

FINANCIAL REGULATIONS FOR SCHOOLS

INTRODUCTION

- Section 151 of the Local Government Act 1972 states that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
- The Director of Finance has been given overall responsibility, under Section 151 of the Local Government Act 1972, for the administration of those affairs, including the implementation and supervision of all systems and records used for accounting purposes or in any way relating to the finances of Haringey Council. Whilst the Director of Finance has specific responsibility to make sure that someone carries out these tasks the Director of Finance may, from time to time, delegate this responsibility. In practice on a day to day basis (for schools) much of this shall be delegated to the Head of Finance for the Children and Young People's Service.
- These Financial Regulations for Schools are made under Section 151 of the Local Government Act 1972 and in accordance with Section 48 of the School Standards and Framework Act 1998.
- Should schools find themselves in a position where it is their belief that they are not complying with these regulations they should contact the Head of Finance for the Children and Young People's Service.
- These regulations relate mainly to official funds. However please refer to the section on voluntary funds in relation to financial standards for other such funds.

DEFINITIONS

- Local Authority:- Haringey Council is the Local Authority, referred to in these Regulations as 'the Local Authority'.
- School(s):- The use of the words 'school, or 'schools' throughout these Regulations refers collectively to the Governing Body, a committee of the Governing Body, the Headteacher and other staff employed at the school. In certain cases the regulations refer specifically to the Governing Body or the Headteacher.
- Governing Body:- References to 'the Governing Body' may refer to a committee of the Governing Body where delegated authority to carry out

tasks is permitted and those tasks have been properly delegated to such a committee by the Governing Body.

- Headteacher:- References to 'the Headteacher' may refer to other staff of the school where delegating authority is permitted and has been properly delegated by the Governing Body or Headteacher.
- Any points of clarification on these Regulations should be initially addressed to the Head of Finance for the Children and Young People's Service, Haringey Council, 48 Station Road, Wood Green, London, N22 7TY.

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THE REGULATIONS

GENERAL

1. The Director of Finance may issue, from time to time, financial manuals and instructions for the administration of the financial affairs of schools. Such advice may provide further guidance on arrangements dealt with in these Financial Regulations for Schools including the form and content of any document or report on financial matters, accountancy procedures and financial instructions.
2. Financial instructions, whether issued separately or included in the Schools Financial Manual, shall form part of these Regulations.
3. Headteachers are required to ensure that the Governing Body is aware of these Regulations and updates to them. Copies of the regulations will be supplied to Chairs of Governing Bodies by the Head of Finance of the Children and Young People's Service. The Headteacher shall additionally ensure that members of the Governing Body have access to any financial documents they may request.

ACCOUNTING AND TAXATION RECORDS

4. Schools are required to ensure that the accounting records and controls in place comply with the minimum requirements as specified from time to time by the Director of Finance and these regulations. Any school reviewing its accounting systems must ensure continued compliance with the requirements set out by the Director of Finance appropriate to the records maintained by that school. Additionally schools shall inform the Director of Finance of any proposed changes to its accounting procedure that may affect the maintenance of those records. For example, a school arranging its own payroll shall be subject to different accounting requirements for their payroll controls compared to a school that has opted to buy back the payroll services of the Local Authority.
5. Headteachers shall ensure compliance with the requirements of the Director of Finance in respect of financial procedures and accounting in relation to payroll, income, assets, VAT, Construction Industry Scheme and the taxation records associated with these matters. Headteachers should ensure that all relevant finance and administrative staff are aware of these requirements. As an

example, schools shall set out how VAT on such things as business activities, school trips and other taxable activities should be accounted for within official school records and voluntary funds. Schools shall consult with the Director of Finance when considering introducing or amending any such systems.

6. Responsibilities under the Data Protection Acts shall rest with the Headteacher and advice shall be sought from the Council's Data Protection Officer where needed. The school is also responsible for making payments to contractors and sub-contractors which must be done in accordance with the Construction Industry Scheme.
7. All accounting records shall be securely retained when not in use and only authorised staff should be permitted access to them. All records shall be kept securely by schools for statutory or other periods as advised by the Director of Finance. Schools shall make records available for public inspection in accordance with the Local Authority's responsibilities for the inspection of such records.
8. Schools shall abide by the procedures issued by the Director of Finance in relation to accounting policies. Further information on such policies is contained throughout these Regulations and in separate advice issued from time to time by the Director of Finance.
9. The annual year end accounts of schools shall be prepared in accordance with procedures and time scales as determined by the Director of Finance and issued annually to schools.

BANK ACCOUNT ADMINISTRATION

10. Schools shall only operate a bank account that conforms to the Scheme for Financing Schools and these regulations. A school may only hold an account at either a bank or building society that has been approved by the Director of Finance, and as such appears on the approved list within the Scheme for Financing Schools.
11. Schools are allowed to maintain bank accounts for budget share administration purposes. These shall be in the name of the school rather than the Local Authority. Where a school opens such an account, i.e. in its own name, the school shall ensure that the bank mandate states that the Local Authority is the owner of school budget share funds. In this context the mandate shall ensure that the Local Authority is entitled to receive statements where it so wishes and that it can take control of the account should the school's right to a delegated budget be suspended by the Local

Authority.

12. The Headteacher shall maintain a list of all Bank and Building Society Accounts held by the school together with the approved signatories for each.
13. A list of bank accounts used by the school shall be reported in writing to the Governing Body at least annually by the Headteacher.
14. Each school bank account mandate shall include the Director of Finance and their nominees. Bank mandates shall therefore be submitted to bankers through the Head of Finance for the Children and Young People's Service.
15. Bank account mandates shall specify cheque signatories within the limits set out in the scheme for Financing Schools. Bank signatories shall be approved and minuted by the Governing Body.
16. All cheques must be personally signed (not pre-signed nor, signature obtained from a stamp) by an authorised signatory who shall at the same time, be presented with documents supporting requested payments. No facsimile signature shall be used.
17. Cheque books shall be held securely when not in use. Cheques shall not be manually amended but, cancelled and replaced where necessary.
18. All bank accounts must be promptly reconciled on a monthly basis, signed by the individual undertaking the reconciliation and countersigned by the Headteacher. All discrepancies should be promptly investigated. A separation of duties shall normally be in place between those monitoring the account, and those who are bank signatories. The advice of the Council's Internal Audit Service shall be sought where there is any doubt over the strength of such a separation of duties within a school.
19. At no time shall the school allow the bank account to become overdrawn and schools shall advise their bankers that they are not allowed overdraft facilities. Schools shall ensure that internal mechanisms are in place to ensure that this does not happen. If these fail, the Headteacher shall immediately notify the Head of Finance for the Children and Young People's Service . Schools shall not enter into loan agreements other than with the Local Authority.
20. All funds surplus to immediate requirements may be invested to optimal effect using accounts of the school's banker approved

under regulation 10. This shall be through arrangements directly linked to the school's main bank account or some other arrangement agreed in writing with the Director of Finance

21. Individuals shall not normally use personal bank accounts or credit cards for any payment over £25 related to the schools finances without the approval of the Headteacher. Personal bank accounts shall not be used in relation to schools income.

BUDGET MONITORING AND CONTROL

22. The Director of Finance has the responsibility to ensure that the statutory accounts of the Local Authority are properly maintained.
23. Schools are required to operate accounting systems in support of proper budget monitoring and control arrangements. As an example, the Headteacher should profile the budget and forecast cash flows to take account of likely spending patterns.
24. Schools are also required to operate in accordance with the DfES's Consistent Financial Reporting (CFR) requirements. Schools must provide year-end accounts to the local authority in CFR format within the required time-scales.
25. Schools shall submit financial monitoring returns signed by the Headteacher to the Head of Finance for the Children and Young People's Service in accordance with specified guidelines and timetables for consolidation into the Local Authority's accounts. Documented reconciliations of these returns to other school records, such as bank accounts, shall also be completed by the school.
26. Headteachers are required to promptly and regularly notify the Head of Finance for the Children and Young People's Service, of any income and expenditure records that cannot be reconciled as above.
27. Financial monitoring returns, incorporating data held on the schools accounting systems, shall fully take into account committed expenditure. An appropriate system for recording commitments shall be maintained by schools. Governing Body budget monitoring reports shall show any significant variations against budgets with comments and plans by the Headteacher for remedial action.
28. Headteachers shall ensure that the budget managers to whom budgets are delegated have sufficient information in order to carry

out continuous monitoring of their budgets. Headteachers shall produce an overall budget monitoring statement on at least a monthly basis to include a cash flow forecast. A copy of this monthly statement shall be provided to the Chair of the Governing Body or the Schools Finance Committee. A budget report shall be presented to the Governing Body on at least a half termly basis. Such budget reports should reflect any specific initiatives included in the School Development Plan that has been allocated resources and be based on realistic estimates of both income and expenditure.

29. Headteachers are required to take actions in line with the powers delegated to them by the Governing Body to prevent any budget overspend by the school not covered by a currently approved Licensed Deficit.
30. Any changes to the School Budget Share within a financial year (e.g. additional funds) or any virements made either by the Governing Body or the Headteacher in line with a School's Scheme of Delegation must be reflected in a revised budget plan which shall be approved by the Governing Body. (see also Regulation 41)
31. Where the Governing Body have authorised a virement then this needs to be minuted. Where virements are made under delegated powers a report shall be presented on at least a termly basis to the Governing Body summarising the budget position of the school together with any virements made in the reporting period. Where the Governing Body have authorised specific initiatives, these too should be separately reported within the budget monitoring reports
32. The Director of Finance, or representative, may attend, or make a submission to, any meeting of a Governing Body when financial matters are due to be considered.

BUDGET SHARES AND BUDGET PREPARATION

33. The Director of Finance shall from time to time issue advice as necessary on the detailed steps involved in budgeting.
34. Schools shall prepare an annual Budget Plan. The purpose of a school's budget plan is to provide financial management information for the school and monitoring information for the Director of Finance in pursuance of statutory responsibilities. In addition, it provides statistical information to Government Departments and other national bodies.

35. The Local Authority shall notify each school of its budget share before the commencement of the financial year. The Local Authority is also required to publish a statement of the budget shares for all schools (Section 52 Budget Statement).
36. As soon as possible after the 31st March each year, schools shall establish the amount of any carried forward budget surplus or deficit. Schools are required to take this into account when determining their New Year budget plans. Any budget surplus shall be earmarked for any current or future needs to ensure that pupils benefit from a planned approach to spending that does not create un-financed commitments in future years.
37. Where a school operates a bank account the Local Authority shall transfer funds into the bank account in line with the Scheme for Financing Schools.
38. The Governing Body shall establish formal processes and timetables to ensure that all relevant financial and non-financial factors are considered by the Governing Body in setting the school's budget.
39. Each school is required to submit a budget plan, approved and minuted by the Governing Body, to the Head of Finance for the Children and Young People's Service in accordance with specified timetables each year. The budget analysis shall be in the format required by the Head of Finance for the Children and Young People's Service together with all requested supporting information.
40. The Local Authority may require the submission of revised plans when deemed necessary.
41. Any subsequent decisions by the Governing Body to transfer planned expenditure and income between the budgetary headings, or otherwise adjust those headings, shall be notified by schools to the Head of Finance for the Children and Young People's Service with their quarterly budget monitoring returns.
42. On receipt of their School Budget Share schools shall ensure that responsibility for the budgets of separate activities and functions has been clearly identified and delegated within the school to budget managers based on the school's management structure.
43. Cost centres should be created, depending on the size of the school, and used to allocate budgets to each manager. The Schools accounting system must properly and fully reflect the annual budget as approved by, or amended by, the Governing

Body.

44. Governing Bodies shall develop a Second Year and Third Year Budget Plan. When developed the Plans should be approved by the Governing Body and then made available, as requested, to the Head of Finance for the Children and Young People's Service in accordance with specified timetables. The preparation of second and third year budgets involves translating the school's short to medium term plans into a strategic financial forecast.
45. The Governing Body shall maintain both financial and non-financial historical information on a consistent basis and should project future trends with full supporting documentation.
46. The Governing Body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not unnecessarily perpetuated.
47. The Governing Body and Headteacher must be prepared to take action at any time to deal with variations between actual and budgeted income and expenditure.
48. The school's budget shall relate through a clear identifiable link with its development plan (School Improvement Plan). The Governing Body shall also ensure that the budget is based on documented assumptions and priorities, aiding swift changes of plan in reaction to changes in circumstances.

CAPITAL EXPENDITURE

49. The Director of Finance shall from time to time produce guidance on capital expenditure and leasing arrangements to take into account relevant Regulations issued by Central Government. The DFES shall also issue guidance in respect of Devolved Formula Capital. This guidance shall include provision for financial penalties to be met by an individual school or schools should they not follow statutory or regulatory conditions. Governing bodies shall take decisions and account in accordance with this guidance.. The Governing Body must take into account advice from the Director of Children and Young People's Service in conjunction with the Local Authority's other expertise on the merits of the proposed expenditure. Priority should be given to delivery of the School's Asset Management Plan
50. Where the school premises are owned by the Local Authority, then the Governing Body shall seek the written consent of the Local

Authority in advance of any proposed capital works.

51. A Governing Body or Headteacher shall not permit the use of any part of the delegated budget for the acquisition of any interest in land or buildings whether in the form of freehold, leasehold or otherwise without prior consent, in writing, from the Local Authority.
52. Where the Local Authority has delegated responsibility for incurring capital expenditure included in the Authority's Capital Programme to a school then the school shall comply with the terms of delegation. For example where schools are delegated capital funds for furniture and equipment associated with either an extension or new build.
53. The Governing Body shall not enter into a contract for the construction of any works or buildings or, for the acquisition of any vehicles, plant, computer or other equipment through a finance lease, hire purchase or any other form of credit arrangement without prior consent, in writing, from the Director of Finance.

CHARGING SCHOOL BUDGET SHARES

54. The Local Authority may charge the budget share of a school without the consent of the Governing Body only in circumstances where other avenues of payment are not appropriate or have been exhausted e.g. SLA payments.
55. The Local Authority shall consult the school as to the intention to so charge and shall notify the school in writing when the charge has been actioned.
56. Should a Governing Body wish to challenge proposed charges then it shall need to submit its reasons for so doing to the Director of Finance who shall make the final determination on the proposed charges.

CONTRACTS

57. Statutory requirements exist to cover the manner and form of contracts entered into by Local Authorities. These are outlined in the Council's Standing Orders and detailed advice is available from the Local Authority's Legal Services in either procuring or providing service / goods contracts. Decisions made by School Governors must be taken in the light of such regulations to prevent illegal acts for example, leasing arrangements see paragraph 53.

58. The Local Authority's Standing Orders relating to contracts are to be observed in relation to all procedures connected with competitive tendering, the letting of contracts and subsequent administration. Certain contracts must be in a form specified by the Local Authority's Legal Services and, therefore, before entering into such an arrangement the advice of the Local Authority's Legal Advisers shall be sought by schools.
59. Schools should also refer to the sections of these Financial Regulations on Register of Business interests and Orders for Works, Goods, Supplies and Services. Schools are required to ensure compliance with current taxation regulations when contracting services.

DELEGATION OF POWERS

60. The Governing Body is responsible for approving the School's Budget Plan prior to its submission to the Head of Finance for the Children and Young People's Service. Other financial responsibilities may be delegated to a school committee. However, such a committee needs to be properly constituted and approved by the Governing Body.
61. A Governing Body shall normally delegate financial responsibilities to a Finance Committee. It should ensure that such arrangements are properly authorised and documented for example, such a committee could be responsible for ensuring that the school sets financial objectives, prepares a financial plan and initiates and maintains the necessary systems of internal control.
62. The Governing Body shall define in writing the terms of reference and the extent of any delegated authority to any committee. Governing Body and committee minutes must explicitly detail all decisions taken, recommendations made, by whom actions are to be taken and be reported in full.
63. The Governing Body shall produce a clearly defined and documented organisational structure with identified lines of reporting for all financial operations.
64. The Headteacher is responsible to the Governing Body, through a relevant committee if appropriate, for:-
 - The management of the school's financial position at a strategic and operational level:

- Ensuring sound systems of internal control are in place to maintain proper, accurate and timely processing of the school's financial transactions and to protect the school's assets:
 - The management of all other financial issues:
 - The proper preparation and presentation to the Governing Body of all financial statements, on at least a half termly basis, which are adequately supported by the records of the school including documents supporting payments, receipts and contracts where appropriate.
65. The Governing Body should approve and document any scheme of delegation to the Headteacher and from the Headteacher to other nominated staff of the school detailing those who are authorised to carry out financial responsibilities on behalf of the Headteacher. These shall include authorisation of orders, certification of invoices and where appropriate bank account signatories. Delegations to committees or individuals, together with associated governance structures and remits should be reviewed annually by the Governing Body. Reviews shall include financial limits of any delegated authority. Such reviews shall be minuted.
66. The Headteacher shall ensure that the Governing Body is provided with adequate financial advice.
67. The Headteacher is responsible for ensuring that all school accounting records are promptly prepared and properly maintained and, that all financial procedures are followed in accordance with these Financial Regulations for Schools and all other requirements of the Governing Body and the Local Authority.

EARMARKED FUNDS

68. Throughout the financial year the Local Authority or other bodies may make additional earmarked sums available to schools by way of allocations from other funds (e.g. Standards Fund). These amounts are separate from those of the School Budget Share and as such must normally be accounted for separately as set out in Consistent Financial Reporting (CFR) guidance. These allocations must be reflected in the school budget plan, and shall need to be approved, and minuted, by the Governing Body.
69. Allocations shall be accompanied by conditions setting out the purpose of the funds. These conditions need not preclude virement except when funding is supported by a specific grant which the

Local Authority is not permitted to vire. Unless specifically authorised by the Head of Finance for the Children and Young People's Service virement should not be carried to the point of assimilating the allocations into the school's budget share.

70. Schools shall demonstrate compliance with the above conditions by making available to the Local Authority, on request, an auditable statement of the expenditure incurred against earmarked advances, listing payments made and the purpose of each payment. Where required by the Head of Finance for the Children and Young People's Service annual or other routine budget returns shall show the income and expenditure relating to the earmarked funds separately from all other income and expenditure.

FINANCIAL INFORMATION AND REPORTING

71. Schools shall submit financial information and reports to the Local Authority in line with the following arrangements.
72. All Schools shall be required to provide information to enable the Director of Finance to prepare the annual accounts of the Local Authority in accordance with the timetable determined by that officer.
73. Detailed procedures on returns shall be followed as defined in the guidelines issued from time to time by the Head of Finance for the Children and Young People's Service. These include the submission of income and expenditure statements, bank reconciliation and VAT returns.
74. Headteachers shall ensure that appropriate staff have, or are trained to, a level of accountancy and reporting expertise sufficient for the task of accurately reporting financial information to governors and the Local Authority.

FINANCIAL MANAGEMENT

75. Governing Bodies are required to ensure that effective systems are in place that support financial management within the school. Key risks to sound financial management, such as the loss of essential personnel, should be addressed through a risk registering process. Compliance with these Regulations shall ensure that a school has in place effective financial management systems and that as a consequence the Governing Body has confidence in any financial information presented to it.

76. Governing Bodies must demonstrate that the budget plan approved by them is used for the purposes of the school as set out in Scheme for Financing Schools.
77. In terms of its financial systems and procedures Governing Bodies must be able to demonstrate the integrity of accounting records and procedures through the adherence of key controls, for example internal control (Regulation 64.2). They must also ensure that the original documents can be traced from the school's accounts and that the duties related to financial administration are distributed so that normally at least two people are involved with the duties of one forming a natural check on the other.
78. Governing Bodies are required to devise and document a framework for the maintenance of a sound system of financial management within the school. In practice, the systems can vary according to size, organisation and particular needs of the school. Written descriptions of a school's financial systems, policies and procedures shall be maintained in a manual approved by the Governing Body. These should be kept up to date and all appropriate staff trained in their use.
79. Specific financial objectives shall be drawn up by Governing Bodies. These shall incorporate all areas of influence affecting the operation of the school including the School Development Plan. The objectives should take into account intentions with regard to the curriculum including the provision of staff and equipment and the development and maintenance of the school site. Any new initiatives, such as time limited grant funds, should be carefully appraised in terms of their financial sustainability before being approved by the Governing Body. In doing this, the Governing Body shall take into account the plan for the use, maintenance and development of the School's buildings (Asset Management Plan).

INCOME AND BANKING

80. Governing Bodies shall have clearly defined and documented procedures for setting a budget for their income on an annual basis and monitoring against that budget as appropriate. Each person who receives money on behalf of the school shall record an acknowledgement using only official stationery (e.g. receipt book, cash register, manual register).
81. Where Governing Bodies have discretion to determine their own charges, such charges including lettings should be approved and minuted by the Governing Body. Such charges should be

reviewed annually by the Governing Body. At a minimum the Governing Body must minute their charging strategy and record the assumptions underpinning such a strategy.

82. In setting a charging policy for lettings the Governing Body must ensure that such community use does not result in a charge on school budget share and as such shall be required to demonstrate that the charging regime approved achieves this. All lettings must be authorised in advance by the Headteacher.
83. The Governing Body, Headteacher and all staff shall ensure that the school has in place proper accounting, collection, banking and security of all income due and received.
84. All staff involved in collecting income or raising invoices for income due should ensure that procedures are adopted that satisfy the following objectives in order to protect both the interests of the school and themselves:
 - All income is correctly accounted for;
 - Accounts for income due are raised promptly using official stationery
 - Any overdue accounts are promptly chased;
 - All income collected is held securely, banked promptly and intact; i.e. without any deductions.
 - There is separation of duties in order that the same member of staff does not raise accounts to debtors and issue receipts / collect income against those accounts.
 - Cash collections from machines such as telephones are emptied and the cash counted and recorded by two people
85. The treatment of Value Added Tax in relation to fees, charges and any other income shall follow accurately the guidance given in the Local Authority VAT Guide.
86. Schools shall be able to retain all income except in circumstances defined by the Local Authority or defined in statute.
87. Money received shall be paid promptly into the bank account approved for public funds at regular intervals. In no circumstances

should official income be paid into unofficial funds or personal bank accounts.

88. All official money shall be paid in using official paying-in-books obtained from the school's bankers as appropriate. All receipt books, tickets, accounts to debtors and similar documents shall be obtained either through the Director of Finance or to a standard approved by the Director of Finance.
89. Headteachers shall make arrangements to ensure that all numbered financial stationery whether issued by the Director of Finance, the bank or printed directly by the school is securely stored, controlled and recorded.
90. No deductions from official income may be made or personal cheques cashed from income without the specific authority of the Director of Finance.
91. All cheques received shall be entered in detail on the bank paying-in slip and counterfoil showing the amount of each cheque and the debt to which it relates.
92. Every transfer between members of staff of money belonging, or due to the school or authority shall be evidenced in the records of the school by the signature of receipt of the receiving officer.
93. Governing Body's income policy shall normally require payment in advance for the provision of goods, services or lettings. Where a school is contemplating contracting to supply any goods or services the advice of the Local Authority's Legal Services should be sought (See regulation 57).
94. The Governing Body shall ensure that there is a system in place for the monitoring of all outstanding debts to the school i.e. those greater than 30 days old. In the event of bad debts the Governing Body shall be responsible for forwarding details of such debts to the Head of Finance for the Children and Young People's Service for submission to the Director of Finance for approval.

INSURANCES / RISK ASSESSMENT / RISK MANAGEMENT

95. The Governing Body shall formally review on an annual basis the adequacy of the schools insurance arrangements in the light of risks faced by the school including equipment taken off the premises and school journeys.

96. Where insurance 'buy back' is not taken from the Local Authority Governing Bodies shall be required to have in place cover relevant to the Local Authority's insurable interests under a policy arranged by the Governing Body. Such a policy shall be at least as good as the corresponding minimum cover that would have been arranged by the Local Authority.
97. In addition, Schools opting not to buy back from the Local Authority must, prior to the date advised by the Director of Finance, provide evidence to the Local Authority that the appropriate level of cover has been arranged.
98. The Local Authority has the right to charge the budget share of a school with expenditure incurred by the Local Authority in insuring its own interest in that school. This shall occur when the school has failed to demonstrate that it has arranged cover as set out above.
99. For schools that have not elected to arrange their own cover, Headteachers shall give prompt notification to the Local Authority's Insurance Section of all risks, properties or vehicles which are required to be insured by the authority and of any alteration affecting existing insurance. For example this would include alterations/additions arising from building works or capital programmes.
100. The Local Authority's Insurance Section shall supply Headteachers from time to time with information as to risks and levels of insurance cover put in place by the Local Authority to enable Headteachers to advise the Local Authority of any variations in the level of cover that should be provided.
101. Using the form specified, Headteachers shall promptly notify the school's insurers, or the Local Authority's Insurance Section, of any loss, liability, damage or other event likely to lead to an insurance claim.

INTERNAL AND EXTERNAL AUDIT

102. There is a statutory obligation under the Accounts and Audit Regulations 2003 covering the requirement for the audit of financial and other records of schools. Audits shall be undertaken by both the Local Authority's External Auditor as appointed by the Audit Commission and the Local Authority's Internal Audit Service.
103. When a Governing Body so resolves, it is permitted to spend funds from the School's budget share to obtain separate external audit certification of the school's annual accounts and its system of

internal control. The school shall however continue to be subject to review by the Local Authority's internal and external auditors and shall co-operate with such auditors in accordance with these Financial Regulations.

104. Governing Bodies shall have in place formal procedures for them to consider Audit Reports, associated Management Action Plans and monitoring arrangements to ensure agreed recommendations are implemented.
105. Governing Bodies shall also need to comply with the internal control requirements under the Financial Management Standard in Schools framework issued by the DFES.

External Audit

106. Authorised representatives of the External Auditor shall, on production of suitable identification, be allowed access to examine any financial transactions, documents, procedures, computer data and any other records of a school and shall be given every co-operation by the school to complete their work.
107. Authorised external auditors shall be entitled to review, appraise and report upon the effectiveness of internal, financial and other controls and the extent to which the assets and interests of the school and, therefore, the Local Authority are accounted for and safeguarded.

Internal Audit

108. The Director of Finance shall ensure that an adequate, effective, continuous and independent Internal Audit Service is provided to meet the statutory requirements on the Local Authority. Copies of Internal Audit reports shall be presented to the Governing Body by the Headteacher together with action plans for the approval of the Governing Body. Where necessary monitoring arrangements shall be agreed by the Governing Body and followed up at future meetings.
109. Authorised representatives of the Local Authority's Internal Audit Service (the auditor) shall be afforded facilities and right of access, at all times, to examine any financial transactions, documents, procedures, computer data and any other records as appear to the auditor to be necessary for the purpose of the internal audit.
110. The auditor shall be entitled to require from any Governor or person employed in connection with the school, any information or

explanation that is considered necessary by the auditor for the purpose of the Internal Audit.

111. To assist in the maintenance of a sound system of internal control within schools, Governing Bodies may consider appointing one of their number to act as a 'controls reviewer'. Such a person shall monitor the ongoing application of key controls within the school against a list agreed with the Local Authority's Internal Audit Service.

Irregularities

112. Schools shall ensure that where irregularities arise or are suspected, any ensuing action is undertaken and where appropriate, due regard is given to the Local Authority's Whistle Blowing Procedure and Fraud Response Plan.
113. Prompt action shall be taken by schools whenever a matter arises which involves, or is suspected of involving, any loss or irregularity or any circumstances that may suggest the possibility of such a loss or irregularity. This shall include cash, stores, stocks or other property held for the purpose of the School or in any other way affecting school finances or any breach of these Regulations. The Headteacher or any Governor or other member of staff shall immediately on its discovery, report the matter to the Head of Audit and Risk Management who may thereupon take whatever action they consider appropriate. Further details are contained within the Schools' Personnel Handbook Section 3.1 paragraph 12 and the Local Authority's Anti Fraud and Corruption Strategy.
114. No other action must be taken by the Headteacher, Governor or other staff without the agreement of the Head of Audit and Risk Management as this could be to the detriment of any investigation subsequently carried out.

INVENTORIES

115. The Director of Finance shall determine the form in which inventories shall be kept, this may be hard copy or computerised, and may issue further detailed guidance as necessary.
116. Governing Bodies are responsible for maintaining an up to date school inventory. Inventories shall contain an adequate description of furniture, fittings, equipment, plant and machinery held for the purpose of the school. Detailed guidance on the form of the Inventory is included in the Schools Finance Manual. Copies of the inventory shall be stored either offsite or, in a fireproof cabinet on

site.

117. Assets that have a value of more than £500, or are portable and attractive in terms of possible theft or loss must be included in a school's inventory. This value may be reduced by the Governing Body through risk assessment including reference to materiality in relation to the school's finances and any insurance requirements.
118. Proper security shall be maintained at all times for furniture, plant equipment, stores, cash and other assets under the control of the school, i.e. owned, leased or on long term loan to the school. Headteachers should aim to achieve maximum utilisation of such assets in the provision of services. In the event of theft or loss of a school's equipment, the inventory shall, where appropriate, identify the items by describing them fully and listing serial numbers etc. if possible, in order to aid recovery or an insurance claim.
119. All items in the inventory shall be permanently and visibly marked as the school's property.
120. Headteachers shall be responsible for the control and proper use of all items on the inventory and for arranging that a check be carried out at least once a year of items required to be included in the inventory against the inventory records. A member of school staff should carry this out other than the person maintaining the inventory. The check should include examining purchase records to test that new assets since the last check are included and are identified.
121. Recorded items may be removed from the school's inventory, e.g. discrepancies following an inventory review to assets held. Written approval for such removal shall be in accordance with the Scheme of Delegation as approved by the Governing Body. However, any removal with a value in excess of £500 shall be reported to the Governing Body. An entry shall be made against the relevant item in the inventory so as to provide a cross-reference to the resolution of the Governing Body.
122. No property held by a school may be sold or otherwise disposed of except with the documented authority of the Governing Body. For items with an estimated residual value of more than £1,000 consultation should take place with the Local Authority's Procurement Service regarding possible re-use elsewhere within the Local Authority or obtaining the Property and Contracts Section's best option for method of disposal.

123. No property shall be removed from the school premises, otherwise than in accordance with the ordinary course of the school's work, without the authority of the Headteacher. A record shall be maintained of all occasions where such property has been approved for removal and its eventual return to the school.

LOANS, BORROWING AND INVESTMENTS

124. Only the Director of Finance shall effect borrowings and loans, by or on behalf of the Local Authority including schools.
125. Headteachers shall not otherwise arrange or commit the school or the authority to any borrowings, bank overdraft, bills of exchange, store or credit cards, loans or other forms of credit or deferred purchase involving any school bank accounts, funds or assets.
126. Governing bodies may borrow money only with the written permission of the Secretary of State following consultation with the Local Authority, except in relation to licensed deficits or any Local Authority School Loan Scheme. The permission of the Secretary of State does not apply to Trustees and Foundation Schools.
127. No loans from the school fund or other unofficial funds to the delegated budget or vice versa are permitted.

Investment Of Temporary Surplus Cash

128. Governing Bodies may invest temporary surplus cash directly in current or deposit accounts of financial institutions approved by the Director of Finance. This ensures there is minimal risk to the capital sum. Loans must not be made to any other organisation or individual without the written permission of the Director of Finance or nominee. This shall be obtained prior to the investment taking place.
129. Governing Bodies shall credit interest earned to their delegated budget.
130. Investments shall not be arranged through intermediaries.

Licensed Deficits

131. Chairs of Governing Bodies are able to apply in writing to the Director of the Children's Service for permission to incur a deficit budget in accordance with the conditions set out in the Scheme for Financing Schools.

132. Governing Bodies shall support requests by reference to their school's agreed Recovery Plan and the School Development Plan.
133. In accordance with the Scheme for Financing Schools, requests for Licensed Deficits shall be considered jointly by the Director of Finance and, the Director of the Children and Young People's Service.
134. Governing Bodies shall recover from the deficit over an agreed period up to the maximum period defined in the Scheme for Financing Schools.
135. Governing Bodies shall report to the Head of Finance for the Children and Young People's Service on their progress in eliminating its deficit as part of this quarterly budget management monitoring returns.
136. Where a Governing Body fails to meet its agreed recovery plan the Local Authority may on consideration withdraw financial delegation to that school.

ORDERS FOR WORKS, SUPPLIES, GOODS AND SERVICES

137. Governing bodies are required to ensure a strong system of expenditure control is in place. Headteachers should consider utilising the advice and support of the Local Authority's Procurement Service.
138. Governing Bodies and Headteachers must at all times ensure and be able to demonstrate that best value for money is obtained in all purchase procedures and decisions.
139. Prior to placing an order, a school shall follow documented procedures developed in the school relevant to the type and value of the purchase including documentation as to the value above which the specific authority of the Governing Body is required and/or quotations should be sought.
140. Governing Bodies and Headteachers must abide by the Local Authority's Standing Orders in relation to all purchasing, tendering and contracting arrangements, any statutory provisions and EU Procurement Directives. Where a quotation other than the lowest is accepted, the reasons for this decision must be reported by the Headteacher to the Governing Body and minuted.

141. Governing Bodies may not enter into a purchasing contract for goods or services with a transaction value equal to or above £144,371 in any one year without abiding by the Authority's obligations under EU procurement directives. A contract may not be broken down into smaller parts in order to avoid this regulation.
142. All orders to be placed shall be covered by the relevant financial budget provision and the extent of the commitment shall be known and correctly recorded in commitment records. Orders shall only be raised to the maximum level stipulated in the school's scheme of financial delegation.
143. Official orders shall be in writing and shall be issued for all works, supplies, goods or services to be supplied to the school except for supplies of gas, electricity, oil, water, rent, rates, telephones, petty cash disbursements and any other special cases agreed in writing with the Head of Finance for the Children and Young People's Service.
144. Official orders shall be pre-numbered or numbered consecutively by any computer software in use. The Headteacher shall control the use of the orders and any system for generating orders by ensuring unused orders are held securely, used sequentially, only used for official purposes and security exists in relation to any computer facilities.
145. Each order shall be signed personally by the Headteacher or nominated members of staff approved in the written Scheme of Delegation for the school. A copy of each signed order raised shall be retained at the school and filed in a way that enables the continuity of order numbers to be readily established. Cancelled orders should be crossed through and filed with copies of issued orders.
146. The authorising individual, i.e. the person signing the order, is responsible for ensuring that:-
 - the expenditure to be incurred is legal;
 - for the proper purposes of the school;
 - can be met from uncommitted budget allocations approved for that purpose,
 - shall give the best value for money for the school and
 - where appropriate, quotations have been sought.

Individuals must not use official orders to obtain goods and services for their private use.

147. Verbal orders may be given in case of urgency only and shall be confirmed in writing within two working days thereafter.
148. The school should check goods and services on receipt to ensure that they match the order and that the order is marked accordingly. Normally the person who signed the order shall not do this.

PAYMENT OF INVOICES

149. Controls on the payment of invoices must be sufficiently robust to assure Headteachers and School Governors that funds are spent in a proper manner.
150. Apart from petty cash imprests, the method of payment of invoices shall be through the School Bank Account.
151. Checking and certification of invoices for payment shall be carried out by the Headteacher or nominated members of staff approved in the written Scheme of Delegation for the school.
152. Payments through the school Bank Account must not be processed if they shall cause the account to become overdrawn,
153. Governing Bodies should seek to ensure that separate staff undertake the following tasks where resources allow:
 - completing official orders;
 - authorising orders;
 - checking invoices against copy orders for correctness of price and description, goods received and that an invoice for the goods or services has not previously been passed for payment and that the purchase has been entered into the inventory where appropriate;
 - certifying the invoice and
 - signing the payment cheque
154. As a minimum the person ordering and checking that goods or services have been received must not, be the same person who authorises the order and/or certifies the invoice.

155. No member of staff shall certify a claim form for reimbursement to him/herself.
156. Every invoice shall be examined before certification to ensure it complies with the following:-
- it is addressed to the school or Local Authority;
 - it is an official invoice;
 - it is an original. If a copy or reminder, there must be a certification that it has not been previously passed for payment;
 - it is an invoice and not a statement, delivery note, receipt or remittance advice;
 - the school that ordered the goods or services is shown;
 - the school or other location where the goods or services were provided is shown if different;
 - full details of the goods or services are shown including description rather than catalogue or other references;
 - the order number is quoted and
 - where VAT is shown, it must meet the requirements of a VAT invoice as detailed in the VAT Guide. The School shall not be reimbursed in the absence of such documentation.
157. The person certifying an invoice shall check that:
- the purchase is properly authorised;
 - the invoice is marked that agreed verification processes have been carried out, that goods or services have been received, prices and calculations have been checked; and any equipment or furniture has been entered into the inventory and
 - the invoice is properly chargeable to the budget indicated.
158. Copy invoices and invoices that are hand-written or have no VAT Registration Number should be subject to thorough checks to

establish their validity. Statements must not be passed for payment.

159. Proforma invoices should normally not be used as a substitute for a creditor's proper invoice. In circumstances where a creditor's invoice cannot be obtained, correspondence or such other documentation as may be necessary to establish that payment is due should support payment.
160. Payments to individuals, other than reimbursement of expenses, should only be made through a payroll system unless the individual can be deemed to be self-employed. Schools need to satisfy themselves that the nature of the work and associated methods of payment do not leave the school liable for both employers and employees income tax and national insurance contributions.
161. All approvals, other indications of verifications carried out and certifications shall be by personal signatures and not facsimile (rubber stamp etc.) signatures. All invoices shall be marked with the payment date, cheque number and filed securely.
162. Schools shall adopt the Local Authority's Prompt Payment Policy and normally facilitate creditor payments within a maximum of 30 days of receipt of the invoice.

PETTY CASH

163. Within overall limits approved by the Governing Body a petty cash account should be set up on an imprest basis to enable small official purchases to be made when payments in cash are unavoidable or advantageous. Such purchases are to be approved in advance by an authorised member of staff. Upon receipt of reimbursement the recipient and authorised member of staff should sign for the transaction.
164. Petty cash advances shall be drawn from the school's official Bank Account. Proper records should be kept of amounts paid into and out of the fund. Payment of salaries or wages must not be paid from Petty Cash
165. Cash floats should be held securely, any insurance requirements should be followed and only authorised staff should have access to them.
166. The Headteacher shall specify the limit of any one payment subject to an overall limit specified within the School's Scheme of delegation. As a guide a limit of £25.00 per transaction may be

appropriate. Cheque payments of a higher value shall be paid through the school's bank account.

167. All Petty Cash Accounts must be reconciled at least monthly to the original sum advanced and certified as correct by a member of staff other than the imprest holder.
168. A receipted voucher identifying any VAT paid (refer to VAT Guide) must support payments out of the Petty Cash Account.
169. Reimbursement to the imprest holder shall be supported by submission of the properly authorised vouchers attached to a claim form listing details of each payment. The reimbursement claim shall be signed by the imprest holder and also signed as agreed by a member of staff authorised to do so.
170. The use of petty cash for the cashing of personal or other cheques shall not be allowed.
171. The imprest holder is personally responsible for accounting for the amount of the imprest advance until it is properly handed over.
172. On leaving the employment of the school or otherwise ceasing to be the imprest holder, the person holding the advance shall return the amount advanced and shall receive a receipt to record the transfer.

REGISTER OF BUSINESS INTERESTS

173. The Governing Body are required to establish a register of business interests for the governors and staff. It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from decisions they make.
174. A business interest is defined as one in which an individual stands to gain direct or indirect benefit or reward from a transaction made with the school.
175. The register must include, for governors or staff who may be in any way involved in the selection of suppliers, all business interests including directorships, significant shareholdings and other appointments of influence within a business or other organisation which may have dealing with the school.
176. Similar interests of immediate members of the family shall also be entered.

177. Significant shareholdings are defined as being at a level where a substantial reward could reasonably be expected to accrue as a result of one or more transactions with the school.
178. Governing Bodies shall ensure that the register is kept up to date.
179. The register must be open to inspection, free of charge, during reasonable school office hours, where requested, by any of the following:-
- Local Authority Members designated by the Local Authority including Members who represent the division in which the school is located;
 - the school's staff and parents of current pupils and
 - the Local Authority's internal and external auditors and other appropriate Local Authority staff designated by the Director of Finance.
 - Should a request to view the register be received from someone under the Freedom of Information Act (who is not specifically mentioned within the Schools Financial Regulations as able to view it) then, the school should seek advice from the Local Authority's Freedom of Information Act Officer.

SALARIES, WAGES AND PENSIONS

180. The Governing Body shall ensure that documented procedures covering expenditure on salaries, wages and pensions are sound and effective, payments lawful and allowances and deductions authorised. These arrangements and procedures shall vary according to the choice a school has made about the means of obtaining payroll services. The Headteacher shall ensure that all payroll transactions are processed only through the payroll system, a list of all staff employed is maintained, and a monthly reconciliation of actual payroll movements is reviewed.
181. When the Local Authority's payroll arrangements are used by schools, the Director of Finance shall arrange for the completion and return of all payroll related financial statements and returns that are required by law.
182. When a school has elected to use an alternative provider of payroll services, all associated responsibilities such as effective

administration, payments and submission of statutory returns shall be the responsibility of the Governing Body. Procedures in place must conform to those advised by the Director of Finance as a minimum standard.

183. Headteachers shall be responsible for promptly informing the payroll service provider of any variations to the employment of staff affecting remuneration or other allowances to be paid. All such information including appointments, resignations, absences, tax changes etc. and the notification shall be in a format agreed by the Director of Finance. An annual statement of employees standing data held by the payroll provider shall be obtained from the provider and agreed by the Headteacher. The Headteacher shall ensure that only authorised staff have access to personnel files and that arrangements for staff to gain access to their own records are in place.
184. All time records and other pay documents shall be certified personally by the Headteacher or an authorised officer on his/her behalf. Those staff authorised to certify such payments shall be recorded in the Scheme of Delegation for the school. In all instances specimen signatures shall be obtained from such staff and deposited with the payroll provider.
185. The Governing Body shall formally adopt arrangements for the appointment and payment of staff. Such arrangements shall ensure that the duties of authorising, making changes to individual conditions or termination of employment are separated from the duties of processing claims. In addition at least two members of staff should be involved in the process of completing, checking and authorising all documents and claims relating to appointments, terminations of employment. No member of staff shall authorise any notification to the payroll services provider concerning changes to their own pay, conditions, or expense claims. Neither should a member of staff sign such documents relating to any family, or member of the same household.

SECURITY OF PROPERTY, PEOPLE AND INFORMATION

186. Governing Bodies shall ensure that effective security arrangements are in place at schools for the protection of all persons using the premises, for the protection of all assets including premises and contents and to meet the requirements of the school's insurers. A documented policy covering the safe custody of all computer application software, data and equipment shall be approved by the Governing Body. As a minimum this shall include password security, backing up arrangements, recovery plans and virus

protection.

187. Headteachers shall be responsible for arranging proper security at all times for all school buildings, stocks, store, furniture, equipment, money, cheque books etc. under their control. Safes and similar security receptacles should be kept locked and the keys removed.
188. Headteachers shall be responsible for maintaining proper security and privacy in connection with personal information held on any computer to which the school has access to comply with the Data Protection Act 1984 (as amended by the 1998 Act).
189. Governing Bodies must register their schools under the Data Protection Act as Data Controllers when they control the contents and use of personal information held. Schools should consult the Local Authority's Data Protection Officer for appropriate advice.
190. The maximum limits for official cash held within each school or by any member of staff shall be in accordance with the requirements of the Local Authority's or School's Insurers.
191. Headteachers shall ensure compliance with all security conditions of insurance policies as notified to them by the Director of Finance or the school's insurers. Keys to any receptacle used to secure official money or other valuables are to be carried by the person responsible and not otherwise left on the premises at any time. Keyholders are to be designated and the role needs to be clear and documented by the Governing Body.
192. All title deeds and other documents relating to the property in which the authority has any interest or which is within its control, shall be under arrangements approved by the local Authority's Legal Services.
193. Headteachers are required to ensure that accounting records and supporting documentation are properly safeguarded to prevent loss, destruction or unauthorised alteration. The Governing Body should approve and maintain a Business Continuity Plan to ensure continuity of financial administration in the case of an emergency, including arrangements for the maintenance of financial controls in the absence of key staff. As a minimum, financial data maintained on computers must be backed up at least weekly with the storage media being held in fireproof cabinets and one copy held off site. Risk assessments shall be used to determine the detail of any such policies within schools.

SURPLUS AND DEFICIT BALANCES

194. Governing Bodies that anticipate at any time during the financial year, that they may incur a deficit by the end of that year, must notify the Head of Finance for the Children and Young People's Service in writing as soon as this position becomes known.
195. Governing Bodies are required to carry forward from one financial year to the next any surplus or deficit in net expenditure when compared with the school's budget share for the year, adjusted for any balance brought forward from the previous year.
196. Where the total balance exceeds five per cent of the school's budget share, the Governing Body shall report in writing to the Head of Finance for the Children and Young People's Service on the use of the surplus balance, after taking into account any retrospective adjustments
197. Deficit balances shall be carried forward by deduction of the relevant amount from the available cash limit for the following year.
198. Any surplus or deficit in existence when a school closes or is replaced shall revert to the Local Authority even when there is a successor to the closing school. Where a school joins as a new federation, any surplus or deficit in being at the start of the federation in respect of the federated school shall remain with the new arrangement.
199. The Local Authority operates a Licensed Deficit arrangement for qualifying schools (see paragraphs 131-136).

STOCKS & STORES

200. Headteachers must ensure proper controls over stocks and stores are established to prevent unnecessary expenditure or loss.
201. Headteachers shall be responsible for the custody and physical control of the stocks and stores of consumable items held at the school.
202. Where stocks and stores form part of a trading account, e.g. catering, or individually have a significant value, stock records shall be maintained. All such records shall be kept in a form that gives sufficient information to ensure that receipts and issues can be readily identified to confirming documentation and balances in

hand.

203. Headteachers shall pay particular attention to the control of liquid fuel deliveries and storage. They should ensure that where staff check deliveries they are vigilant in relation to reading quantities of fuel in both holding tanks and delivery vehicles. Staff should be made aware of the implications of the different methods of measuring deliveries and checking fuel received against the documentation.
204. Any stocks and stores held shall not be in excess of normal requirements except in special circumstances approved by the Governing Body.
205. Headteachers shall arrange regular stock checks and ensure that all stocks are checked at least annually by a person other than the usual Storekeeper. Significant surpluses or deficiencies shall be advised in writing by Headteachers to the Governing Body and the Director of Finance with adjusting entries on stock records being referenced to such notifications.
206. Surplus stocks and stores over a value of £100, unless transferred to another department within the school, shall not be disposed of without the written authority of the Governing Body. Consultation should also take place with the Local Authority's Property and Contracts Section regarding possible use elsewhere within the Local Authority and best options for method of disposal.
207. All proceeds from the sale of items purchased from public funds or donated to the school and therefore owned by the school, must be paid directly into the school's official bank account as income to the school budget.

VOLUNTARY AND PRIVATE FUNDS

208. Governing Bodies and Headteachers must ensure that the standards outlined elsewhere in these Regulations are followed for all voluntary funds as parents and other benefactors are entitled to the same standards of stewardship for such funds and associated bank accounts. Such funds shall be accounted for separately using software or other accounting arrangements independent from those used to account for the school official funds. In addition these funds must be held in a separate bank account. Such bank accounts should be monitored by the Headteacher to ensure that regular reconciliations with accounting records are completed.

209. Where a school is directly associated with a Voluntary Fund such as a Voluntary School Fund, the Fund Treasurer and Auditor should be appointed under arrangements approved in writing by the Governing Body. The Treasurer should have accounting skills that are equal to the size and demands in accounting properly for the fund's transactions. The Auditor should have similar accounting knowledge and be independent of the staff of the school and the Governing Body.
210. The accounts must be audited promptly after the end of the financial year and an annual audited financial statement and auditor's report should be presented to the Governing Body for approval. A copy should also be made available for inspection by all members of staff within the school. A copy of the annual audit certificate, as accepted by the Governing Body, must be made available as requested by the Head of Finance for the Children and Young People's Service.
211. When requested, copies of such accounts should be supplied to the provider of the Authority's Internal Audit service where the annual accounts in respect of such funds may be examined.
212. Governing Bodies must be aware of any responsibilities placed upon them in terms of financial management and reporting by the Charity Commission.
213. Governing Bodies should ensure that voluntary and private funds are covered by appropriate insurance arrangements.