



**Haringey** Council

**The Children and Young People's Service**

**Report to Haringey Schools Forum 11<sup>th</sup> November 2010**

**Agenda Item  
12**

**Report Status**

For information/note   
For consultation & views   
For decision

**Report Title: Electronic Payments by Haringey Schools**

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**Purpose:** To advise Schools Forum on alternative methods of payment for goods and services in order to prevent instances of cheque fraud.

**Recommendation:** For Schools Forum to note the Authority's recommendations that:

1. The preferred option is to introduce BACS when development is complete. This will need to be done in line with Audit requirements.
2. In the interim, we recommend consulting with schools on a system using cashflow deductions for internal payments.

## **1. Background and Introduction.**

- 1.1 Haringey Schools make payment for goods and services by cheque drawn at the school and posted to the supplier. Some cheques are for payment to private sector creditors while others are for services supplied by Haringey Council.
- 1.2 A number of Haringey Schools have recently encountered instances where cheques have been drawn, posted to the Council, later to find that the cheque has been intercepted by a third party, the payee's name and sometimes the amount altered and then an attempt made to fraudulently encash the cheque.
- 1.3 In most of the recent cases the cheques have been drawn to Haringey Council.
- 1.4 Investigation has shown that cheques have been intercepted by third parties whether posted through internal or external post systems.
- 1.5 In many instances, the relevant bank has alerted the school before the altered cheque was encashed, thereby preventing the fraud otherwise the bank has reimbursed the school against loss.
- 1.6 It is clear that schools cannot be exposed to continued risk of loss through fraud and consequently an alternative method of settlement of invoices is sought.

## **2. Alternative Solutions**

- 2.1 One solution for Haringey payments would be for sums due to be deducted from the school's monthly cashflow following a reasonable settlement period (eg one month). Schools would still receive paper bills and have the opportunity to dispute invoices should the need arise. Disputed invoices would not form part of the cashflow deduction.
- 2.2 The Authority would inform the school of which invoices had been deducted so that the payment could be recorded in the school accounts.
- 2.3 One neighbouring Authority recoups payment from its schools by direct debit on a monthly basis. This is an alternative solution but holds little advantage over withdrawal via cashflow.
- 2.4 A third alternative is for schools to have the facility to make electronic payments (BACS) which would replace cheque payment. This has the advantage of being operable for Haringey and private sector payments.
- 2.5 Electronic payment relies upon the facility being built into the accounting software (RM or SIMS FMS) and a BACS file being

provided by the school's bank. There may be a cost implication for the schools for provision of the BACS file but this is dependant upon the bank.

- 2.6 RM is currently developing the BACS payment facility and expects this to be available in a future upgrade of their software (estimated to be around end of March 2011). Current work is based upon a BACS file being provided by Lloyds TSB. Other banks will need to be approached for access to their BACS software – a charge would be made by RM for further developmental work to be carried out to integrate RM Finance with non Lloyds TSB files. We will explore the level of costs with RM and update Schools Forum on developments.
- 2.7 The facility will require the electronic signature of the payment to be made within the BACS file software.
- 2.8 SIMS has already introduced electronic payments into certain Local Authorities and this has been operable for approximately two years.
- 2.9 The agent who works with Haringey Schools using SIMS FMS is introducing electronic payments into her school in another Authority during the second half of the autumn term. Her experience gained in this process would enable us to introduce electronic payments within SIMS FMS in Haringey. We will explore this process as it develops and update Schools Forum.

### **3. Recommendation.**

- 3.1. The preferred option is to introduce BACS when development is complete. This will need to be done in line with Audit requirements.
- 3.2. In the interim, we recommend consulting with schools on a system using cashflow deductions for internal payments.