Moonee Ponds Primary School
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INTERNAL FINANCIAL CONTROL POLICY

Rationale:

- Ensure accounts and assets are appropriately controlled in accordance with DET requirements.

- Create a sense of safety for all employees involved in the financial processes at the school.

- Minimise risk of fraud and misappropriation of funds.

Aims:

1. Validity

To ensure that all financial transactions are recorded, that they are soundly supported by appropriate documentation and that the accounting records report the true financial position of the school in a clear manner. This ensures they can be relied upon with confidence to provide a basis for informed financial decision making.

2. Authorisation

To ensure that transactions are properly authorised and processed by persons acting within their designated authority.

3. Completeness and Accuracy

To give assurance that the financial records include all transactions and that these transactions can be completely verified. That nothing is omitted either purposely or by mistake and that the financial reports represent the whole picture of the school's financial position.

4. Timeliness

To ensure that all transactions are recorded as close as practicable to the time of occurrence, so that at all times the accounting records reflect the actual financial situation and can be verified.

5. Security

To provide assurance of the safe keeping of assets and records.

6. Physical Existence

To ensure that all assets are recorded on the asset register.

Implementation-

1. Bank Accounts and Investments

- All School Council bank accounts, except the High Yield Investment Account (HYIA), must be in the name of the School Council. Registered signatories at the bank for these accounts must comprise the principal as a mandatory signatory, and a second co-signatory who must be a member of School Council and approved by Council as a signatory. School Council can authorise more than one co-signatory at any one time providing they are School Council members. The Business Manager must never be a signatory for school accounts.

- Registered signatories must be minuted at School Council and kept up to date at the bank. Authorisation for banking software and other electronic payments e.g. BPAY must follow the same controls that are applied to the registered signatories for the school bank account.

- Bank accounts are to be maintained on CASES21 and monthly financial reports provided to School Council. Each bank account must be reconciled monthly and must be audited as per DET policy.

- School bank accounts are not permitted to become overdrawn.

- If the school Parent Association choose to operate a separate bank account it must also be recorded on CASES21. The Principal is a mandatory signatory for the account and all cheques must be co-signed by another authorised signatory. The account must be independently audited each year.

- The transfer of money from one bank account to another must be authorised by the principal and a report, detailing transfers must be presented to School Council each month.

- Each school council must develop and endorse a school investment policy.

- Where schools choose not to use the HYIA as the sole investment instrument, a register must be maintained to include all other investment accounts. This register should be regularly reconciled with bank statements or certificates. The HYIA is exempt from entry to the investment register.

2. Chart of Accounts
- Chart of Accounts codes pertaining to general ledger accounts, programs, subprograms and initiative are used appropriately and consistently.

3. Receipts
- School policy in place for collection of money
- Official receipt issued immediately for all cash, cheques, BPAY and ETFPOS received
- Total of receipts issued is reconciled with total monies collected
- No receipts altered
- Cancelled receipts remain attached to duplicate copy.
- No duplicate receipts issued.

- No personal cheques cashed.
- Any coin-operated vending machines emptied and cash counted by two officers.
- Money collected away from the school office to be counted by two people (where applicable) and a control receipt issued or class list attached; this is then submitted to general office for reconciliation and banking.

4. Refunds
- Before the school processes a refund, the original receipt is to be produced or receipt number identified, and the payment voucher for the refunded amount attached to the receipt document.
- Any refunds issued must be by cheque or direct credit if appropriate, to the parent/guardian and not in the form of cash to the student.

5. Banking
- All cash and cheques collected are banked intact daily by person other than the one processing the collection.
- Bank deposit slips prepared in duplicate.
- Depositor signs bank deposit slip.
- Cash stored in safe with controlled access.
- Money not left on school premises during vacation periods.
- Dishonoured cheques are followed up promptly.

6. Purchases and Expenses
- Quotes/tenders obtained as per current Victorian Government Purchasing Guidelines, and purchase orders raised and authorised.
- Once authorised, orders are recorded on CASES21 to accurately determine commitment against budget.
- Pre-numbered blank order forms are kept secure and recorded in Accountable Documents Register.
- Electronic order forms, commencement date and first order number, should also be recorded in the Accountable Documents Register.
- Order forms not to be used for private purchases.
- Duplicate of each purchase order retained.
- All orders are approved: purchase orders signed by school principal or persons appointed by School Council – other than person writing out the order.
- Person receiving goods different from person authorising order.
- Goods received checked against delivery docket.
- Delivery docket checked against supplier's invoice and purchase order.
- Duplicate of the purchase order marked 'Goods received' and endorsed with the invoice number. Invoice marked 'Goods received' and endorsed 'paid'.
- Person checking invoice for correctness signs to accept responsibility.
- Retention of all documentation.

7. Purchases from Suppliers

- Specific procedures are to be followed when purchasing goods from private suppliers. Whether getting an oral quotation or inviting public tenders, the prime focus should always be to seek and achieve 'value for money'.

- The following table indicates the required number of quotes:

8. Tender/Quotation Thresholds	
Less than or equal to $2,500 (GST inclusive)	A minimum of one quote (maybe verbal or written)
Greater than $2,500 and equal to $25,000 (GST inclusive)	A minimum of one written quote
Greater than $25,000 and equal to $150,000 (GST inclusive)	A minimum of three written quotes to be sought.
Greater than $150,000 (GST inclusive)	Public tender process.

- The quotes, including a record of verbal quotes received, and tenders are to be attached and filed with the purchase documentation. Where the lowest quote has not been accepted, a note to this effect from the authorised officer, setting out (briefly) the reasons, should be filed with the purchase order documentation. This note would form part of the audit trail.

- An official school order form must be raised and authorised for all school purchases of goods, whether from private suppliers or government agencies. Approval to purchase is dependent upon funds being available to meet the payment (funds sufficiency). A purchase order is not required for petty cash, some canteen items and utilities accounts.

- Official school order forms are not to be used for private purposes.

- Order forms (hard copy or electronic) are to be entered in the *Accountable Documents Register* and are to be serially pre-numbered and used in strict sequential order so that all forms can be easily traced and accounted for.

- Stocks of purchase order forms should be inspected periodically by the authorised officer to detect any broken sequence of original purchase order forms.

- It is essential that a duplicate copy of each order be kept by the initiating department/ administrative staff as both a permanent record and authority for delivery and payment. The duplicate is marked 'goods received' or 'cancelled' when the account is passed for payment.

- Once approved, orders should be recorded on CASES21 to accurately determine commitments against budget and to ensure cash flow requirements.

8. School Purchasing Card

- The School Purchasing Card represents another form of paying for school supplies. The card is not intended to replace the traditional forms of ordering and payment. It provides additional flexibility and convenience without any loss of accountability. All other purchasing guidelines in relation to internal control should be followed in the use of the card.

- The principal and school council to determine which personnel and activities will be eligible to utilise a School Purchasing Card.

- The principal and school council to determine the expenditure limit for each identified cardholder and to issue financial delegations which match these limits.

- School council is to appoint an 'Authorisation Officer' (usually the Principal).

- 'Undertaking by the Cardholder' should be completed by each user and retained by the school.

- Principal is to ensure that:

1. All approved School Purchasing Card users receive an appropriate briefing which includes the financial institution's terms and conditions, together with written procedures as to the operation of the card.

2. The cardholders' names, card details, etc are minuted at School Council; along with any changes (and reasons for the changes/s) if/when they occur.

3. Arrangements are developed and documented:

    a. For the safe and secure custody of the School Purchasing Card at all times.

    b. For the monthly School Purchasing Card statements to be attached to the relevant reports (CASES21) as part of the tabled documentation for Finance/School Council meetings.

    c. To ensure full compliance with School Purchasing Card procedures and controls (refer to DET Guidelines and Procedures).

    d. To ensure all cards are received at the school address.

    e. To recall and cancel cards when a user leaves the school, or the card is no longer required.

9. Receipt of Goods

- Full details of items and quantities appearing on the delivery docket are to be checked before the docket is signed.

- This check will prevent incorrect items and quantities being processed through the system and possibly paid for. Short deliveries are to be similarly noted. Subsequently, the delivery docket should be compared with the purchase order and also matched with the invoice as part of the internal checking system. Variations should be investigated. Part payments may be relevant where the full purchase order has not been delivered.

10. When Payment is processed

- The person drawing the cheques should preferably not be involved with ordering and receiving, thus providing an independent check on these functions.

- All paid invoices are to be clearly marked "paid", similarly, the copies of purchase orders which support payments should be marked 'goods received' and, where possible, endorsed with the reference number of the paid invoice. This should overcome the risk of duplicate payments

- Before cheques are signed, all supporting documentation (quotes, orders, invoices and vouchers) must be attached to each cheque allowing the relevant details to be checked by the signatories for completeness and approval.

- If payment is via direct debit, direct deposit, BPAY or School Purchasing Card the equivalent pre-authorisation and approval procedures and associated documentation must be in place to verify the payment.

- Procedures should be established to ensure that invoices are paid in time to obtain any discounts and that those not offering discounts are paid within the permitted credit period.

11. Payment of Taxes

- Schools are required to lodge a Business Activity Statement (BAS) containing the net amount for each tax period. The BAS is used to report tax entitlements and obligations including Goods and Services Tax (GST), and Pay As You Go (PAYG) tax.

- Schools are required to pay and charge GST and should claim the tax back as an Input Tax credit through the Australian Tax Office (ATO).

- Schools must assess the Fringe Benefits provided to staff employed at their school and report, the FBT liability incurred, to DEECD each April.

- BAS returns, which are generated through CASES21, should be signed by the principal and are to be lodged either monthly or quarterly, in accordance with the agreement made between the school and the ATO.

12. Assets and Stores

- Receipt of donated equipment minuted at School Council meeting and entered on school CASES21 Asset module at zero value.

- All assets over $5,000 immediately entered fully into CASES21 Asset module

- Lease items (operating lease only), including leased cars, are recorded on the CASES21 Asset module with the Lease start date, Lease end date and the monthly lease cost.

- The CASES21 Asset module is maintained by a person not associated with physical custody of assets.

- Inventory of stock, not entered on the CASES21 Asset module, is maintained for good stock control.

- Stock take completed annually.

- Persons performing stock take do not have custody of items.

- Board of Survey to identify obsolete or unserviceable equipment and recommend course of disposal action to School Council.

- CASES21 Asset module is adjusted for disposals; reasons given; principal authorises; minuted at School Council meeting.

- Additional insurance cover arranged for items not covered by School Equipment Insurance Scheme (SEIS).
- Loans register is used to record assets borrowed from the school.

13. <u>Payments (Cheque and Electronic)</u>

- All payments, except petty cash, made by cheque, direct deposit to disk, direct debit, School Purchasing card or BPAY.
- Dissection details entered on invoice or "payment voucher"
- Payment voucher authorised by cheque signatories and all supporting documentation (including quotes) attached.
- Invoices and purchase orders, and all supporting documents endorsed "PAID" after approval and cheques signed.
- Cheque stationary recorded in Accountable Documents Registered and stored securely at all times.
- Cheques completed in sequence, ensuring correct guidelines are followed.
- ALL internet payments/debits, and cheque payments are to be authorised by the principal and nominated member of School Council. Never the business manager.
- All payments made from School Council accounts approved or ratified by School Council and documented in Council minutes.
- Cheques sent to payees with identifying remittance advice.
- All alterations to cheques properly authorised by signatories.
- Cancelled cheques recorded in CASES21 and documented on the payment voucher with principal endorsement.
- Supporting documents systematically filed.
- Blank cheques never signed.
- No loans permitted. Schools are not permitted to loan money under any circumstances.
- Unpresented cheques followed up after 3 months.

14. <u>Commitment Control</u>

- All outstanding orders regularly recorded on CASES21 and reported at monthly School Council meetings.
- Commitments recorded on the system are regularly reconciled to ensure figures are current and accurate.

15. <u>Accounting/Finance Procedures</u>

- All bank accounts reconciled with bank statement each month.
- Any variances between bank accounts and bank statements should be investigated and reasons noted.

- Bank reconciliation statement includes:
    a) All unpresented cheques;
    b) Deposits not yet credited;
    c) Reversals and cancellations; and
    d) Sundry entries that appear on the bank statement for more than one reconciliation period are followed up. (unpresented cheques no longer than 3 months)

- The bank should be notified of stale cheques and stop payment applied.

- Each stale cheque is to be recorded on CASES21 and the resulting documentation should be attached to the original payment voucher and securely filed for future reference and audit.

- Accountable Documents Register is maintained.

- Financial statements are printed and filed for audit at the end of each month and at the end of the calendar year.

- Financial information given to school councillors in advance of the monthly meeting, to enable them to carry out their management role from an informed position.

- Cooperatives independently audited and the annual report provided to School Council.

- A Profit and Loss Statement is to be completed annually for all trading accounts, e.g. Canteen, Before/After School Care Program.

16. <u>Petty Cash</u>

- Petty cash payments limited to $200 per item.

- Petty cash custodian has no other cash receipt or payment function.

- Petty cash kept separate from all other funds in a secure location (lockable drawer/safe) at all times.

- IOU's not accepted.

- No personal cheques cashed.

- Petty cash voucher written in ink to support each payment, approved as applicable.

- Petty cash vouchers marked 'paid' when funds are paid to the claimant.

- Documentation attached to petty cash reimbursement request.

- All transactions recorded in petty cash book.

- The recoupment cheque is to be payable to the advance holder and opened to 'pay cash', with the notation being signed by the cheque signatories.

17. <u>Cash Flow Budget</u>

- All sources and amounts of revenue identified.
- Program balances to be carried forward from previous year included.
- Cost of stores, services and educational programmes for coming year identified.
- School budget prepared and approved prior to beginning of school year.
- Cash Flow budget prepared for monitoring of liquidity and investment opportunities.
- Regular comparison of actual with budgeted income and expenditure. Substantial variances should be investigated.
- Adjustments are made to budget to reflect changed circumstances and are approved by School Council.
- School Council approved budget entered onto CASES21 prior to first Council meeting.

18. <u>Trading Operations</u>

- A non-curriculum operation, run by the school council is referred to as a Trading Operation e.g. canteen (not leased), second hand book shop, uniform shop, Out of Hours School Care.
- Established by approval of School Council.
- Income sufficient to meet full costs.
- Workers' award, contract, agreement etc kept on file.
- Written purchase orders.
- Deliveries checked by someone other than the person ordering.
- Assets recorded on CASES21 Assets Module.
- Twice yearly stock take completed by two people.
- Profit and Loss Statement prepared at least once a year.
- Cash safely stored.
- Cash takings counted by two people.
- Takings entered in daily sales book with two signatures.

19. <u>Camps and Excursions</u>

- Approval must be gained from principal or School Council, depending upon the duration and nature of activity.
- Receipting and purchasing rules apply for all activities.
- Cash receipts handed to administrative staff for banking with class lists, etc.
- Subsidisation of camps and excursions approved by School Council.

20. <u>School Level Payroll</u>

- Compliance procedures in place for Australian Tax Office, Superannuation, WorkSafe, DET and School Council requirements.

- Authorisation of hours worked procedures in place. Including timesheets being authorised by the principal or delegated staff member.

- Certification of every payroll by the principal.

- Remittance of PAYG and superannuation instalments, are processed according to required timelines.

- Tax File Number Declaration forms are completed and lodged when submitted by School Council employed staff.

- All pre-employment processes for new staff completed, including Police Check, WWC Check (E) and VIT registration as applicable. Copies to be retained.

- Issue and reconciliation of Payment Summaries is accurate and timely.

- Payroll documentation and retention requirements are in place.

- Relevant payroll reports are generated, certified (if required) and kept on file for audit.

- Budgetary control is maintained over the school level payroll.

21. Computer Systems

- Authorisation policies and procedures relating to hardware/software access are in place.
- Systems/Software manuals are available and being used.
- More than one person is trained to use DET software.
- Measures that ensure the physical security of equipment and software are in place.
- Ensure data integrity at all times.
- Equipment/software 'backup' is available.
- User passwords and log-on are confidential and secure at all times.
- Data is backed up daily and virus protection is current.

Further information: Internal Controls for Victorian Government Schools
http://www.education.vic.gov.au/school/principals/finance/pages/default.aspx
http://www.education.vic.gov.au/school/principals/finance/Pages/guidelines.aspx
http://www.education.vic.gov.au/Documents/school/principals/finance/FinanceManual
School.pdf

Evaluation:
This Policy will be evaluated on an annual review cycle.

Key Person responsible for development of the Policy:
Business Manager and Finance Sub-Committee

This policy was last ratified by School Council in....	**MAR 2017**	