

Financial Procedure Rules for Schools

Cardiff Council



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FINANCIAL PROCEDURE RULES FOR SCHOOLS

Document Control

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Author	Head of Finance
Owner	Corporate Director Resources, Section 151 Officer
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2018	1.0		Initial document
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EXECUTIVE SUMMARY

Financial Procedure Rules provide the basic framework for the conduct of the Council's affairs. The purpose of these Procedure Rules is to ensure that public accountability and high standards of financial integrity are exercised over the control of public funds. In addition, they assist sound administration, reduce the risk of irregularities and support the delivery of effective, efficient and economic services.

The Financial Procedure Rules for Schools apply to all officers in schools (community, voluntary or foundation). It is the responsibility of all Governing Bodies through their Headteachers to ensure that they are followed and that all appropriate staff in their school are adequately trained in their application. However, this document is relevant to all governors and school staff governors so that they understand their responsibilities and the procedures that must be followed.

This document provides schools with the principal elements of a sound approach to the administration of public monies and set out the main financial requirements of the Council. They state what these are and who is responsible for preparing, authorising and acting on them.

The Governing Body of each school is responsible for:

- a) overseeing the proper management of the financial affairs of the school;
- b) formally approving the annual budget;
- c) the prudent management of the financial affairs of the school (planning, conducting and oversight) in compliance with the overall requirements of Financial Procedure Rules for Schools;
- d) establishing proper arrangements for financial management, accounting procedures and maintaining a sound system of internal control;
- e) providing such information as the Council may reasonably require to enable it to ascertain that the Governing Body is able to fulfil its financial and regulatory obligations;
- e) establishing proper arrangements for the financial management and internal control of any private or voluntary funds held by the school; and
- f) ensuring that funding is used only for the purpose for which it was intended.

The Headteacher of a school is responsible for:

- a) the management of the school's finances at a strategic and operational level;
- b) reviewing and sharing all relevant financial information and reports, as necessary, in order to properly consider, manage, inform and engage the Governing Body and relevant sub-committees of:
 - the financial position of the school, and
 - matters of financial planning, decision-making, monitoring and control; and
- c) the management of effective systems of internal control.

The Council considers the Headteacher to be the person with overall responsibility to the Governing Body for the financial management of the school. The Headteacher should ensure that the Governing Body is provided with proper training, guidance and advice on financial matters and ensure that accounts are prepared in a proper manner as specified by the Council.

Serious failure to comply with these Financial Procedure Rules, or the procedures issued under them, will constitute misconduct.

The Council may make minor amendments to the document which do not alter the substantive content of the rules, such as updating Council officer designations.

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KEY AREAS FOR ATTENTION and MAIN CHANGES

The Financial Procedure Rules for Schools have been updated to reflect changes in legislation and other regulations in recent years, as well as changes to processes such as payment methods. Governing Bodies should officially adopt these Rules and record that agreement in meeting minutes.

The key changes in this version relate to:

- (a) *Payment Card Industry Data Security Standards (PCI DSS)* – a new section has been added within Chapter 5 to set out responsibilities when accepting credit or debit card payments for goods or services (although there are other references to PCI DSS through the document)
- (b) *Purchasing Cards* – a new section has been added to set out controls for this method of purchasing goods and services
- (c) *In year deficit* – provision for in year deficit has been made
- (d) *Insurance* –
- (e) *Taxation* – new and enhanced HMRC requirements have been added, such as for VAT and off-payroll working
- (f) *Role of Headteacher* – this has been clarified in regard to some areas of financial control
- (g) *Glossary* – this has been expanded and updated to reflect the new sections and enhance the definitions in other areas

Guidance documents are available on the Internal Audit pages of the [Education Services](#) website, and any further amendments to these guidance documents will be uploaded here.

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CHAPTER ONE – STATUS

INTRODUCTION

- 1.1 The purpose of the following Financial Procedure Rules for Schools is to ensure that public accountability and high standards of financial integrity are exercised in the control of public funds relating to Schools. The Procedure Rules govern the conduct of the school / Council and its employees in relation to all financial matters. They are introduced both to protect the interests of the school / Council and all those staff who are involved with financial administration.
- 1.2 The Financial Procedure Rules for Schools are drawn up by the Corporate Director Resources, who is the Council's responsible officer for financial administration (as defined below) as Section 151 Officer. They are also the Council's Senior Information Risk Officer (SIRO). They shall be informed if there are any matters arising where a change to the Procedure Rules is considered necessary.
- 1.3 These Procedure Rules will take precedence over the school's own Financial Regulations drawn up by the Governing Body. It is the duty of the Governing Body to ensure that these Procedure Rules are followed and brought to the attention of all staff in their school. Failure to comply with Procedure Rules or the instructions issued under them, will constitute misconduct and may lead to the Scheme of Delegation being withdrawn.
- 1.4 For the purpose of these Procedure Rules, an employee shall mean employee of the Council or one who is employed by the Governing Body of the Voluntary Aided Schools and properties and assets will mean that of the Council.

RESPONSIBILITY OF COUNCIL

- 1.5 The Executive and the Council is responsible for regulating and controlling the finances of the Authority.
- 1.6 The Executive and the Council is also responsible for determining the Scheme of Delegation of Management to the Governing Body of the School ("the Scheme") in accordance with the School Standards and Framework Act (SSAF Act 1998).
- 1.7 The Council has a responsibility to prevent fraud being committed by its employees, elected Members, suppliers and agents. The Criminal Finance Act 2017 imposes a responsibility to have policies and procedures to prevent a UK tax evasions facilitation offence. The offence under the Act is called the Corporate Criminal Offence ("CCO") and is not the committing of a fraud itself but is a "failure to prevent".

RESPONSIBLE OFFICER FOR FINANCIAL ADMINISTRATION

- 1.8 The Corporate Director Resources shall, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Council's financial affairs.
- 1.9 The responsibility of the Corporate Director Resources, under these acts, shall include all aspects of the financial management undertaken by a Governing Body and all powers delegated to Governing Bodies by the SSAF Act 1998.
- 1.10 The Corporate Director Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Governing Bodies and school officers are required to follow.

RESPONSIBILITY OF MANAGEMENT

Governing Body

- 1.11 The Governing Body has a general responsibility for the conduct of the school.
- 1.12 The Governing Body is responsible for ensuring that all staff in the school are aware of the existence and content of these Financial Procedure Rules, and guidance documents issued by the Corporate Director Resources, and that they comply with them. Governing Bodies who fail to observe financial regulations may have the financial scheme withdrawn.
- 1.13 The Governing Body shall draw up its own Financial Regulations for the school.
- 1.14 In practice, and for the Governing Body to operate effectively, it shall delegate authority to a committee or to the Headteacher. In order to delegate authority to a committee, the Governing Body shall establish a "Terms of Reference" for that committee.
- 1.15 In order to delegate authority to the Headteacher, the Governing Body shall draw up its own "Authority List" in which it shall set out such issues as the authority delegated to the Headteacher for authorisation of expenditure and virements. It should also contain the duties and responsibilities of each member of staff with regard to administration and financial operation of the school, including the maintenance of PCI-DSS compliance.
- 1.16 The Financial Regulations and Authority List shall be the subject to at least annual review by the Governing Body and must be kept up to date.
- 1.17 Each year the Governing Body shall determine and approve a budget for the school consistent with the resources available to it.
- 1.18 The Governing Body shall ensure that the expenditure incurred by the school is lawful and compliant and in accordance with the scheme.
- 1.19 The Governing Body shall be responsible for the accountability of staff and the security, custody and control of all resources including plant, buildings, vehicles, materials, cash and stores appertaining to its school in accordance with the procedures agreed with the Corporate Director Resources.
- 1.20 The Governing Body should ensure that there are written descriptions of financial systems and procedures which are kept up to date. All appropriate staff should be trained in their use.
- 1.21 The Governing Body should ensure that any recommendations for improvement in internal controls made following audits are implemented.
- 1.22 The Governing Body shall be responsible for:
- a) the financial administration of its school, in compliance with these Financial Procedure Rules
 - b) the monitoring and control of expenditure against the school's budgets
 - c) carrying out the activities of the school / Council in an orderly, economic and efficient manner
 - d) ensuring adherence to the Council's policies and directives as far as they relate to the school

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- e) safeguarding assets of the school / Council
- f) securing, as far as possible, the completeness and accuracy of records.

1.23 The Governing Body shall:

- a) agree with the Corporate Director Resources (in practice represented in this regard by the Audit Manager) any amendments to financial systems or introduction of new systems
- b) provide all information required by the Corporate Director Resources for financial purposes and to allow them or an authorised representative, access to all information, records, documents and explanations that they require
- c) maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements
- d) establish and maintain sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve compliance, continuous improvement, economy, efficiency and effectiveness
- e) consult with the Corporate Director Resources with respect to any matter which is liable to materially affect the finances of the Council, before any provisional or other commitment is incurred or before reporting thereon to Executive and the Council
- f) take action upon any Internal Audit reports to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
- g) ensure that all staff at the school complete declaration of interests and secondary employment on an annual basis, and update the declarations during the year if circumstances change
- h) approve the school's Charging and Remissions policy for lettings and other income
- i) ensure that all staff who are responsible for the financial administration of the school are issued with appropriate written instructions and provided with training. This will ensure the effective implementation of financial systems and procedures even in the absence of staff
- j) ensure that there is a clear separation of duties within the administration of all financial systems to ensure adequate controls are in place
- k) maintain proper records of authorised signatories for all financial systems and to ensure that only these officers sign key documents such as orders, invoices, claims and payroll records
- l) immediately notify the Corporate Director Resources (in practice represented in this regard by the Audit Manager) whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the school / Council, or any suspected irregularity in the exercise of the functions of the school / Council
- m) liaise with Internal Audit in relation to the investigation of any suspected irregularities within their school, in line with the Council's Counter-Fraud and Corruption Strategy.

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Headteacher

- 1.24 The Headteacher has responsibility for effective governance in the school and for the leadership, direction and day to day management of the school within the educational needs and priorities identified in the School Improvement Plan. The Headteacher should put in place rigorous approaches to identifying, managing and mitigating risk.
- 1.25 The Headteacher should ensure that specific policies are in place to govern staff conduct in relation to declarations of potential conflicts of interest and officers of gifts & hospitality.
- 1.26 The Headteacher should prepare an annual budget for the school for approval by the full Governing Body.
- 1.27 The Headteacher should prepare regular budget monitoring reports to be submitted to the full Governing Body on a termly basis.
- 1.28 The Headteacher should establish, document, oversee and maintain systems, processes and policies that enable the school to operate effectively and efficiently.
- 1.29 The Headteacher should develop and maintain school policies, procedures and rules.
- 1.30 The Headteacher should receive audit reports and ensure that the recommendations are implemented.
- 1.31 The Headteacher should prioritise and allocate financial resources appropriately, ensuring efficiency, effectiveness and probity in the use of public funds and unofficial / voluntary funds.
- 1.32 The Headteacher will manage and maintain adequate records for unofficial and voluntary funds and will arrange for annual audited accounts to be submitted to the full Governing Body for its approval.
- 1.33 The Headteacher should ensure that there is an adequate division of duties to minimise the opportunity for a single member of staff to control all aspects of a specific process, and that financial control is maintained in the absence of key staff by training or by arranging for staff to shadow each other's duties from time to time.

School Business Manager / Finance Officer

- 1.34 The School Business Manager / Finance Officer will, under the direction of the Headteacher:
 - (a) update / maintain the school's financial systems
 - (b) monitor spending against budget and report variances
 - (c) produce financial reports as requested by the Headteacher

CHAPTER TWO – FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

- 2.1 All governors and staff have a duty to abide by the highest standards of probity in dealing with financial issues. This duty is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards and compliance requirements are met.

Key controls

- 2.2 The key controls and control objectives for financial management standards are:
- (a) a monitoring system to review compliance with financial standards with reports to the Governing Body
 - (b) their promotion throughout the school.

Responsibilities of the Governing Body

- 2.3 To promote the financial management standards set by the Corporate Director Resources in its school and to monitor adherence to the regulations, standards and practices, liaising as necessary with the Corporate Director Resources.
- 2.4 To promote sound financial practices in relation to the standards, performance and development of staff in its school.
- 2.5 To ensure that the Headteacher and members of the full Governing Body are sufficiently trained with regard to financial matters.

Responsibilities of the Headteacher

- 2.6 To monitor, review and provide assurance to the Governing Body on financial management.
- 2.7 To provide the full Governing Body or Finance Committee (with a report to the full Governing Body for information) with financial reports on at least a termly basis.
- 2.8 To ensure that members of staff are sufficiently trained with regard to financial matters.
- 2.9 To establish processes, procedures and policies to provide assurance to the Governing Body.

Responsibilities of the Corporate Director Resources

- 2.10 To ensure the proper administration of the financial affairs.
- 2.11 To set the financial management standards and to monitor compliance with them.
- 2.12 To advise on the key strategic controls necessary to secure sound financial management.
- 2.13 To ensure that financial information is available to enable accurate and timely monitoring reports.

MANAGING EXPENDITURE

Accounting Policies

Why is this important?

- 2.14 The Corporate Director Resources is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (CIPFA/LASAAC), for each financial year ending 31st March.
- 2.15 The Corporate Director Resources is responsible for the preparation of statements of accounts relating to Schools.

Key controls

- 2.16 The key controls for accounting policies are:
- (a) systems of internal control are in place that ensure that financial transactions are lawful
 - (b) suitable accounting policies are selected and applied consistently
 - (c) proper accounting records are maintained
 - (d) financial statements are prepared which present fairly the financial position of the Council and Schools and their expenditure and income.

Responsibilities of the Governing Body

- 2.17 To adhere to the accounting policies and guidelines approved by the Corporate Director Resources.

Responsibilities of the Headteacher

- 2.18 To develop procedures and policies on financial management.
- 2.19 To monitor the finances of the school and to report regularly to the full Governing Body on the school's financial position.

Accounting Records and Returns

Why is this important?

- 2.20 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.
- 2.21 The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit by a body appointed by the Auditor General for Wales. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Key controls

- 2.22 The key controls for accounting records and returns are:

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- (a) the Governing Body and staff operate within the required accounting standards and timetables
- (b) all school transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Governing Body

- 2.23 To consult and obtain the approval of the Corporate Director Resources before making any changes to accounting records and procedures.
- 2.24 To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the school and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.25 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 2.26 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Corporate Director Resources.
- 2.27 To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

Responsibilities of the Headteacher

- 2.28 To provide accurate and timely information to the Governing Body on financial matters.

Responsibilities of the Corporate Director Resources

- 2.29 To recommend the accounting procedures and records for schools.
- 2.30 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2015 (as amended).
- 2.31 To prepare and publish the audited accounts of the Council and schools for each financial year, in accordance with the statutory timetable and with the requirement for the Executive to approve the statement of accounts before the statutory deadline.
- 2.32 To determine the retention period of financial records where there are no requirements prescribed by statutory or other external regulations.

CHAPTER THREE – FINANCIAL PLANNING

BUDGETING

Format of the budget

Why is this important?

- 3.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.
- 3.2 The Governing Body shall only spend the delegated budget share for the purpose of the school.

Key controls

- 3.3 The key controls for the budget format are:
- (a) the format complies with all legal requirements
 - (b) the format reflects the accountabilities of service delivery.

Responsibilities of the Governing Body – all schools

- 3.4 To comply with accounting guidance provided by the Corporate Director Resources.
- 3.5 To determine a Budget for the school consistent with the resources available to it and notify the Corporate Director Resources by 15th May of its proposed budget allocation in a prescribed format.
- 3.6 In exceptional circumstances when there is a need to set a deficit budget, to obtain prior approval from both the Director of Education and the Corporate Director Resources and they should be managed in accordance with the Protocol for Dealing with Schools with Deficit Budgets. Any over or under spending of the delegated budget shall be carried forward into the following financial year.
- 3.7 To ensure that excessive surpluses are not accumulated and follow the conditions as set out in the Scheme for Financing Schools.

Additional responsibilities of the Governing Body – schools that manage their own bank accounts

- 3.8 To submit an annual cash flow forecast in a prescribed format by 15th May.

Responsibilities of the Headteacher – all schools

- 3.9 To develop and retain working papers relating to the preparation of the budget.
- 3.10 (*where there is a need to set a deficit budget*) To liaise with the Governing Body regarding the budget plan.

Additional responsibilities of the Headteacher – schools that manage their own bank accounts

- 3.11 To develop the annual cash flow forecast for discussion with the full Governing Body and to monitor and update it during the financial year.

Responsibilities of the Corporate Director Resources

- 3.12 To advise the Governing Body on the format of the budget that is approved by the County Council.
- 3.13 To notify the Governing Body of the resources available to the school by 1st March each year.

BUDGET MONITORING AND CONTROL

Why is this important?

- 3.14 Budget management ensures that once the budget has been approved by the Governing Body, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Governing Body to review and adjust its budget targets during the financial year.
- 3.15 By continuously identifying and explaining variances against budgetary targets, the Governing Body can identify changes in resource requirements at the earliest opportunity. The Governing Body must also be mindful of the action to be taken if it becomes apparent that there will be an in-year deficit for which the school does not have a licensed deficit agreement.

Key controls

- 3.16 The key controls for managing and controlling the budget are:
- (a) Governing Body accepts accountability for the school budget and the level of service to be delivered and governors understand their financial responsibilities
 - (b) Governing Body follows an approved certification process for all expenditure
 - (c) income and expenditure are properly recorded and accounted for
 - (d) performance levels / levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of the Governing Body

- 3.17 To maintain budgetary control and to ensure that all income and expenditure are properly recorded and accounted for.
- 3.18 To ensure that spending remains within the school's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 3.19 To prepare and submit reports to the Corporate Director Resources if problems are identified.
- 3.20 To ensure compliance with the scheme of virement.
- 3.21 To inform the Corporate Director Resources and Director of Education promptly if it becomes apparent that there will be an unlicensed in-year deficit in order to convene the licensed deficit process.

Responsibilities of the Headteacher

- 3.22 To ensure that accurate information on the school's financial position is provided regularly to the full Governing Body.

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- 3.23 To liaise with the Governing Body promptly if it becomes apparent that there will be an unlicensed in-year deficit in order to convene the licensed deficit process.

Additional responsibilities of the Headteacher – schools that manage their own bank accounts

- 3.24 To ensure that the school's bank account is reconciled regularly and at least on a monthly basis.

Responsibilities of the Corporate Director Resources

- 3.25 To advise the Governing Body on an appropriate framework of budget monitoring and control to ensure:
- (a) the availability of timely information on receipts and payments on each budget
 - (b) expenditure is committed only against an approved budget head
 - (c) those responsible for committing expenditure comply with relevant guidance
 - (d) significant variances from approved budgets are investigated and reported regularly.
- 3.26 To liaise with the Director of Education if notified of a school having an in year deficit so that the licensed deficit process can be undertaken.

MANAGEMENT OF SURPLUS BALANCES

Why is this important?

- 3.27 It is sound financial management for schools to retain a small reserve from year to year, but this must be balanced against a duty to maximise the spending of resources, targeted correctly, to improve outcomes for pupils. A reserve is a balance, not necessarily earmarked for any specific purpose, which is held to enable a school to manage unplanned circumstances and fluctuations in expenditure.
- 3.28 The holding of an 'excess' revenue balance i.e. a balance above what is deemed an acceptable reserve, should be exceptional rather than a normal feature of a school's budget management. The key purpose behind the approach is to require schools to maximise the spending of their revenue resources in the year in which these are allocated.
- 3.29 Private fund balances should not be included in the calculation of a school's revenue balance because these are separate from public funds. Similarly, any surplus balances arising from public funding must not be transferred to a school's private fund.
- 3.30 The School Funding (Wales) Regulations 2010 allow local authorities to direct spending or claw back monies where surplus budgets held by schools exceed the higher of £50,000 or 4% of the annual delegated budget (primary and nursery schools) and the higher of £100,000 or 4% of the annual delegated budget (secondary and special schools).

Key controls

- 3.31 The key controls for the management of surplus balances are:
- (a) Governing Body accepts accountability for the school budget and the level of service to be delivered and governors understand their financial responsibilities
 - (b) All balances are based on sound planning and rigorous evidence, and are approved by the full Governing Body

Responsibilities of the Governing Body

- 3.32 To effectively monitor the school budget and take decisions on spending where budgets change during the year.
- 3.33 To consider the use to be made of any surplus balances and record these discussions in the minutes of the meeting of the full Governing Body when the discussion took place.

Responsibilities of the Headteacher

- 3.34 To ensure that accurate information on the school's financial position is provided regularly (at least termly) to the full Governing Body (and to each meeting of the school's Finance Committee (or equivalent)).

Responsibilities of the Corporate Director Resources

- 3.35 To reserve the right to request information from Governing Bodies where there are either excessive balances or significant changes in balances year on year.
- 3.36 To direct spending or clawback excessive uncommitted surplus balances in line with the provisions of the School Funding (Wales) Regulations 2010.

VIREMENTS

Why is this important?

- 3.37 The scheme of virement, determined by the Governing Body, is intended to enable budgets to be managed with a degree of flexibility within the overall budget and, therefore, to optimise the use of resources. The Governing Body has the authority to amend the distribution of the school's delegated budget between budget heads. It may delegate this authority to the Headteacher up to a maximum sum agreed within the school's approved budget. The ability to vire budgets does not apply to earmarked items of expenditure.

Key controls

- 3.38 Key controls for the scheme of virement are:
- (a) it is administered within guidelines set by the Governing Body
 - (b) the overall budget is agreed by the Governing Body. Authorisation to incur expenditure should be in accordance with the estimates that make up the budget
 - (c) budget holders are expected to exercise discretion in managing budgets responsibly and prudently. Virement does not create additional overall budget liability. Budget holders should aim to avoid creating recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources
 - (d) virements are reported to the appropriate committee at the school.

Responsibility of the Governing Body

- 3.39 To review and approve the delegated authority levels for virements and set them out in the school's Financial Regulations.
- 3.40 To approve revenue budget virements for levels as set out in the school's Financial Regulations.

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- 3.41 To monitor and review virements undertaken and to inform the Corporate Director Resources of the virements agreed.

Responsibilities of the Headteacher

- 3.42 To vire monies within the revenue budget for levels as set out in the school's Financial Regulations.
- 3.43 To report details of virements made to the full Governing Body.

CENTRAL FUNDS, GRANTS AND EARMARKED FUNDS

Why is this important?

- 3.44 From time to time, schools receive additional funding allocations from central funds and from grants. These are separate from the school's delegated budget and shall be subject to conditions, which set out the purpose for which the allocation or grant may be used. Schools are expected to maintain separate and appropriate records and vouchers of all transactions made from these sources of funding.

CAPITAL BUDGETING FROM BUDGET SHARES

Why is this Important?

- 3.45 Capital expenditure (including use of capital grants) involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings, infrastructure and major items of plant, equipment (including ICT) or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 3.46 The Governing Body is allowed to use its budget shares to meet the cost of capital expenditure on the school premises.

Responsibilities of the Governing Body

- 3.47 For premises owned by the Council, to seek the prior consent of the Council to proposed building works. Voluntary Aided Schools should follow the procedures laid down in the Welsh Government's guidelines.
- 3.48 To inform the Corporate Director Resources if the expected capital expenditure from the school's revenue budget share exceeds £15,000.
- 3.49 To ensure that adequate records are maintained for all capital contracts and the preparation of any grant claims in order to be able to demonstrate that funds have been spent in accordance with stipulated requirements.

Responsibilities of the Headteacher

- 3.50 To ensure that contracts are arranged in accordance with the school's tendering and procurement policy.

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- 3.51 To maintain adequate records for all capital contracts and grant claims to demonstrate that funds have been spent in accordance with stipulated requirements.
- 3.52 Where such funding is used for ICT purposes, to consider sustainability as well as the long-term implications of maintaining, repairing and replacing devices.

Responsibilities of the Corporate Director Resources

- 3.53 To issue guidance relating to the strategy and controls for capital schemes.

CHAPTER FOUR - RISK MANAGEMENT AND CONTROL OF RESOURCES

RISK MANAGEMENT

Why is this important?

- 4.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 4.2 It is the responsibility of the Governing Body to approve the school's risk management strategy, and to promote a culture of risk management awareness throughout the school.

Key controls

- 4.3 The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the school
 - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
 - (c) staff know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
 - (d) provision is made for losses that might result from the risks that remain
 - (e) acceptable levels of risk are determined and insured against where appropriate
 - (f) the Governing Body has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Governing Body

- 4.4 To notify the Corporate Director Resources immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Corporate Director Resources or the Council's insurers, and to inform the Police where necessary.
- 4.5 To take responsibility for risk management, having regard to advice from the Corporate Director Resources and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 4.6 To identify, analyse, control and monitor all significant risks to the school. Appropriate records should be maintained to demonstrate that risks are being managed.
- 4.7 To ensure that risk management is brought to the attention of relevant staff in the school.

Responsibilities of the Headteacher

- 4.8 To ensure that risk management is brought to the attention of staff in the school and to put procedures in place at the school to manage risks.

DECLARATION OF INTERESTS

Why is this important?

- 4.9 Interests to be declared include employment by, or ownership of (including by means of partnership of shares) a potential supplier to the school or a major supplier or sub-contractor to a potential supplier to the school.

Key controls

- 4.10 The key controls are:
- (a) personal interests which conflict (or may conflict) with duties in the school are declared
 - (b) procedures are in place to record personal interests, secondary employment and financial interests in contracts.

Responsibilities of the Governing Body

- 4.11 To adopt a clear policy on the declaration of interests and ensure that all governors and staff at the school are aware of its provisions.
- 4.12 To review the policy on a regular basis and make any amendments as appropriate.
- 4.13 To establish and maintain a register which lists, for each member of the Governing Body and Headteacher, any interest which they or any member of their immediate family has.
- 4.14 To ensure that, where a conflict is identified by a governor, they do not take part in relevant discussions at meetings of the full Governing Body.

Responsibilities of the Headteacher

- 4.15 To ensure that members of staff at the school comply with the school's policy on the declaration of interests.
- 4.16 To establish and maintain a register which lists, for all staff, any interest which they or any member of their immediate family has.
- 4.17 To review the register at least annually and inform the Governing Body of any changes.
- 4.18 To ensure that, where conflicts are identified, these are discussed with the member of staff and measures put in place to manage these conflicts of interest.

INSURANCE

Why is this important?

- 4.19 Insurance is a form of risk management in which the insured transfers the cost of potential loss to another entity. The Council has a number of insurance covers for various risks, including public liability, employer's liability, fidelity guarantee, property and motor. The proper control over claims against these insurance policies is important due to the impact that claims can have on the budget of the school / Council.
- 4.20 Insurance policies will detail those risks that are covered under each policy. Claims should be duly made and processed expeditiously.

Key controls

- 4.21 The key controls for insurance are:
- (a) assets of the school / Council are protected from loss
 - (b) procedures are in place to report and investigate claims within required timescales.

Responsibilities of the Governing Body

- 4.22 To take reasonable steps to minimise the insurable risks of the Council.
- 4.23 To arrange for the identification of all appropriate employees of the Authority who should be included in a suitable fidelity guarantee insurance and shall make arrangements through the Corporate Director Resources for such inclusion.
- 4.24 To notify the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. This should include any significant acquisitions or disposals of assets or any alteration to the scope or level of services provided, particularly where the risk of accident, injury, loss or damage is likely to increase.
- 4.25 To provide the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) with any information that they need and in the timescale that they set to enable them to manage the Council's insurances effectively.
- 4.26 To notify the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) immediately in writing of any loss, liability or damage, or any event likely to lead to a claim by or against the Council.
- 4.27 To ensure that risk assessments are current, appropriate, and stored for the relevant time period.

Responsibilities of the Headteacher

- 4.28 To notify the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. This should include any significant acquisitions or disposals of assets or any alteration to the scope or level of services provided, particularly where the risk of accident, injury, loss or damage is likely to increase.

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- 4.29 To follow the procedures and timescales laid down by the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) for the notification of claims, including notification to the Police (to obtain a crime report and crime reference number) where necessary.
- 4.30 To submit any insurance claims in such a form and within such timescales as are required by the Corporate Director Resources.
- 4.31 To consult the Corporate Director Resources (in practice represented in this regard by the Insurance Manager) on the terms of any indemnity that the school is requested to give on behalf of the school or Council.
- 4.32 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice cover under the Council's insurance policy and the assessment of liability in respect of any insurance claim.
- 4.33 To carry out risk assessments on behalf of the Governing Body and ensure that they are kept up to date and stored securely.

Responsibilities of the Corporate Director Resources

- 4.34 To provide insurance cover for schools.
- 4.35 To effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of all claims in consultation with the Director of Education, where necessary.
- 4.36 To negotiate with insurers a fair settlement of all claims within the terms of the relevant insurance policy and record and allocate all claim settlements received.
- 4.37 To hold in safe custody all insurance policies of the Council, arrange for payments of premiums by the due date, and manage the Council's own insurance provision.
- 4.38 To prescribe procedures for dealing with claims on the Council's own Insurance Provision. The provision of a central service for the management and processing of all insurance claims brought against, or made on behalf of, the school.
- 4.39 To make arrangements to ensure that insurance records relating to liability policies and related correspondence must be retained indefinitely. Documents relating to other policies and internal funding arrangements must be retained for six years. All employees will adhere to the requirements of the Corporate Director Resources as to the retention of any documents of the nature referred to in this rule.

INTERNAL CONTROLS

Why is this important?

- 4.40 The Council and schools are complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 4.41 The Council has statutory obligations, and, therefore, requires internal controls within schools to identify, meet and monitor compliance with these obligations.

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- 4.42 The Council faces a wide range of financial and associated and wider risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls within Schools are necessary to manage these risks.
- 4.43 The system of internal controls is established in order to provide measurable achievement of:
- (a) objectives
 - (b) economy, efficiency and effectiveness of operations
 - (c) financial management
 - (d) performance and the reporting of performance management
 - (e) policies, required and agreed procedures, which are put into practice and adhered to
 - (f) reliability and integrity of systems
 - (g) compliance with laws and regulations
 - (h) safeguarding of assets
 - (i) risk management.

Key controls

- 4.44 The key controls and control objectives for governance, risk management and control in respect of:
- (a) key controls should be reviewed on a regular basis
 - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
 - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems (including information assets).

Responsibilities of the Governing Body

- 4.45 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 4.46 To review existing controls in the light of changes affecting the school and to establish and implement new ones in line with guidance from the Corporate Director Resources. The Governing Body should also be responsible for removing controls that are unnecessary or not cost or risk effective, for example, because of duplication.
- 4.47 To ensure staff have a clear understanding of the consequences of lack of control.

Responsibilities of the Headteacher

- 4.48 To develop documented financial procedures to ensure that the risks of error or fraudulent activity are minimised, and to ensure that all staff are aware of their existence.

Responsibilities of the Corporate Director Resources

- 4.49 To assist the Governing Body to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

AUDIT REQUIREMENTS

Internal audit

Why is this important?

- 4.50 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 (as amended) more specifically require that a relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance” (Regulation 5).
- 4.51 Internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.52 The Internal Audit Section shall undertake a cyclical review of all financial systems throughout the Council.

Key controls

- 4.53 The key controls for internal audit are that:
- (a) it is independent in its planning and operation
 - (b) the Audit Manager has direct and unfettered access to the Chief Executive, all levels of management and to Members
 - (c) the service operates in conformance with the Global Internal Audit Standards in the UK Public Sector and reports functionally to the Governance and Audit Committee
 - (d) internal auditors have access to premises, personnel, documents and assets as considered necessary for the purposes of their work.

Responsibilities of the Governing Body

- 4.54 To ensure that internal auditors are given access at all reasonable times to premises, assets, personnel, documents and records (in both electronic and hard-copy form) that the auditors consider necessary for the purposes of their work.
- 4.55 To present the detailed findings and recommendations at the next meeting of the full Governing Body for acceptance.
- 4.56 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.57 To notify the Corporate Director Resources (in practice represented in this regard by the Audit Manager) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council’s property or resources. Pending investigation and reporting, the Governing Body should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

Responsibilities of the Headteacher

- 4.58 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.59 To formally review recommendations made in draft audit reports and to provide a written response to any recommendations made (including the job title of the officer responsible for implementing each recommendation and the date by which this will be achieved).

Responsibilities of the Corporate Director Resources

- 4.60 To ensure that internal auditors have the authority to:
- (a) access school / Council premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems of the School / Council (in both hard-copy and electronic format)
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) review, appraise and report on the adequacy and application of financial and other controls, and on the protection of the school / Council's property and assets against loss due to fraud or wasteful practices;
 - (g) take such steps as considered necessary by way of investigation whenever a Governing Body/Headteacher reports any matter which involves, or is thought to involve, irregularities concerning cash, stores or other property of the School / Council; or any suspected irregularity in the exercise of the functions of the School / Council.
- 4.61 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

External Audit

Why is this important?

- 4.62 Under the Public Audit (Wales) Act 2004 (and subsequent legislation), the Auditor General for Wales is responsible for appointing external auditors to each local authority in Wales. The external auditor has rights of access to all documents and information which in his/her opinion are necessary to carry out his/her statutory functions.
- 4.63 The basic duties of the external auditor are defined in the Public Audit (Wales) Act 2013 (and subsequent legislation) and the Local Government Act 1999. In particular, section 10 of the 2013 Act requires the Auditor General for Wales to prepare a code of audit practice, which external auditors follow when carrying out their duties

Responsibilities of the Governing Body

- 4.64 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 4.65 To ensure that all records and systems are up to date and available for inspection.

Responsibilities of the Headteacher

- 4.66 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

Responsibilities of the Corporate Director Resources

- 4.67 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 4.68 To ensure there is effective liaison between external and internal audit.

PREVENTING FRAUD, BRIBERY AND CORRUPTION

Why is it this important?

- 4.69 Fraud, bribery and corruption will not be tolerated in the administration of responsibilities, whether from inside or outside the Council.
- 4.70 The Council's expectation of propriety and accountability is that staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices set out in the Constitution.
- 4.71 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud, bribery and corruption.
- 4.72 A Governor, Headteacher or other member of staff at the school with a material interest in a personal capacity in any matter within the school should declare that interest to the Governing Body or relevant committee of the Governing Body.

Key controls

- 4.73 The key controls regarding the prevention of financial irregularities are that:
- (a) the Council has an effective Counter-fraud and Corruption Strategy and maintains a culture that will not tolerate fraud, bribery or corruption
 - (b) all members and staff act with integrity and lead by example
 - (c) Governing Bodies are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
 - (d) high standards of conduct are promoted amongst governors by the Governing Body
 - (e) a register of interests and secondary employment for all members of the Governing Body is maintained
 - (f) Governors and officers at the school comply with the School's Gifts and Hospitality policy and record any hospitality or gifts accepted on the Gifts and Hospitality register
 - (f) Governors and officers at the school do not make use of contractors employed by the School or Council
 - (f) schools have a clear whistle blowing policy and procedures in place and operating effectively
 - (g) legislation, including the Public Interest Disclosure Act 2018, is adhered to.

Responsibilities of the Governing Body

- 4.74 To adopt a counter-fraud and corruption strategy and a whistleblowing policy.
- 4.75 To ensure that all school staff complete fraud awareness training.
- 4.76 To ensure that all suspected irregularities are reported to the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 4.77 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.78 To ensure that where financial impropriety is discovered, the Corporate Director Resources is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 4.79 To establish a register of business and personal interests for governors and the Headteacher which is updated on an annual basis. The register must list, for members of the Governing Body and Headteacher, any business interest which they or any member of their immediate family has. A nil return is required where there are no relevant declarations.
- 4.80 To ensure that no governor or member of the school's staff can authorise the purchase of goods or services from themselves, their relatives or any organisation in which they have a significant interest.
- 4.81 To ensure that no governor or member of school's staff authorises vouchers for payment relating to expenditure incurred or services supplied by themselves, their relatives or an organisation in which they have a relevant interest.
- 4.82 To ensure that governors, Headteacher and employees do not avail themselves of the services of contractors employed by the School or Council for acquiring materials, labour or plant at cost, trade or discount prices.
- 4.83 To ensure that officers are aware that any promotional offers given by suppliers are the property of the Council.
- 4.84 To ensure that governors and employees follow any statutory or internal codes of conduct in respect of their duties relating to the acceptance of gifts and hospitality and the declaration of interests.

Responsibilities of the Headteacher

- 4.85 To maintain a register of business and personal interests for all staff and ensure that it is updated annually. A nil return is required where there are no relevant declarations.
- 4.86 To ensure that members of school staff undertake fraud awareness training.
- 4.87 To ensure that all staff are aware of the option for raising concerns under the whistleblowing policy.
- 4.88 To inform all staff of school policies and procedures relating to fraud and theft.

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- 4.89 To ensure that no member of the school's staff can authorise the purchase of goods or services from themselves, their relatives or any organisation in which they have a significant interest.
- 4.90 To ensure that no member of school's staff can authorise vouchers for payment relating to expenditure incurred or services supplied by themselves, their relatives or an organisation in which they have a relevant interest.
- 4.91 To ensure that employees do not avail themselves of the services of contractors employed by the school or Council for acquiring materials, labour or plant at cost, trade or discount prices.
- 4.92 To ensure that officers are aware that any promotional offers given by suppliers are the property of the Council.
- 4.93 To ensure that employees follow any statutory or internal codes of conduct in respect of their duties relating to the acceptance of gifts and hospitality and the declaration of interests.

Responsibilities of the Corporate Director Resources

- 4.94 To develop and maintain a corporate Counter-fraud and Corruption strategy.
- 4.95 To maintain adequate and effective internal control arrangements.
- 4.96 To ensure that all serious irregularities are reported to the Governing Body.

ASSETS

Why is this important?

- 4.97 The school holds assets in the form of vehicles, equipment, furniture, stocks/stores and other items worth many pounds. It is important that assets are safeguarded and used efficiently in service delivery, where appropriate inventories are maintained and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a prerequisite for sound asset management.
- 4.98 Where assets are funded from donation and the benefactor does not specify that their ownership should vest in the Governing Body, such assets should be recorded in the official inventory, which should indicate the source of provision. The Governing Body is advised to maintain a separate inventory of equipment owned by them.
- 4.99 Any unofficial funds or personal valuables left in the safe must be kept separate from any Council income or property, and it should be made clear to depositors that the Council is not to be held liable for any loss of personal belongings.

Key controls

- 4.100 The key controls for the security of resources such as fixed plant machinery, equipment, software and information are:
 - (a) resources are used only for the purposes of the school and are properly accounted for
 - (b) resources are available for use when required
 - (c) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- (d) an asset register is maintained for the school, assets are recorded when they are acquired by the school and this record is updated as changes occur with respect to the location and condition of the asset
- (e) all governors and staff are aware of their responsibilities with regard to safeguarding the assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (f) all governors and staff are aware of their responsibilities with regard to safeguarding the security of computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

Responsibilities of the Governing Body

- 4.101 To ensure the proper security of all buildings and other assets under its control and make contingency plans for continuity of service in the event of disaster or system failure.
- 4.102 To ensure the safe custody of vehicles, equipment, stocks and stores and any other property belonging to the school / Council.
- 4.103 To make arrangements to consult the Corporate Director Resources (in practice represented in this regard by the Audit Manager) in any case where security is thought to need improvement or where it is considered that special security arrangements may be needed.
- 4.104 To ensure that, where a higher insurance limit than the Council's standard cash limit for safes (£1,000 (this includes stamps, vouchers etc.)) is required, the Insurance Manager is contacted.
- 4.105 To ensure that the school maintains a register of moveable non-capital assets in accordance with arrangements defined by the Corporate Director Resources in the form of an inventory, and that this is reviewed at least once a year.
- 4.106 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 4.107 To ensure that no asset of the Council is subject to personal use by an employee without proper authority.
- 4.108 To ensure that no items of school or Council property are removed otherwise than in accordance with the ordinary course of the school's or Council's business. To ensure that the loan of equipment where equipment is removed from the premises by staff is acknowledged by signature in a suitable record, which should be endorsed when the equipment is returned.
- 4.109 To record all disposal or part exchange of assets on the asset register and ensure that the disposal of an item of Council furniture, fittings, equipment, plant and machinery (including I.T. equipment) is in accordance with the guidelines issued by the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 4.110 To inform the Corporate Director Resources when assets are disposed of or part exchanged.
- 4.111 To ensure that stocks of consumables are kept securely with access limited to the member of staff responsible for issues.
- 4.112 To ensure cash holdings on premises are kept to a minimum and that all income is banked as soon as possible after it has been received.

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- 4.113 To ensure that only nominated members of staff have access to keys to open the safe or other locked receptacles and nominated substitute key holders are available in the absence of the principal holder(s).
- 4.114 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times and not left on the premises overnight as any used in a theft of monies will prevent the school claiming on insurance.
- 4.115 *(in schools where there are electronic safes)* to ensure that combination codes are not written down. Codes should be changed at least every six months.
- 4.116 To ensure that the loss of keys is reported to the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 4.117 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

Responsibilities of the Headteacher

- 4.118 To ensure that an asset register is maintained in accordance with good practice for all assets. The function of the asset register is to provide the school with information about assets so that they are:
- (a) safeguarded
 - (b) used efficiently and effectively
 - (c) adequately maintained.
- 4.119 To maintain inventories and record an adequate description of portable and attractive items.
- 4.120 To ensure that a copy of the asset register is held in a safe, fireproof place or off-site, and be available for inspection.
- 4.121 To ensure that new items of equipment, furniture, vehicles and plan are entered on the inventory, using details from delivery notes and invoices. Items which are received by the school as gifts or bequests must be entered on the inventory record (see Gifts and Hospitality).
- 4.122 To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the school.
- 4.123 To report any discrepancies identified by the annual check to the full Governing Body.
- 4.124 *(when an employee hands over, leaves or ceases to be responsible for the custody of any property included on an inventory)* To carry out an independent check of the property and ensure that a certificate is signed by both the incoming and outgoing employee.
- 4.125 To monitor stock orders to ensure that the levels of stock held are not in excess of normal requirements.

Responsibilities of the Corporate Director Resources

4.126 To issue guidance to service areas on the maintenance of inventories and the disposal of assets.

INFORMATION AND COMMUNICATION TECHNOLOGY

Why is this important?

4.127 Information systems are an essential element in the management of the resources of a school and the development of services. This area is fundamental to the integrity of the school's and Council's financial records. Misuse of computer resources can seriously affect the business interests of the Authority.

Key controls

4.128 The key controls for the security of resources such as software and information are:

- (a) all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act, Freedom of Information Act and software copyright legislation
- (b) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's Information Governance and ICT policies.

Responsibilities of the Governing Body

4.129 To ensure that effective contingency arrangements, including back-up procedures, exist for data and computer systems held locally on desktop computers. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

4.130 To ensure that relevant policies, standards and guidelines for computer systems issued by the Council are observed.

4.131 To ensure that the requirements of the Data Protection Act 2018, the Copyright, Designs and Patents Act 1988, the Computer Misuse and Cybercrimes Act 2018, the Regulation of Investigatory Powers Act 2000 and other relevant legislation or Council policy in relation to the control of and access to financial and personal data are met.

4.132 To ensure that adequate arrangements exist for maintaining proper security of information held in the school's budgetary control system through compliance with all policies, standards and guidelines for computer systems.

4.133 To ensure that the Council's computer equipment and software are protected from loss and damage through theft, vandalism, etc.

4.134 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the Council is used on its computers
- (b) staff are aware of legislative provisions in developing systems and due regard is given to the issue of intellectual property rights

FINANCIAL PROCEDURE RULES FOR SCHOOLS

- (c) the use of technology to present or broadcast is done in line with existing legal obligations. Schools should ensure that the content is copyright free (attributed) and/or have express attributable dispensation of educational use and/or have written authorisation to use it from the content creator and/or hold the relevant licences (e.g. TV licence and PRS licence).

Responsibilities of the Headteacher

- 4.135 To advise the Governing Body on all matters relating to the corporate information technology policies and strategies of the school and the acquisition or disposal of computer and telecommunications facilities.
- 4.136 To approve and control access to computer installations in the school. User access rights to the school's budgetary control and accounting system should provide adequate separation of duties in accordance with the guidance issued by the Corporate Director Resources.
- 4.137 To ensure the safe custody of all computer hardware under the control of the school and ensure that all equipment purchased from official budgets is included on an official inventory.
- 4.138 To ensure the safe custody of all computer hardware under the control of the school and ensure compliance with software licence agreements, and record all software purchased from official budgets on an official inventory.
- 4.139 To ensure that, where possible, personal or sensitive information is not stored on removable storage devices (such as CD/DVD or USB pen drives); where this is needed, it is secured using encryption and any relevant password should not be stored with the media.

Joint Responsibility of the Governing Body and Headteacher

- 4.140 To ensure information systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation. One application is required per school.

Responsibilities of the Corporate Director Resources

- 4.141 To ensure that internal auditors have the authority to:
- (a) access school / Council premises at reasonable times
 - (b) access all computer systems and records of the school / Council
 - (c) receive any information and explanation considered necessary concerning any matter under consideration for the purposes of the Data Protection Act 2018, the Copyright, Designs and Patents Act 1988, the Computer Misuse and Cybercrimes Act 2018 and the Regulation of Investigatory Powers Act 2000.
- 4.142 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

INTELLECTUAL PROPERTY

Why is this important?

- 4.143 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the

employer, not the employee. Various Acts of Parliament cover different types of intellectual property.

- 4.144 Certain activities undertaken within the school may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

- 4.145 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Responsibilities of the Governing Body

- 4.146 To ensure that controls are in place to ensure that staff do not carry out private work in School time and that staff are aware of an employer's rights with regard to intellectual property.
- 4.147 To ensure that contracts for work commissioned that may result in intellectual property being created stipulate that any such property belongs to the Council.
- 4.148 To ensure that the use of technology to present or broadcast is done in line with existing legal obligations. Schools should ensure that the content is copyright free (attributed) and/or have express attributable dispensation of educational use and/or have written authorisation to use it from the content creator and/or hold the relevant licences (e.g. TV licence and PRS licence).

Responsibilities of the Corporate Director Resources

- 4.149 To develop and disseminate good practice through the Council's intellectual property procedures.

ASSET DISPOSAL

Why is this important?

- 4.150 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council.

Key controls

- 4.151 The key controls for asset disposal are:
- (a) Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the school, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
 - (b) IT assets are disposed of in accordance with the Council's agreed processes, with records of such disposal retained for audit and assurance purposes.
 - (c) Procedures protect staff involved in the disposal from accusations of personal gain and to demonstrate transparency and probity.

Responsibilities of the Governing Body

- 4.152 To seek advice from the Council's Commissioning and Procurement officers on the disposal of surplus or obsolete materials, stores or equipment.
- 4.153 To ensure that income received for the disposal of an asset is properly banked and coded.

Responsibilities of the Headteacher

- 4.154 To ensure that all disposals of equipment or stock are made in accordance with the school's policy on the disposal of unserviceable items.
- 4.155 To ensure that any proceeds arising from the sale of items are processed as official income and VAT analysed at the standard rate where appropriate.
- 4.156 To ensure that the inventory is updated with full details of any disposal (including proceeds and receipt number) as soon the asset is disposed of.

Responsibilities of the Corporate Director Resources

- 4.157 To issue guidelines representing best practice for disposal of assets.
- 4.158 To ensure appropriate accounting entries are made to remove the value of disposed assets from the school's records and to include the sale proceeds if appropriate.

STAFFING

Why is this important?

- 4.159 In order to provide the highest level of service, it is crucial that the school recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. Salaries and wages account for a substantial proportion of expenditure at a school and it is essential that proper controls are in place.

Key controls

- 4.160 The key controls for staffing are:
- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
 - (b) procedures are in place for forecasting staffing requirements and cost
 - (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the school
 - (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Governing Body

- 4.161 To produce an annual staffing budget.
- 4.162 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate budget provision (including on-costs and overheads).

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- 4.163 To monitor staff activity to ensure adequate control over conduct, performance, sickness, overtime, training, and temporary staffing.
- 4.164 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 4.165 To ensure that only properly engaged staff, appearing on the school's records, are included on the payroll.
- 4.166 To ensure that all salary payments to employees are made via a payroll system for the correct treatment for tax and National Insurance. "Cash in hand" and other non-PAYE payments are not permitted.
- 4.167 To ensure that agreed procedures are complied with and for providing the Corporate Director Resources with such information and within such timetables as they may require for the purposes of preparing payments to staff and HMRC.

Responsibilities of the Headteacher

- 4.168 To advise the Governing Body on the budget necessary in any year to cover estimated staffing levels and provide the Governing Body with regular reports.
- 4.169 To seek the approval of the Governing Body for any variation to staffing numbers set out within the approved budget to meet changing operational needs.
- 4.170 To ensure the proper use of appointment procedures in accordance with the Schools Standards and Framework Act 1998.

Responsibilities of the Corporate Director Resources

- 4.171 To act as an adviser to Schools on areas such as National Insurance and pension contributions, as appropriate.
- 4.172 To make statutory obligations in respect of income tax, National Insurance and pension contributions.

INVESTMENTS AND BORROWING

Why is this important?

- 4.173 No investments (including those made by schools that manage their own bank accounts in long term fixed rate accounts) should be undertaken without the written permission of the Corporate Director Resources. Schools that have overnight balances to invest under the local chequebook scheme do not have to seek advance approval for normal daily transactions.
- 4.174 Schools do not require advance approval for investments over an official holiday period.
- 4.175 Borrowings include any credit arrangements where the school is operating the local chequebook scheme.

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- 4.176 Borrowing includes entering into an agreement for the acquisition of any asset through hire purchase, loan, rental, credit or lease agreement (for operating leases). The taking out of finance leases is not permitted due to the impact on the Council's affordable level of borrowing.

Responsibilities of the Governing Body

- 4.177 To ensure that no borrowing of monies (including entering into an agreement for the acquisition of any asset through hire purchase, loan, rental, credit or lease agreement) is undertaken unless the prior written permission of the Corporate Director Resources (in practice represented in this regard by the Operational Manager (Capital)) has been obtained.
- 4.178 To ensure that all leasing agreements are made between the leasing company and the school as an establishment of the Council. Leasing agreements must not be made against named individuals or in the name of the Governing Body.
- 4.179 To ensure that leases are not "rolled over" (i.e. settle a lease part way through the minimum term and refinance the settlement value under the new lease) as it can mean that the school is paying compound interest on the settlement value which can increase the cost of the liability.
- 4.180 To ensure that the length of any lease entered into does not exceed the expected useful life of the equipment. As a rule, the maximum rental period that should be entered into for photocopiers or other reprographic equipment is three years.
- 4.181 To make payments for leasing rentals in accordance with the terms and conditions of the lease. Any costs arising through default, variation or termination of a leasing agreement will be charged to the school's delegated budget.
- 4.182 To report any losses of leased items to the Corporate Director Resources.

CHAPTER FIVE – FINANCIAL SYSTEMS AND PROCEDURES

GENERAL

Why is this important?

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

Key controls

- 5.2 The key controls for systems and procedures are:
- (a) basic data exists to enable the school's objectives, targets, budgets and plans to be formulated
 - (b) early warning is provided of deviations from target, plans and budgets that require management attention
 - (c) operating systems and procedures are secure.

Responsibilities of the Governing Body

- 5.3 To ensure that accounting records are properly maintained and held securely to a standard and in a form determined by the Corporate Director Resources. The scope of this responsibility includes all aspects of the financial management of the delegated school budget undertaken by a Governing Body.
- 5.4 To provide the Corporate Director Resources with any information requested for the purpose of maintaining the accounts of the Council.
- 5.5 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Corporate Director Resources.
- 5.6 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 5.7 To ensure that systems are documented, and staff trained in operations.
- 5.8 To establish a scheme of delegation identifying officers authorised to act upon the Governing Body's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

Additional responsibilities of the Governing Body – schools that manage their own bank accounts

- 5.9 To submit to the Corporate Director Resources additional reports, including cheque reconciliations and VAT reports, in a prescribed form and in accordance with a set timetable.

Responsibilities of the Headteacher

- 5.10 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

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- 5.11 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 5.12 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 5.13 To supply appropriate lists of authorised officers, with specimen signatures, to the Corporate Director Resources, together with any subsequent variations.
- 5.14 To ensure that officers at the school follow the end of year procedures issued by the Corporate Director Resources.

Responsibilities of the Corporate Director Resources

- 5.15 To make arrangements for the proper administration of the Council's financial affairs, including to:
- (a) issue advice, guidance and procedures for governors and others acting on the school's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the school's financial affairs.
- 5.16 To provide the school with monthly reports detailing its financial position.
- 5.17 To issue end of year procedures to all Schools by 1st March of that financial year.
- 5.18 To provide the school with an end of year Income and Expenditure statement by 30th September.

INCOME AND EXPENDITURE

Banking Arrangements and Cheques

Why is this important?

- 5.19 Many millions of pounds pass through the Council's bank accounts each year. It is vital that proper procedures are in place to ensure that the banking arrangements for the school / Council are secure and controlled.

Key controls

- 5.20 All banking arrangements are operated in accordance with approved procedures.

Responsibilities of the Governing Body – all schools

- 5.21 To ensure that Internal Audit has access to the school's bank accounts and records.

Additional responsibilities of the Governing Body – schools that manage their own bank accounts

- 5.22 To ensure that bank accounts bear the name of the Council and school in the title.

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- 5.23 To ensure that bank accounts are not opened in the names of individuals.
- 5.24 To approve the bank that provides the school's banking services every three years.

Responsibilities of the Headteacher – all schools

- 5.25 To ensure that, in the transport of cash for banking or any other purpose, due regard is made for the safety of employees and the proper security of cash, and arrangements made which incorporate the necessary safeguards.
- 5.26 To ensure that, in accordance with the relevant Accounts and Audit Regulations, each employee who banks money, enters on the paying in slip a reference (such as the receipt number or the number or the name of the debtor) and indicate its place of origin on the reverse of each cheque.
- 5.27 To ensure that payments made through the Council's bank account are properly authorised, correctly calculated, valid and in accordance with Council's procurement and payment procedures.

Additional responsibilities of the Headteacher – schools that manage their own bank accounts

- 5.28 To undertake the tendering process for the school bank account every three years.
- 5.29 To ensure that there is an adequate division of duties incorporated into the operation of the school's financial systems.
- 5.30 To ensure that the school bank account is regularly reconciled (that is, at least monthly).
- 5.31 To ensure that all cheques ordered and their safe custody is carried out in accordance with arrangements approved by the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 5.32 To ensure that cheques are not pre-signed before the details are entered.
- 5.33 To ensure that cheques drawn on the school's cheque book account are endorsed by two authorised signatories.
- 5.34 To ensure that no personal cheques are cashed through the school bank account.
- 5.35 To ensure that bank accounts do not become overdrawn.

Responsibilities of the Corporate Director Resources

- 5.36 To be assured that all banking arrangements are made by or under approved arrangements and that:
 - (a) All bank accounts operated by or on behalf of the Council shall bear an official title and in no circumstances shall an account be opened in the name of an individual
 - (b) Cheques drawn on the Council's main bank accounts bear the facsimile signature of the Corporate Director Resources or be signed by another officer authorised to do so
 - (c) The Council's main bank account is regularly reconciled.

Income

Why is this important?

5.37 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services.

Key controls

5.38 The key controls for income are:

- (a) all income due to the school is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
 - (c) all money received by an employee on behalf of the school is paid without delay into the appropriate bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - (i) for identifying the amount due
 - (ii) for reconciling the amount due to the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales
 - (e) formal approval for debt write-off is obtained
 - (f) appropriate write-off action is taken within defined timescales
 - (g) appropriate accounting adjustments are made following write-off action
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - (i) money collected and deposited is reconciled to the bank account.
- 5.39 Schools should not pay any income forming part of the delegated budget into any voluntary or private funds held on behalf of the school. Where there is concern that Council income is being paid into voluntary or private funds, Internal Audit reserves the right to access records of these funds to ensure that all income due to the Council is properly accounted for.

Responsibilities of the Governing Body

- 5.40 To establish a charging and remissions policy having regard to the LA policy, including the appropriate charging of VAT, and to review it on, at least, an annual basis
- 5.41 To separate the responsibility for identifying amounts due and the responsibility for collection, as is practicable.
- 5.42 To ensure that all income due is promptly collected, correctly receipted, reconciled, accounted for and promptly banked.
- 5.43 To obtain all official receipt books from the Corporate Director Resources (in this regard represented by the Operational Manager (CTS and Transactional Finance) and to be responsible for the safe custody of official stationery issued to, or used by, the school.
- 5.44 To issue official receipts or to maintain other documentation for income collection. Where it is

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considered impractical to issue a receipt (e.g. for weekly dinner money, sales to pupils), to ensure that alternative arrangements are followed to ensure accountability and a clear audit trail for income collected.

- 5.45 To ensure that at least two employees are present when post is opened so that any money received by post is properly identified and recorded.
- 5.46 To hold securely receipts, tickets and other records of income for the appropriate period.
- 5.47 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling from the time it is received to the time it is banked.
- 5.48 To ensure that all one-off receipts of €15,000 or more (or the equivalent in £) or several receipts from an organisation that exceed this threshold are reported to the Audit Manager.
- 5.49 To ensure that any income generated for the sale of assets which were purchased from the school's delegated budget is paid into the school's budget. Income generated from those assets which were purchased from the Council's central funds shall be paid into the Council's bank account. Any income generated for voluntary or private fund purposes shall be paid into such funds.
- 5.50 To ensure that money collected and deposited is reconciled to the bank account on a regular basis.
- 5.51 To ensure that all credit income is claimed on official invoices approved by the Corporate Director Resources.
- 5.52 To inform the Corporate Director Resources of all debts which have remained unpaid for more than 60 days. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off.
- 5.53 To ensure that the correct procedures for writing off debts, as prescribed by the Corporate Director Resources, have been adhered to and that adequate documentation exists for each case.

Responsibilities of the Headteacher

- 5.54 To maintain adequate records of work undertaken, goods supplied or services rendered and of all other amounts due to the Council and to ensure prompt rendering of accounts for the recovery of income due.
- 5.55 To ensure that invoices are raised in accordance with VAT regulations and issued within 30 days and show a description of the goods or services supplied, charge amount, VAT rate, amount of VAT and date raised.
- 5.56 To obtain all official receipt books from the Operational Manager (CTS and Transactional Finance) and to be responsible for the safe custody of official stationery issued to, or used by, the school.
- 5.57 To issue official receipts or to maintain other documentation for income collection. Where it is considered impractical to issue a receipt (e.g. for weekly dinner money, sales to pupils), to ensure that alternative arrangements are followed to ensure accountability and a clear audit trail for income collected.
- 5.58 To ensure that at least two employees are present when post is opened so that any money received by post is properly identified and recorded.

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- 5.59 To hold securely receipts, tickets and other records of income for the appropriate period.
- 5.60 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling from the time it is received to the time it is banked.
- 5.61 To ensure that all one-off receipts of €15,000 or more (or the equivalent in £) or several receipts from an organisation that exceed this threshold are reported to the Audit Manager.
- 5.62 To ensure that income is paid intact and promptly into the appropriate school bank account in the form in which it is received. No deduction may be made from any money held. Appropriate details should be recorded on to paying-in slips to provide an audit trail. In the case of schools who have been authorised to operate their own cheque book account, this income should be paid into the cheque book account (with the exception of school trip insurance income and school meals income (where applicable) and any Council income not included in the school's delegated budget which should be paid into the Council's bank account).
- 5.63 To ensure income is not used to cash personal cheques or other payments.
- 5.64 To ensure only up to approved levels of cash can be held on the premises.
- 5.65 To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.

Responsibilities of the Corporate Director Resources

- 5.66 To decide if recovery action is appropriate for unpaid debts, in which case they may advise the Director of Governance and Legal Services with a view to the instigation of legal proceedings.
- 5.67 To write off any debts considered irrecoverable.

PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (PCI DSS)

Complying with PCI DSS

Why is this important?

- 5.68 Accepting credit or debit card payments for goods or services through Card Not Present (CNP) or Card Present (CP) transactions, the hardware being used i.e. Chip and Pin (C&P) devices and any software applications must, always be processed in line with the Payment Card Industry Data Security Standards and in accordance with the Acquiring Banks and the Merchants Operating Instructions.
- 5.69 Both PCI DSS and the Merchant Operating Instructions help to safeguard cardholder information, improve consumer confidence, and reduces the risk of fraudulent transactions. These security requirements are compulsory for all organisations handling any aspects of card transactions and for those Third-Party Service Providers (TPSP) who process cardholder account data on our behalf.
- 5.70 Failure to comply with these requirements could result in cardholder data becoming compromised, data security breaches, fines, reputational damage and/or loss of income, and potentially the revoking of Cardiff Council's authority to accept card payments.

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- 5.71 For those who take / offer debit and credit card payments, including payment systems that process card payments, must maintain, document, and audit their business areas to ensure full PCI DSS compliance is maintained.

Key controls

- 5.72 The key controls for PCI DSS are:
- (a) To reduce the scope of PCI DSS controls, by outsourcing many card payment activities for example:
 - third-party payment gateways;
 - fully/partial outsourced e-commerce platforms to third-party service providers; and
 - telephony solutions which store, process or transmit cardholder data and / or Sensitive Authentication Data (SAD) on the school's behalf.
 - (b) A school, if using their own Merchant ID (MID) will be classed as a merchant in their own right and must submit independently validated Self-Assessment Questionnaires (SAQ) and Attestation of Compliance (AoC) to its acquiring bank and the PCI Compliance Officer on an annual basis.
 - (c) Where Third Party Service Providers (TPSP) have been appointed to process cardholder account data on behalf of the school, the TPSP will be required to undergo their own PCI DSS assessment and provide their own SAQ's and AoCs to the School and the PCI Compliance Officer on an annual basis.
 - (d) Robust inventory of policies, procedures and standards are developed and maintained to support PCI DSS compliance.
 - (e) PCI and relevant security training material is deployed to all employees who are involved in cardholder data activities on an annual basis.
 - (f) Customers chip and pin receipts are stored securely with a 5-year retention schedule being implemented with quarterly reviews being conducted to ensure that receipts are not held for longer than necessary.
 - (g) A constant state of PCI compliance (business as usual) is achieved and maintained by undertaking regular reviews and audits
 - (h) Documented evidence is maintained and reviewed regularly regarding assets registers and supplier lists.
 - (i) Maintain an inventory of critical roles and responsibilities for PCI DSS.
 - (j) A centralised compliance validation process will be developed with a centralised process implemented through the PCI DSS Compliance Working Group.

Responsibilities of the Governing Body

- 5.73 To maintain PCI DSS compliance and information governance within the school.
- 5.74 To ensure that they are fully informed on all matters in respect to their operations before making decisions regarding card payment activities, with early engagement with Information Governance professionals where required.
- 5.75 To adopt and implement the PCI DSS Charter, Policy and supporting procedures and guidance.
- 5.76 To implement a PCI Incident Response procedure for cardholder data breaches and ensure it has been adhered to and that adequate documentation exists for each case.
- 5.77 To ensure that Schools operate in accordance with its acquiring Bank and merchant operating instructions for Chip and Pin (C&P) devices.

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- 5.78 To provide management oversight and reviews of PCI Compliance.
- 5.79 To ensure that accurate asset management registers are maintained and that the PCI Compliance Officer is informed as soon as possible of any changes.
- 5.80 Only if using their own Merchant ID (MID), The School must ensure that on an annual basis independently validated Self-Assessment Questionnaire (SAQ) for each of its payment channels and an Attestation of Compliance (AoC) is submitted to its acquiring bank and PCI Compliance Officer, .
- 5.81 To obtain annual assurance from those third-party service providers acting on their behalf by taking card payments.
- 5.82 To complete and submit an Annual Assurance Statement to the PCI DSS Working Group, stating that the school is fully compliant with the PCI DSS requirements.
- 5.83 To ensure that information is proactively supplied to the PCI Compliance Officer regarding supplier relationships where the service includes taking card payments to ensure the service provider list is accurate and up to date. This information will also be shared with Information Governance to ensure that the Council has full assurance.
- 5.84 To retain securely copy of customer receipts, and other records of income for the appropriate period, and ensure that quarterly reviews are implemented and recorded regarding the retention and disposal of all chip nd pin receipts
- 5.85 To ensure that all employees who are involved in cardholder data activities , undertakes the annual security, and PCI training via the Academy Portal.

Responsibilities of the Headteacher

- 5.86 To ensure that the relevant Council's Security, PCI policies, procedures, guidance notes, including contractual obligations of its merchants' agreements, card scheme operating rules are communicated to all employees and contractors that take card payments within their area of responsibility.
- 5.87 To implement by means of regular audits, to meet compliance in accordance with the contractual obligations of its merchant agreements, card scheme operating rules, and Cardiff Council assurance mandates.
- 5.88 To ensure that services run by Third-Parties Services Providers (TPSP) have fulfilled their PCI requirements and that a completed AoC has been submitted to the PCI Compliance Officer.
- 5.89 To ensure, for in-house services, the Headteacher will assist the PCI Compliance Officer to complete the annual SAQ's and AoC's for its various acquiring banks. These will be submitted to the PCI DSS Compliance Working Group to be independently assured.
- 5.90 To implement and ensure PCI DSS business as usual activities are maintained, reporting periodically to the PCI Compliance Officer who in turn will report to the PCI DSS Compliance Working Group.
- 5.91 To ensure that the responsibilities listed in the PCI DSS Compliance Policy under System Administrators / Service Owners, is followed for all third-party IT systems used in delivering payment services.

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- 5.92 To implement a data breach process for reporting actual or potential data protection incidents regarding cardholder data.
- 5.93 When considering implementing or changing the way that card payments are taken, the Headteacher will need to engage with the PCI Compliance Officer and the PCI DSS Compliance Working Group to validate any changes and to ensure that they meet with all compliance obligations.
- 5.94 To ensure all employees undertake mandatory Security, and PCI training annually via the Academy portal and that training records are retained within employee's personal development reviews .
- 5.95 To ensure all employees receive training and assistance to help secure the physical environment (e.g. offices), such as spotting 'tailgating', verifying the identity of third-party personnel, and to identify and report any other suspicious behaviour.
- 5.96 To ensure all employees receive training on the use of payment systems and devices, including access to device manuals as appropriate.
- 5.97 To maintain an accurate asset register for chip and pin devices recording the asset number, location of device, make and model.
- 5.98 To maintain a list of all staff who have system administrator and normal user access rights to all Council and third-party IT systems used in taking payments or handling income management.
- 5.99 To maintain a register of Merchant ID (MID) if applicable and third-party service providers.
- 5.100 To maintain where held, a log of all staff with supervisor codes for payment devices.
- 5.101 To ensure that all relevant SAQ's and AoC's are completed and submitted to the PCI Compliance Officer on an annual basis.
- 5.102 To ensure that manufacturing default settings on chip and pin devices are corrected to ensure that the Primary Account Number (PAN) is only displaying the last 4 digits on the printed receipts.
- 5.103 To conduct daily security checks on all chip and pin devices to ensure that the devices have not been tampered with and, if necessary, report immediately to the relevant acquirer, pcicompliance@cardiff.gov.uk and dataloss@cardiff.gov.uk
- 5.104 To ensure that all employees have a new network account each time they change jobs and that leaver accounts are terminated immediately.

Responsibilities of the Corporate Director Resources

- 5.105 To ensure that the Cardiff Council complies with and maintains PCI DSS compliance, delegating day to day accountability to the Deputy S151 Officer.

ORDERING AND PAYING FOR GOODS, SERVICES AND WORKS

Why is this important?

- 5.106 Public money should be spent with demonstrable probity and in accordance with the Council's

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policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The school's procedures should help to ensure that value for money is obtained from the purchasing arrangements. These procedures should be read in conjunction with the school's Financial Regulations. All ordering and payment for works, goods and services must comply with the school's Financial Regulations.

General

- 5.107 Every governor and member of staff has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the school in accordance with appropriate codes of conduct. Any governor or member of staff declaring such an interest or having such an interest should not participate in (or act so as to influence or appear to influence) any decisions relating to the matter in which they have such an interest.
- 5.108 Official orders must be issued for all work, goods or services to be supplied to the school, except for supplies of utilities, periodic payments and petty cash purchases.
- 5.109 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts (by governors or members of staff). This does not preclude any governor or member of staff from taking advantage of Council-wide schemes which have been approved by the Corporate Director Resources.

Key controls

- 5.110 The key controls for ordering and paying for work, goods and services are:
- (a) funding is in place to purchase goods, services and works
 - (b) appropriate checks on suppliers and tenderers are undertaken before a tender is issued
 - (c) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (d) all goods and services shall be ordered in accordance with the school's Financial Regulations unless they are purchased from sources within the Council
 - (e) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
 - (f) payments are not made unless goods have been received by the school to the correct price, quantity and quality standards
 - (g) all payments are made to the correct person, for the correct amount and are properly recorded
 - (h) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
 - (i) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
 - (j) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data.

Responsibilities of the Governing Body

Contracts

- 5.111 To ensure that contracts are arranged in accordance with the school's Procurement and Tendering procedures.

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- 5.112 To ensure that processes in relation to tendering and contracting are equitable, fair, transparent and demonstrate competition with clear accountability for decisions and actions taken by nominated staff.
- 5.113 To ensure that all procurement is in line with the school's Improvement Plan.
- 5.114 To ensure compliance with the UK Procurement Directives and any statutory provision when entering into contractual arrangements.
- 5.115 To obtain the countersignature of an officer of the Council (in practice represented in this regard by the Operational Manager for Commissioning and Procurement) for any contracts for a value above £60,000 in any one year.
- 5.116 To set appropriate levels for tendering or quotations in respect of any contract as set out in the school's own Financial Regulations.
- 5.117 To action all procurements over £60,000 in value or amount in consultation with the Operational Manager for Commissioning and Procurement.
- 5.118 To ensure that an external contractor engaged for the repair and maintenance of property is insured in accordance with the requirements of the Corporate Director Resources and that any relevant tax deductions are made in accordance with the requirements of HM Revenue and Customs for the construction industry.
- 5.119 To ensure that no work or contract is artificially split with the intention of avoiding the application of the appropriate part of the Rules.
- 5.120 To ensure that, in the case of contracts involving funding from the European Union, the retention period is in accordance with grant conditions.

Ordering and Payments

- 5.121 To nominate staff to place orders for works, goods and services and to ensure that best value is obtained for the supply of works, goods, and services.
- 5.122 To ensure that unique pre-numbered official orders are used for all goods and services except for supplies of utility services, for periodical payments such as rent, rates or affiliation fees, for petty cash purchases or such other exceptions as the Corporate Director Resources may approve.
- 5.123 To ensure that oral orders are only used in cases of urgency. Such orders may be only placed by a member of staff authorised to sign official orders in which case an official confirmation order should be raised as soon as possible and no later than three working days following the oral order being placed.
- 5.124 To ensure that orders placed on behalf of the school via the internet are evidenced, particularly that appropriate approval has been obtained before the order is placed. All VAT recovery issues must also be addressed.
- 5.125 To ensure that orders are only used for goods and services provided to the school. Individuals must not use official orders to obtain goods or services for their private use.
- 5.126 To ensure that only those staff authorised by Governing Body sign orders and to maintain an up-to-

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date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the school's approach to procurement. Value for money should always be achieved.

- 5.127 To ensure that all purchases comply with any legal or health and safety requirements.
- 5.128 To approve the use of purchasing cards at a meeting of the full Governing Body and record this approval in the minutes of that meeting.
- 5.129 To ensure that purchasing cards are only used in accordance with arrangements approved by the Corporate Director Resources and in accordance with the guidance issued by the Audit Manager. The cards are only used to purchase goods and services provided to the school. Individuals must not use the card to obtain goods or services for their private use. The statement of transactions must be reconciled immediately upon receipt and authorised for payment by another member of staff.
- 5.130 To ensure that store cards are only used in accordance with the guidance issued by the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 5.131 To ensure that it is only in exceptional circumstances that nominated staff purchase items for the school and reclaim the amount from the school's bank / imprest account. Where this is done it must be in accordance with guidance issued by the Corporate Director Resources (in practice represented in this regard by the Audit Manager).
- 5.132 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Corporate Director Resources. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 5.133 To ensure that the school maintains and reviews periodically a list of staff approved to authorise payments.
- 5.134 To ensure that the school obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, in line with best value principles.
- 5.135 To use procedures established by School's Procurement and Contracts Rules in putting purchases, where appropriate, out to competitive quotation or tender.
- 5.136 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 5.137 To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.

Additional responsibilities of the Governing Body – schools that use the Council's banking system

- 5.138 To send an up-to-date list of the names of officers involved in the direct inputting and authorising

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on the creditors system to the Corporate Director Resources and any amendments on the occasion of any change. Each officer should have a password that must be confidential and not divulged to any other person.

- 5.139 To ensure that duly certified invoices are passed without delay to the Corporate Director Resources.
- 5.140 To ensure that all payments made to sub-contractors are made in accordance with the guidelines issued by the Corporate Director Resources.

Additional responsibilities of the Governing Body - schools that manage their own bank accounts

- 5.141 To ensure that the names of those officers authorised to certify invoices is retained at the school.
- 5.142 To ensure that payment terms are in accordance with guidelines issued by the Corporate Director Resources (in practice represented in this regard by the Operational Manager (CTS and Transactional Finance)). The school will be responsible if interest is payable to the supplier under the terms of the Late Payment of Commercial Debt (Interest) Act 1998 unless it can be proved that another party is at fault.

Responsibilities of the Headteacher

- 5.143 To ensure the control and safe custody of all official orders and ensure that they are only used for goods and services provided to the school.
- 5.144 To ensure that all orders are signed by an approved member of staff, with authority to sign orders aligned to budget management responsibilities.
- 5.145 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Any variations from the order must be noted on the copy order. Appropriate entries (particularly for items that are portable and valuable) should then be made in inventories or stores records.
- 5.146 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a) receipt of goods or services, cross-referenced and checked with the order
 - (b) that the invoice has not previously been paid and is a legitimate liability of the school
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices. This shall be evidenced by the signature of a further employee wherever possible
 - (e) the payment has been entered on the copy order and that no part of the account has been included in any other account previously authorised for payment
 - (f) correct accounting treatment of tax
 - (g) that the invoice is correctly coded
 - (h) that discounts have, where appropriate, been applied
 - (i) that appropriate entries will be made in accounting records, inventories, stores records and stock books as appropriate.
- 5.147 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a

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different officer from the person checking a written invoice, should authorise the payment.

- 5.148 To ensure that facsimile signatures / rubber stamps are not used.
- 5.149 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Corporate Director Resources (in practice represented in this regard by the Audit Manager). If an invoice goes missing, the school should request a certified copy from the supplier before processing it.
- 5.150 To ensure that only invoices in the name of the school are paid from an official budget and made against suppliers' original, unaltered invoices. Copy invoices may only be processed provided that the responsible officer is satisfied that the original invoice has not previously been passed for payment. The authorising officer should make a note to this effect on the copy invoice.
- 5.151 To ensure that all invoices entered on the Council's computerised creditor system or paid directly by the school are filed and stored securely in the manner prescribed by the Corporate Director Resources and is available for periodic inspection by officers designated by the Corporate Director Resources.
- 5.152 To ensure that payments in advance of the receipt of goods or services are made only where essential in order to secure the particular supply or where a beneficial discount would otherwise be lost. Such payments must be approved by the appropriate authorised signatory and be supported by a VAT invoice to facilitate the reimbursement of VAT.
- 5.153 To ensure that payment for goods and services in respect of the school's voluntary and private fund is not made from the school's delegated budget.
- 5.154 To ensure that all cheques are despatched direct to the recipient and not returned to the initiating officer authorising the payment.

Additional responsibilities of the Headteacher – schools that use the Council's banking system

- 5.155 To ensure that purchasing cards are used only to purchase goods on behalf of the school and that all transactions are completed in full on a transaction log, with all receipts retained.
- 5.156 To ensure that all purchasing card transactions are approved and reconciled using the Council's purchasing card system on a monthly basis and that VAT is appropriately assigned.

Responsibilities of the Budget Holder

- 5.157 To ensure that, where practical, requisitions for goods, detailing full descriptions of items required and prices quoted by suppliers, are completed as a basis for an order to be placed.
- 5.158 To ensure that there is adequate provision in the budget and that the items ordered are appropriate for the purpose intended.
- 5.159 To authorise requisitions.

PAYMENTS TO EMPLOYEES

Why is this important?

- 5.160 Staff costs are the largest item of expenditure for most Schools. It is, therefore, important that payments are accurate, timely, made only where they are due for services to the School and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.
- 5.161 All claims should be submitted promptly and in accordance with the approved rates and timescales set by the Council or Governing Body.

Key controls

- 5.162 The key controls for payments to employees are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
 - leavers
 - variations
 - enhancements
- and that payments are made on the basis of timesheets or claims
- (b) frequent reconciliation of payroll expenditure against approved budget
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- (d) all expenditure, including VAT, is accurately recorded
- (e) HM Revenue and Customs regulations are complied with.

Responsibilities of the Governing Body

- 5.163 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 5.164 To notify the Corporate Director Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Corporate Director Resources.
- 5.165 To ensure that adequate and effective systems and procedures are operated, so that:
- payments are only authorised to bona fide employees
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 5.166 To send an up-to-date list of the names of officers authorised to sign timesheets and claims to the Corporate Director Resources (in practice represented in this regard by the Payroll Manager), together with specimen signatures.

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- 5.167 To ensure that payroll transactions are processed only through the payroll system. The Governing Body should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis using the published guidance available from the Corporate Director Resources (in practice represented in this regard by the Payroll Manager). HM Revenue and Customs applies a tight definition for employee status, and advice should be sought from the Corporate Director Resources (in practice represented in this regard by the Payroll Manager) in cases of any doubt and in all cases of former employees.
- 5.168 To ensure that the Corporate Director Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 5.169 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of the Headteacher

- 5.170 To ensure that payroll transactions are processed only through the payroll system.
- 5.171 To ensure claims for travel and subsistence and other allowances are certified by an authorised employee senior to the claimant, unless this is not possible, in which case the Governing Body will approve an alternative arrangement. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, VAT receipts obtained and that allowances are properly payable by the school, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Corporate Director Resources is informed where appropriate.
- 5.172 To ensure that claims for travelling and subsistence from employees are paid through the payroll system to ensure the correct treatment for tax and National Insurance. Any deviation from this must be approved by the Corporate Director Resources.

Responsibilities of the Corporate Director Resources

- 5.173 To arrange and control the secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.
- 5.174 To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- 5.175 To make arrangements for payment of all travel and subsistence claims.
- 5.176 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- 5.177 To report regularly to school officers on changes in HMRC guidance or legislation, particularly with regard to IR35.

TAXATION

Why is this important?

- 5.178 Like all organisations, Cardiff Council is responsible for ensuring that its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is, therefore, very important for all officers to be aware of their role.

Value Added Tax

- 5.179 Value Added Tax (VAT) is a tax levied on the supply of goods and services in the course of business transactions. The rules governing VAT have always been applied stringently by HM Revenue and Customs (HMRC). A School's Governing Body has the responsibility for accounting for VAT properly and, therefore, the School will be liable to pay any amounts owing to HMRC if the rules are not adhered to.
- 5.180 Since April 2009, HMRC has been able to impose a penalty of up to 30% of the value of an error made simply due to a lack of reasonable care. Higher penalties may be imposed in respect of deliberate errors and concealment.
- 5.181 Most of a school's activities involve the statutory education of children. Income relating to this is unlikely to be subject to VAT, but there can be exceptions. Reference should be made to the VAT SharePoint page for details.
- 5.182 VAT incurred by a school can be recovered subject to a VAT invoice or receipt being held. Reference should again be made to the VAT SharePoint page for details. VAT cannot be recovered in respect of a payment made on behalf of someone else or on a proforma invoice addressed to the school.
- 5.183 All Cardiff Council maintained schools are covered by the Council's VAT registration number (VRN) (GB666 5833 93). This applies to the school itself and not to entities such as the Parent Teachers Association and the school fund.
- 5.184 For any given activity, both income and expenditure must be accounted for by the same entity. For example, payments relating to a school concert or school uniform must not be made out of the school budget if the income is paid into the school fund.
- 5.185 When ordering goods and services from abroad, the Council's VRN must always be quoted; schools must also ensure that VAT has been correctly accounted for under the reverse charge mechanism and a copy of the invoice must be sent to the Council's VAT accountant.

Payroll

- 5.186 Schools should be aware of the regulations regarding payroll taxes and that there are effective governance arrangements for managing the taxation of individuals under IR35.

Other taxes

- 5.187 Other taxes that schools will be aware of include payroll taxes and benefits in kind, Construction Industry Scheme and Domestic Reverse Charge (DRC).

Key controls

5.188 The key controls for taxation are:

- (a) Schools must be aware of tax legislation and keep up to date on tax issues
- (b) Schools are instructed on required record keeping for all taxes
- (c) Schools must ensure that all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (d) All records are maintained in accordance with instructions
- (e) Returns are made to the appropriate authorities within the stipulated timescale
- (f) All errors must be reported when identified
- (g) Advice is sought from Cardiff Council officers where schools are unsure of the correct tax treatment.

Responsibilities of the Governing Body

5.189 To ensure that the school meets all taxation requirements.

Responsibilities of the Headteacher

5.190 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

5.191 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements, and the Domestic Reverse Charge (DRC) end user letter is sent out where appropriate.

5.192 To ensure that all persons employed by the school are added to the Council's payroll so that tax is properly deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.

5.193 To ensure that checks of employment status are undertaken and supporting documents are retained, including records of IR35 employment status.

5.194 To follow the guidance on taxation issued by the Corporate Director Resources in the Council's VAT manual on SharePoint and other taxes.

5.195 To ensure the VAT treatment of purchases from and/or sales to overseas companies is accounted for under the reverse charge mechanism (place of supply).

Additional responsibilities of the Headteacher – Voluntary Aided schools

5.196 To ensure that payments related to School buildings are accounted for correctly as some payments are the legal responsibility of the Governing Body rather than the LEA (which makes VAT arising from such payments irrecoverable).

5.197 To ensure that internal works departments are advised when these works are the legal responsibility of the Governing Body rather than the Council when placing an order (which makes VAT arising from such payments irrecoverable).

Additional responsibilities of the Headteacher – schools that manage their own bank accounts

- 5.198 To send monthly making tax digital (MTD) compliant VAT submittal reports to the Corporate Director Resources in accordance with the deadlines set by the Council so that VAT relating to their activities is included in the Council's monthly returns to HMRC.

Responsibilities of the Corporate Director Resources

- 5.199 To complete all HMRC returns regarding PAYE.
- 5.200 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- 5.201 To provide details to the HM Revenue and Customs regarding the construction industry tax deduction scheme.
- 5.202 To maintain up to date guidance for employees on taxation issues.

TRADING ACTIVITIES

Why is this important?

- 5.203 Schools may be permitted to charge for ancillary services, such as the provision of school meals or uniforms.
- 5.204 Trading activities should be accounted for separately from those funded from the delegated school budget.

Key Controls

- 5.205 The key controls for trading activities are:
- (a) All trading activities are transparent and carried out in accordance with procurement guidelines.
 - (b) Trading activities are accounted for separately from those of the school's delegated budget.
 - (c) There is regular review of the performance of the trading activity and that it is reported at least termly to the full Governing Body.

Responsibilities of Governing Bodies

- 5.206 To review and approve the business case for the establishment of the trading activity, and to ensure that the aims and objectives of the trading activity are clearly set out in the business case.
- 5.207 To receive regular (at least termly) information on the performance of the trading activity, including benchmarking.
- 5.208 To review pricing regularly to ensure that all costs are covered and there is no subsidisation of the activity from the school's delegated budget.

Responsibilities of Headteachers

- 5.209 To establish and oversee sound financial controls for the management of trading activities.

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- 5.210 To establish proper accounting arrangements for each trading activity, including the use of cost centres separate from the delegated budget, in order to facilitate identification of transactions associated with the trading activity.
- 5.211 To report regularly (at least termly) on the performance of the trading activity.
- 5.212 To ensure that all purchases for the trading activity are made via purchase order and recorded on SIMS. Invoices should be checked and authorised before payment.
- 5.213 To ensure that VAT is accounted for correctly.
- 5.214 To ensure that any statutory requirements are adhered to.
- 5.215 To ensure the maintenance of accurate and current inventories of any and all goods and equipment.
- 5.216 To arrange adequate insurance as part of the budget for the trading service.
- 5.217 To ensure that members of school staff working in the traded activity are appropriately trained and that this training is renewed regularly.

PURCHASING CARDS

Why is this important?

- 5.218 Purchasing cards can be used to purchase goods and services and used in place of imprest accounts.

Key Controls

- 5.219 The key controls for purchasing cards are:
 - (a) Cards are used to make small, incidental imprest-type purchases and are only issued to school employees.
 - (b) Cards must not be used to avoid any corporate rules on procurement and purchasing.
 - (c) Cards must not be used to purchase items for private or personal use of cardholders.
 - (d) Any items ordered by cardholders must be delivered to the school, and not to a personal address.

Responsibilities of Governing Bodies

- 5.220 To approve the use of purchasing cards at the school, and to record such approval in the minutes of the relevant Governing Body meeting.

Additional responsibilities of Governing Bodies – schools that manage their own bank accounts

- 5.221 To develop and approve a policy for the use of purchasing cards in schools.
- 5.222 To ensure that cardholders are aware of, and comply with, the school's policy for the use of purchasing cards.

Additional responsibilities of Governing Bodies – schools that use the Council’s banking system

5.223 To ensure that all cardholders are aware of, and comply, with the Council’s policy for the use of purchasing cards in schools.

Responsibilities of Headteachers

5.224 To prepare a business case for the use of purchasing cards at the school and present it to the Governing Body for approval.

5.225 To ensure that all cardholders are aware of the regulations regarding use of the cards and sign a statement to confirm that they understand the procedures and regulations, and that compliance with them will be upheld.

5.226 To ensure that card holders retain all receipts/delivery notes for all transactions made whether in person or via the internet and attach them to the transaction log.

Additional responsibilities of Headteachers – schools that manage their own bank accounts

5.227 To liaise with the school’s bank over the provision and use of purchasing / charge cards.

5.228 To maintain a purchasing card transaction log.

5.229 To review and approve all transactions on a monthly basis.

Additional responsibilities of Headteachers – schools that use the Council’s banking system

5.230 To maintain a purchasing card transaction log, as set out in the Council’s policy for the use of purchasing cards in schools.

5.231 To review and approve all transactions on the Barclaycard Spend Management system on a monthly basis.

Responsibilities of School Business Managers / Finance Officers – schools that use the Council’s banking system

5.232 To review transactions on the Barclaycard Spend Management system to ensure that the correct amount is being charged to the school.

5.233 To ensure that there are VAT receipts for each transaction.

IMPREST ACCOUNTS

Why is this Important?

5.234 Imprest accounts are used for minor items of expenditure. It is important that such accounts are properly managed, and that all expenditure is valid and correctly incurred.

Key Controls

5.235 The key controls for the operation of Imprest Accounts are:

- (a) all Imprest Accounts should be operated in accordance with guidance issued by the Corporate Director Resources
- (b) regular reconciliations between the imprest sum advanced and imprest records are undertaken.

Responsibilities of Governing Bodies

5.236 To ensure that all imprest accounts are maintained in accordance with the Council's procedures.

5.237 To notify the Corporate Director Resources when an imprest holder leaves the employment of the Council or otherwise ceases to be entitled to hold an imprest advance and ensure that the imprest advanced is accounted for to the Corporate Director Resources, unless responsibility for the imprest is transferred to a different officer, in which case the Corporate Director Resources should be notified of the new account holder.

5.238 To ensure that all cheques drawn on an imprest account are endorsed by two authorised signatories, where possible not to include the School Administrator or Bursar.

5.239 To ensure that income received on behalf of the Council is not paid into an imprest account but banked as provided elsewhere in these Procedure Rules.

5.240 To agree with the Corporate Director Resources the procedure for reimbursing expenditure imprest accounts.

5.241 To ensure that officers:

- (a) do not, under any circumstances, allow personal cheques to be cashed, or personal loans to be made, from monies held in an imprest account. In addition, no private or personal monies should be used to supplement an imprest account
- (b) obtain and retain a receipt to substantiate each payment from the imprest, which should be attached to a voucher and authorised. Particular care shall be taken by the employee to obtain a VAT invoice when this tax is charged
- (c) restrict the amount of each separate payment to such limit as may be prescribed from time to time by the Corporate Director Resources
- (d) maintain records and operate the account in accordance with the instructions from the Corporate Director Resources
- (f) maintain the safe custody of imprest cash by keeping it securely locked away, preferably in a safe
- (f) produce, upon demand, to the Corporate Director Resources or his/her representative cash and/or vouchers to the total of the imprest
- (g) record all transactions promptly
- (h) do not allow the account to become overdrawn
- (i) when requested, the Corporate Director Resources is provided with a certificate as to the state of the imprest advance
- (j) do not make salaries or wages payments to employees from an imprest account
- (k) do not make payments to people who are self-employed or to sub-contractors who are undertaking any building work

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- (l) reconcile and balance the account to the total of the sum advanced, at least termly, with a copy of the reconciliation sheet signed and retained by the imprest holder. Periodic checks shall be made by a senior officer to ensure that this is being properly carried out.

Responsibilities of the Corporate Director Resources

- 5.242 To provide advances they consider appropriate for the purpose of defraying petty cash and other incidental expenses. Such accounts shall be maintained on an imprest system.
- 5.243 To open an account with the Council's bankers for use by the imprest holder. It shall be a standing instruction to the Council's bankers that the amount of any overdrawn balance shall be reported forthwith to the Corporate Director Resources.
- 5.244 To periodically review the arrangements for the safe custody and control of Imprest accounts.
- 5.245 To reimburse imprest holders as often as necessary to restore the imprest and to keep a record of such advances.
- 5.246 To provide guidance on how imprest accounts are to be operated and how records are to be kept of payments and reimbursements.

VOLUNTARY AND PRIVATE FUNDS

Why is this Important?

- 5.247 Most schools have funds at their disposal which come from private donations from parents / individuals and companies and fund-raising activities. These school funds, though not strictly public money, nevertheless need accounting for with the same care, probity and efficiency. Individuals or organisations who have given money to schools are entitled to know that the money has been properly accounted for.

Key Controls

- 5.248 The key controls for the operation of voluntary and private funds are:
- (a) all such accounts should be operated in accordance with guidance issued by the Corporate Director Resources
 - (b) the money raised is for the use and benefit of the school and pupils involved and must not be used for any other purpose.

Responsibilities of Governing Bodies

- 5.249 To be responsible for the proper operation and security of the school's voluntary and private funds.
- 5.250 To ensure sound financial management and annual audit of all voluntary and private funds held on behalf of the school.
- 5.251 To review the systems procedures and accounting records on a regular basis to ensure that internal controls are satisfactory.

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- 5.252 To establish a management committee for all voluntary and private funds held by the school. The management committee must appoint an honorary auditor in accordance with the levels of fund income as set out in the Council guidance on the management of private funds.
- 5.253 To receive the audit statement and audited accounts annually at a meeting of the full Governing Body.
- 5.254 To ensure that all relevant registrations are made with the Charity Commission where applicable (that is, if the funds were established for charitable purposes and the annual income exceeds £5,000).
- 5.255 To ensure that any suspected irregularities are reported to the Corporate Director Resources (in practice represented in this regard by the Audit Manager).

Responsibilities of Headteachers

- 5.256 To provide the Governing Body with details of the operation and purpose of each voluntary and private fund held by the school.
- 5.257 To ensure that there is a proper segregation of duties for income transactions (receiving, recording and banking of income) and expenditure transactions (ordering / receiving of goods and services, certification of invoices and raising / signing cheques).
- 5.258 To ensure that staff do not mix their own finances with the voluntary funds they are authorised to administer.
- 5.259 To ensure that staff do not cash personal cheques using voluntary funds or borrow / use voluntary funds for their own purposes / purchases.
- 5.260 To ensure that the accounts and balance sheet of the voluntary and private funds are prepared each year and presented to a meeting of the full Governing Body for approval within six months of the relevant accounting year end.
- 5.261 To inform the Corporate Director Resources of all voluntary and private funds held on behalf of the school, including banking details and authorised officers on an annual basis by 30th September each year.
- 5.262 To provide the Council (in practice represented in this regard by the Audit Manager) with an annual audit certificate(s), completed by a suitable independent person in respect of all voluntary and private funds held on behalf of the school and the accounts of any trading organisations controlled by the school, within six months of the relevant accounting year end.

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GLOSSARY OF TERMS

TERM	EXPLANATION
School Accounting Records	The school systems for processing, recording and providing management information on financial and finance related transactions. Examples include purchasing, payroll and income collection.
Advances of Budget Share Instalments	These are instalments of the school budget share payable monthly to those Schools who have their own bank accounts.
Acquiring Banks	(also known as “merchant banks,” or “acquiring financial institutions”) As an entity that initiates and maintains relationships with merchants for the acceptance of payment cards, an acquirer is responsible for ensuring that the merchants in its portfolio are using secure TPSPs.
Asset Register	A record of assets owned by a school. It can also be known as an inventory.
Attestation of Compliance (AOC)	Signed document of evidencing compliance with PPCI DSS.
Budget	The amount of money that is planned to be spent by the school over a period of time, normally a financial year.
Budget Manager	Person responsible for financial control or having responsibility for the use of part or whole of the budget.
Budgetary Control	The control of income and expenditure against budget during the financial year.
Capital Expenditure	Expenditure of a capital nature is expenditure on, or in connection with: <ul style="list-style-type: none"> (a) the acquisition, reclamation, improvement or laying out of any land; (b) the acquisition, construction, enlargement, improvement, repair or demolition of any building, wall, fence or other structure, or any playground or other hardstanding; (c) the laying out of playing fields and other facilities for social activities and physical recreation; or (d) the acquisition, installation or replacement of any furniture, plant, apparatus, vehicles, vessels and equipment <p>used or intended to be used for the purposes of the school.</p> <p>“Building” include any fixtures and fittings affixed to a building.</p>
Cardholder Account Data	Cardholder data can consist of the full Primary Account Number (PAN) or include elements such as the cardholder’s name, expiration data and service code.

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	This information can be stored, securely, as part of a payment transaction.
Card Present (CP) Transactions	A CP transaction is defined as any transaction where the card and cardholder are physically present with the merchant at the time of the transaction and where the merchant can evidence the presence of the card tendered through a Chip and Pin (C&P) device.
Card Not Present (CNP) Transactions	<p>A CNP transaction defines any transaction where the card and cardholder are not physically present at the time of the transaction. This includes the following types of transactions:</p> <ul style="list-style-type: none"> • Mail Order / Telephone Order (MOTO) transactions conducted by post, telephone, or any other similar form of communication. • Online transactions via computer networks, including the internet. • Recurring transactions (certain card types only) where the cardholder gives you the authority to charge fixed or varying amounts at intervals.
Cheque Book Scheme	The Scheme developed by the Council under the School Standards and Framework Act 1998 for Schools to manage their own bank accounts.
Corporate Criminal Offence	<p>The Corporate Criminal Offence is a piece of legislation brought in through the Criminal Finances Act 2017 and is aimed at tackling tax evaders and enablers.</p> <p>It provides strict liability under criminal law for failing to prevent the facilitation of tax evasion. Failing to deliver school / Council responsibilities could risk criminal prosecution, unlimited financial penalties, a public record of conviction and severe reputational damage.</p>
Corporate Director Resources	<p>Person responsible for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988.</p> <p>The responsibility of the Corporate Director Resources, under these Acts, shall include all aspects of the financial management undertaken by a Governing Body and all powers delegated to Governing Bodies by the SSAF Act 1998.</p>
Contract	A single contract may consist of a series of transactions for the provision of supplies or services or the execution of works, which are of the same nature and are awarded at the same time. In such circumstances, the total estimated value or amount of the series of transactions should be taken as the estimated value or amount.
Contract Procedure Rules	They govern the supply of goods and services and the execution of works. Every Local Authority is required, by law, to have Contract Procedure Rules.

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	It is commended that schools prepare their own tendering and procurement rules in line with exemplars provided by the Council.
Controlled Stationery	<p>Documentation to be used in a variety of financial transactions that requires complete security of ordering, storage and use with consecutive numbering providing a management/audit trail evidencing its usage. Examples are order books, receipt books and tickets.</p> <p>The loss or abuse of such items could have financial consequences for the school or Council.</p>
Counter Fraud and Corruption Strategy	<p>This is designed to support schools to have a fraud reporting culture, strong fraud awareness, assurance and ownership.</p> <p>Schools are commended to adopt the exemplar document prepared by the Council.</p>
Delegated Authority	Authority given to groups of individuals to make decisions on behalf of the Governing Body.
Delegated Budget	Maintained Schools have a budget share calculated on the basis of a formula, and the right to spend this budget share is normally delegated to the School's Governing Body, to be spent for any purpose of the school or carried forward into subsequent financial years.
Earmarked Funding	Funding that can only be spent on the purpose for which it was allocated and cannot be allocated elsewhere using virement or subsumed into the delegated budget.
Expenditure	The amounts paid for goods and services received.
Fidelity Guarantee Insurance	<p>Security taken out against loss due to fraud and dishonesty attributable to any failure of an employee to perform his/her duties faithfully or by other persons likely to be entrusted with the custody or control of School money or property.</p> <p>If this insurance is taken out through the Council, employees of all schools (including VA schools) are covered.</p>
Financial Regulations	Regulations approved by the designated committee of the school or Council, setting out arrangements for the administration and governance of financial affairs in Schools.
Financial Year	The twelve-month period used by governments, businesses and other organisations to calculate budgets, profits and losses for accounting purposes. In the United Kingdom, a financial year runs from 1 st April to 31 st March.
Formal Tender	A written offer submitted in response to an Invitation to Tender. The process must be confidential and the tender documents submitted should be opened (after the

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	return-by time/date), witnessed and recorded by authorised officers.
Grant	A grant towards the cost of specified goods or services, e.g. Education Support Grants. Specific Grants are mandatory exceptions to a school's budget share, i.e. they are not included in the budget share.
Income	Amounts of money received by, or due to, a school.
Insurance Risks	Identifying risks by gathering information as to the nature and value of property at risk, the perils which may result in loss and the nature of activities that may give rise to liability for injury or loss to employees or third parties.
Intellectual Property	A product of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.
Internal Control	<p>An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of an organisation that, taken together:</p> <ul style="list-style-type: none"> • facilitate its effective and efficient operation by enabling it to respond appropriately to significant operational, financial, compliance and other risks to achieving its objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed; • help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation; and • help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business. <p>An organisation's system of internal control will reflect its control environment which encompasses its organisational structure. The system will include:</p> <ul style="list-style-type: none"> • control activities; • information and communications processes; and • processes for monitoring the continuing effectiveness of the system of internal control. <p>The system of internal control should:</p> <ul style="list-style-type: none"> • be embedded in the operations of the organisation and form part of its culture;

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	<ul style="list-style-type: none"> • be capable of responding quickly to evolving risks to the business arising from factors within the organisation and to changes in the operational environment; and • include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.
Leasing Arrangements	A leasing arrangement is a contract, extending beyond the period of one financial year, purely for the finance of an asset; it involves no other facets such as maintenance or servicing. The asset cannot, by whatever means, become the property of the Council or school (the Lessee). The instalment payments made under these arrangements are known as Rental Payments.
Official Orders	Controlled stationery providing suppliers with an authorised request specifying the nature and quality of the work, goods or services required and any relevant contract or agreed prices. The duplicate copy is used, subsequently, to check the related invoice when received.
Payment Card Industry Data Security Standards (PCI DSS)	PCI DSS was developed by the five payment brands to bring a greater level of security to the processing of card payments. There is no legal requirement to be compliant with PCI DSS in the United Kingdom; however, it is enforced by contractual obligations with the merchants' acquirers (banks) and payment brands.
Procedure Rules	<p>The Financial Procedure Rules for Schools are formal rules that the Authority has drawn up to regulate the conduct of business in schools.</p> <p>There are separate Financial Procedure Rules and Contract Procedure Rules that relate specifically to Council activities.</p>
Purchasing cards	<p>Also known as P-cards.</p> <p>These are charge cards which work in a similar way to credit cards and can be used by authorised officers to purchase goods and/or services.</p>
Quotation	A formal offer from a third party to provide supplies or services or to execute works at a stated price or in accordance with a specific price structure.
Relevant Interest	Interest with other parties which could bring about potential or perceived conflict (such as with suppliers, contractors or other staff).
Risk Management	The process whereby organisations methodically address the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities.

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School that manages its own bank account (formerly known as a Cheque Book School)	A school that has direct access and control of its own bank account and meets all expenditure from this bank account (all pay and non-pay items).
School that uses the Council's banking system (formerly known as a non-cheque book school)	A school that uses the Council's bank account to meet all items of expenditure (all pay and non-pay items).
School Funds	Often referred to as Voluntary Funds or Private Funds. This is not official public money, but funds usually raised by parents and other benefactors often providing schools with a substantial additional source of finance.
Sensitive Authentication Data (SAD)	The security-related information of a payment card that is used to authenticate cardholders and the authorisation of their payment card transactions.
Self-Assessment Questionnaire (SAQ)	Designed as a self-validation tool to assess security for cardholder data.
Tender	A written offer, on the Authority's terms, from a third party, to undertake works or provide goods or services.
Tendering and Procurement Rules	A document prepared by each school to govern the commissioning and procurement of goods, services and works.
Third-Party Service Providers (TPSP)	A business entity that is not a payment brand, directly involved in the processing, storage, or transmission of cardholder data on behalf of another entity. This also includes companies that provide services that control or could impact the security of cardholder data.
Value Added Tax (VAT)	A tax levied on the supply of goods and services in the course of business transactions. A school's Governing Body has the responsibility for accounting for VAT properly and therefore the school will be liable to pay any amounts owing to HMRC if the rules are not adhered to.
Virement	A transfer of monies between budget headings.