

# Governance & Record Keeping

SCHOOL BANK ACCOUNT ADMINISTRATION

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London Borough of Haringey  
Authored by: Schools Finance



# Audit Arrangements

*Internal control, as defined by accounting and auditing, is a process for assuring of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.*

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*Notes:*

ESFA – Education & Skills funding Agency

DfE – Department for Education

LA – Local Authority

VFM – Value for money

**Contact us:**  
**s-SchoolsReturns@haringey.gov.uk**

Prepared by: Muhammad Ali  
Reviewed by: Brian Smith  
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## INTRODUCTION

Schools financial regulations set out the internal controls and procedures to be followed by schools in administering their local bank accounts.

This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

In any case where conflict is perceived between this manual and the school's financial regulations then the regulations will apply.

If a school has difficulty in interpreting the regulations or this corresponding financial manual, they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management

## ACCOUNTABILITIES AND RESPONSIBILITIES

Overall responsibility for the proper administration of the school's bank account rests with the Headteacher. The day to day operation of the account will normally be delegated to other staff and details of such delegations recorded in the school's records.

The Headteacher will ensure that there is adequate staffing in place within the school to provide the required level of control to operate the account. The Headteacher will promptly inform the Governing Body of any concerns affecting the efficient operation and control of the bank account.

The Headteacher will ensure that responsibilities are delegated in such a way as to provide satisfactory separation of duties. As an ideal, no member of staff shall normally have individual responsibility for more than one of the following:

Authorisation of Orders	Signing of Cheques
Authorisation of invoices for payment	Recording of Expenditure
Custody of cheque book	Bank Reconciliation
Online logins for bank account	

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Schools will find that the ideal is not always possible given staffing numbers available for the system. As a minimum there should be a separation of duties between those monitoring the account and those acting as bank signatories.

All unused cheques shall be held securely by an appointed officer. On use of a cheque, the appropriate cheque stubb shall detail that use and be retained for audit purposes.

## **APPROVED BANKERS AND ACCOUNTS**

Schools' financial regulations require that local bank accounts shall only be opened at a Bank or Building Society approved by the Director of Finance. The current approved list is shown within the Local Authority's Scheme for Financing Schools.

Schools bank accounts are required to be maintained in the name of the school and contain a clear written instruction to the bank that the Local Authority is the owner of the funds deposited and are entitled to receive statements should it request them and can, in certain circumstances, take control of the deposited funds and maintenance of the account. **Appendix A** gives an illustration of the wording that should be included within any school bank account mandate.

## **APPROVED SIGNATORIES**

The Headteacher is required to maintain a list of all Bank and Building Society accounts held by their school together with the names of approved signatories and terms and conditions for each account. The documented list is to be reported to the Governing Body on at least an annual basis. It should not normally include staff who monitor and/or approve the bank reconciliation.

It should include details of staff who are nominated to authorise other matters relating to the bank account, such as general enquiries, requests for statements and cheque books, etc. (Governors who are not employees of the school may not be bank signatories)

Nominated Signatories to the school's bank account shall be:

- approved by the Governing Body through the above process
- include at least one officers from the Local Authority,
- copied to the appropriate banks together with sample signatures of each approved signatory.

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- submitted to the bank through the Schools Finance or directly to the bank
  - minted as approved by the Governing Body

Alterations to the approved list between the annual review shall be submitted to the Governing Body for approval in advance of implementation and notification to the Bank. Agreement to the change should be minted by the Governing Body.

All Cheques require minimum **two** signatures for payment.

No cheques shall be signed in their blank form i.e. without the payee and amount inserted.

Cheques should not be manually amended but where amendment is needed, they should be cancelled and replaced by fresh cheque.

If schools wish to utilise features in their bank accounts that generate payments without use of cheques e.g. standing orders/direct debits/bacs, a documented procedure shall be drawn up by the school outlining the approval and monitoring system for such arrangements.

Approval for the setup of non-cheque payment arrangements will require documented approval of at least the same level as that required for an equivalent cheque payment. e. g two bank signatures. A list of any standing orders/direct debit arrangements must be maintained at the school and reviewed at least on an annual basis and signed by the Headteacher.

### ***Cheques***

Banks will supply cheque books (free) or pre-printed cheques to be used in conjunction with the school's financial software. There is a charge for this stationery but can be cost-effective in saving staff time and written inaccuracies.

All cheque books or pre-printed cheques must be stored securely. Cancelled cheques must be retained.

### ***Cash Flow***

- As school bank accounts cannot overdraw, cash flow can be a problem

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- Regularly check the status of the account and bank account should be reconciled regularly e.g. weekly or monthly
  - Be aware of extra, large payments going through, which could cause problems
  - Inform the Haringey Schools Finance, if you anticipate a temporary problem, explaining the reason, and request a further advance
  - There is a difference between cash flow and budget expenditure problems

### ***Direct Debits***

Direct debits will save both staff time and the cost of cheque stationary if used for regular payments for services, provided these services are secure (i.e. rates, leases etc)

- Governors to agree that the school may use direct debit arrangements
- Record each direct debit set up, listing payment details, dates, length to run etc
- VAT can be re-claimed, provided supplier submits a VAT statement
- Reconcile direct debits regularly
- Be aware of direct debit payments due when calculating cash flow

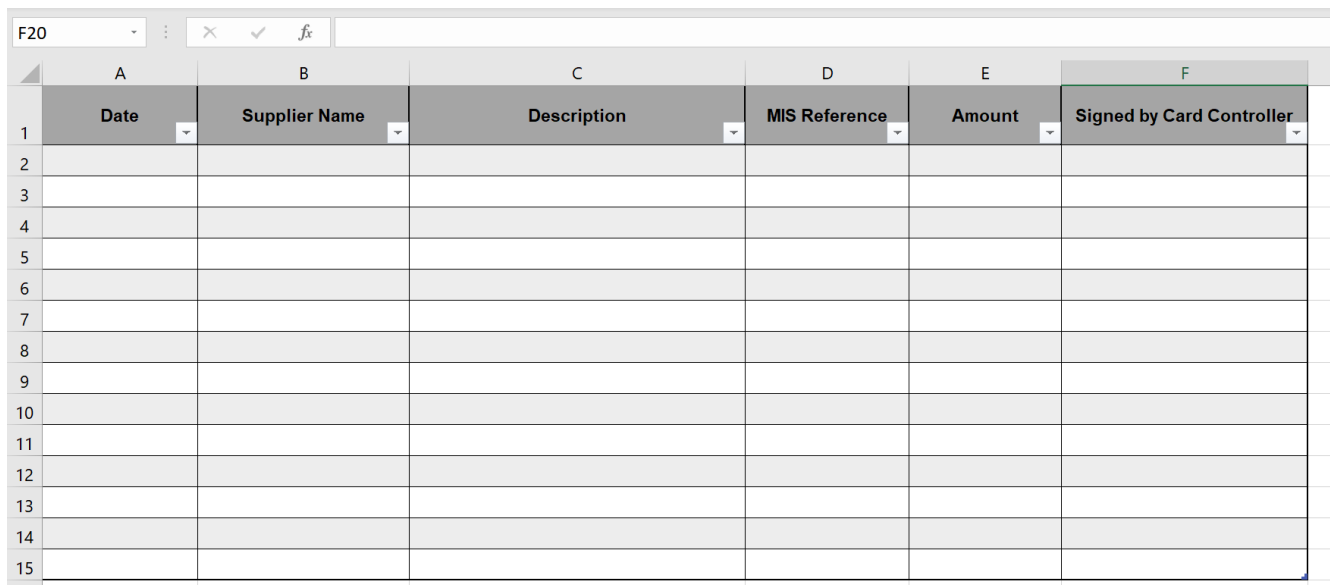
### ***Purchase Card/ Procurement Charge Card***

- The governing body may authorise the use of any such cards, taking into account the potential risks.
- Charge card accounts must be cleared in full at the end of each month to avoid infringing schools' borrowing restrictions.
- Clear, written control systems must be approved by the Governors and those using the cards must be aware of the systems.
- No cash withdrawal is allowed from Purchase/Procurement Charge Card

## Purchase Card Signing In/Out Book

This is kept in the safe along with the purchase card, the Headteacher shall sign the book out, the School Business Manager shall check information written in the book (as below) against receipts and sign the book back in.

Cards must be kept in the safe when not in use and can only be issued by name of card controller. Authorised users should sign the card out and return it as soon as practicable after use. Documentary proof of goods/services purchased must be submitted to name of staff who commits purchases on system.



	A	B	C	D	E	F
	Date	Supplier Name	Description	MIS Reference	Amount	Signed by Card Controller
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						

## BANK ACCOUNT MANAGEMENT

- Local Authority pay tranches of the delegated budget, grants, reimbursement or other similar payment directly into school main bank account.
- On receipt of written notification of payment, enter credit on software and allocate to correct heading – ensure an audit trail to confirm all reimbursements etc have been received
- School invoiced income must be treated as in the previous point, plus procedures for receipting of invoices as described in section.
- Regularly reconcile all bank accounts and charge card statements at least monthly. Some schools reconcile on a weekly or even daily basis if they have an on-line banking facility. This also aids cash flow issues.

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- Include in the reconciliation all bank charges, interest and direct debit payments, ensuring they are entered on the financial software
  - Reconciliations to be carried out by the School Business Manager
  - Adjustments must be dealt with promptly, with a clear audit trail

## **BANK ACCOUNT RECONCILIATION**

Bank account reconciliations are required to be completed on at least a monthly basis for each account held by a school. The reconciliation will be signed by the compiler and any outstanding issues clearly listed and followed up for clearance. Part of the process is the independent review of the reconciliation and the recording of actions taken to clear any discrepancies. The reconciliation reviewer will also sign the reconciliation statement.



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## Appendix A

### Haringey Council

#### **Example Wording for Bank Accounts Arrangements Containing Official Funds**

'xxxx School in opening /maintaining this banking arrangement with xxxx bank, are required by Haringey Council ( the Council ) to inform the bank that the Council is the owner of the funds deposited in respect of xxxx school and the Council are entitled, on request from its Director of Finance, to receive statements of the accounts, balances and transactions, and any other information relating to the operation of the account.

The Council are also entitled, upon written notice from its Director of Finance, to directly administer the funds of the account including changes to the authorised signatories to the account'