Finance (§151) attention between these meetings.

24.8 The Head of Audit & Risk Management is responsible for identifying and reporting major issues to Chief Executive.

24.9 A quarterly 'audit issues' report is presented to the Audit & Accounts Committee.

24.10 Follow-up audits have been introduced to ensure proper implementation of audit recommendations where major weaknesses in systems have been identified.

## **Appendix A - Retention of Financial Records**

It is important that records (computerised or manual) are carefully retained and systematically filed as they are required for inspection by a number of agencies such as Internal Audit, the District Auditor, Contributions Agency, Inland Revenue, Customs and Excise officials, etc.

The required MINIMUM period for the retention of financial records is CURRENT FINANCIAL YEAR PLUS THE THREE PREVIOUS FINANCIAL YEARS. This applies to Receipts, Till Rolls, Invoices, Copy Orders, Audit Trails, School Meals and Non Public Fund Records and Procurement Card transaction logs.

The advised periods for the retention of other financial records are detailed below:

### **Accounts etc**

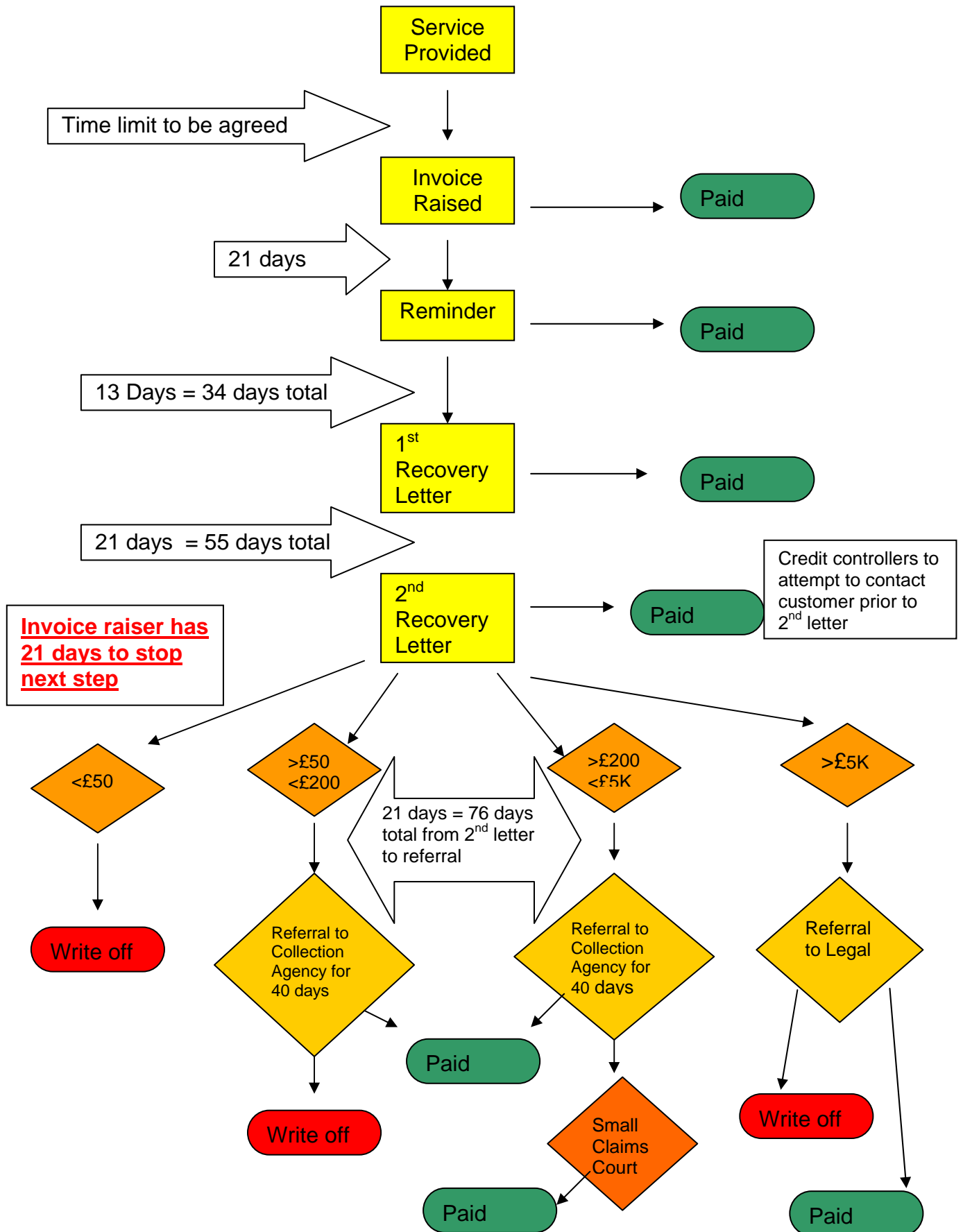
	<b><u>Period of Retention</u></b>
Sales Contracts	6 years after agreement ends
Purchasing Contracts	6 years after agreement ends
Stock Inventories	10 years
Published Accounts	Permanently
Taxation Returns	Permanently
External Audit Reports	Permanently
Cheques	6 years
Bank Statements	6 years
Cash Statements	6 years
Deeds of Covenant	12 years after final payment
Primary Salaries & Wages Records	7 years
Expense Accounts	7 years
Pension Scheme Records	Permanently

### **General**

Insurance Policies (Excluding Liability)	6 years after lapse
Liability Insurance Policies	Permanently / Indefinitely
Insurance Claims	6 years after settlement
Insurance Schedules	10 years
School Minutes	Permanently



## Appendix B – Debt Escalation Protocol



## **Appendix C - Inventory Instructions**

### **1. PURPOSE**

- 1.1 To provide instructions on how inventories must be maintained.
- 1.2 Internal Audit must be consulted prior to computerising the inventory.

### **2. INVENTORY RECORDS**

- 2.1 The inventory must include all individual items of value exceeding £500. However it is recommended that items of lesser value should be included if they are portable. Furniture need not be included unless it is considered unique or particularly valuable.
- 2.2 Serial numbers of equipment must be noted as this information may be very useful to the police if items are stolen. Security marking should be used to record the name of the establishment and its postcode. (Items on loan from other establishments etc. should not be marked).
- 2.3 Headteachers must ensure that the register is kept up to date. Systems therefore should ensure that the person responsible for the inventory is kept fully informed of purchases, loans, write-offs etc.
- 2.4 Proper procedures must be established for loans of equipment, including authorisation policy, specification of finite periods of loan and written acknowledgement of loan. Loans out and items borrowed must be recorded in the sections provided at the back of the inventory book.
- 2.5 The Headteacher must sign the inventory book to authorise write-offs, transfers and sales.
- 2.6 Headteachers must ensure that inventories are checked at least annually. The existence of items loaned out, and those held on loan should also be checked. The annual check should be undertaken by someone other than the person responsible for the equipment on the inventory. The check must be documented as specified in the inventory book.
- 2.7 Where the Headteacher is responsible for several establishments or offices, each with their own inventory, a master list of inventories held should be maintained.

- 2.8 Surplus, obsolete or unserviceable equipment must first be offered to other establishments or departments. If it is not required by other parts of the Local Authority, it should be sold at the best price available, in accordance with the Contract Regulations for Schools. The agreed price must be paid before removal of the item.
- 2.9 Where computers are to be disposed of, IT advice must be sought in view of the implications for software licenses and data security.
- 2.10 A copy of the inventory must also be kept off-site.

## **Appendix D - Contacts**

In case of any query on Financial Regulations, please use contact list below.

### **Schools Finance**

Phone: 01223 699724  
E-mail: Bank.account@cambridgeshire.gov.uk

### **Internal Audit**

Phone: 01223 699131  
E-mail: internalaudit@cambridgeshire.gov.uk

### **Purchasing, including Contract Regulations**

Phone: 01223 715946 (Chris Goody)  
E-mail: schools.procurement@cambridgeshire.gov.uk