

Financial Control no 7

Orders for Goods and Services and Payment of Accounts

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N.B. For clarity 'signed' means signed with a full signature.

Updates March 2023:

Section 2.3 authorised budget holders

Sections 3.1 / 3.2 / 3.3 and 5.2 to clarify KCC position on providing requisitions/purchase orders and budget holder order authorisation.

Section 3.10 Recurring journals

Section 5.3 who clarifies payment authorisation.

Section 6.4 Requirement to publish both single and monthly transaction limits along with cardholder detail

Section 6.13 all invoices should evidence a three-box certification stamp (or similar)

Section 6.15 Cardholder signing onecard statement

Section 6.16 signing of Headteacher onecard statements

Updates Sept 2023:

Section 5.7 personal cash, credit and debit cards cannot be used for school purchases

1. Introduction

When purchasing goods and services, schools must ensure that orders and payments are correctly authorised; that goods and services are bought for the benefit of the school; and that value for money is achieved to secure the best possible outcome for pupils in the most efficient and effective way at a reasonable cost.

2. Separation of Duties

2.1 The four key stages in the ordering and payment process are:

- Authorising and placing the order
- Receiving the goods or services and evidencing delivery for financial records
- Verifying the invoice and certifying for payment, (use of 3 box stamp recommended, see 5.2)

- Authorising the payment e.g., signing the cheque

Given any constraints local to the school, such as a limited number of staff or part time working, the school should devise and adhere to a procurement process which seeks to divide the above tasks across a number of people at suitable levels of authority, to ensure there is a separation of duties and adherence to the full KCC procurement process.

2.2 School Governors and employees have a responsibility to avoid any conflict between their business and personal interests and the affairs and interests of the school. Therefore, must exclude themselves from any processes/discussions where applicable. These interests must be declared on a business interest form. (See Financial Control No 4 section 5.7 for more information).

2.3 All initial order requests whether requisitions or system purchase orders, must be signed by the budget holder. A list of authorised signatories, containing name, position, delegated budget held, value of budget and specimen signature should be drawn up and agreed along with the Finance Policy (see appendix B of Finance Policy). A completed record of appendix B should be held in the school office.

2.4 The Governing Body should document as part of its finance policy, the amount a Headteacher can spend on purchases without having to refer to Governors.

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3. Placing an Order

3.1 Prior to placing an order with a supplier the budget holder must give the authority to purchase. The budget holder should only sign giving authority once they have checked and documented that there are available funds. This can be evidenced by means of a requisition form or a system purchase order, either of which should be signed as authorised.

Once the order is placed it is a committed expenditure from its approved budget and should be evidenced on the accounting system.

When a requisition is used it must be added as a commitment at the earliest possible convenience to the schools accounting system. Refer to chart 3.2.

See also 3.10 for recurring journals.

3.2 In order to comply with KCC regulations schools must adhere to the following:

Step	KCC standard process	Option 1 - only in exceptional circumstances	Option 2 - only in exceptional circumstances
1	Identify need to purchase	Identify need to purchase	Identify need to purchase
2	Requisition* <ul style="list-style-type: none"> Budget holder checks funds and authorises 	Requisition* <i>School opts not to use – go straight to raising Purchase Order.</i>	Requisition* <ul style="list-style-type: none"> Budget holder checks funds and authorises
3	Purchase order <ul style="list-style-type: none"> Commit to accounting system prior to purchase Send to supplier if required 	Purchase Order <ul style="list-style-type: none"> Budget holder checks funds and authorises, Must commit to accounting system prior to purchase Send to supplier if required 	Purchase Order <ul style="list-style-type: none"> Purchases must be committed to the system with a purchase order within 14 days of placing the order or at the same time as the invoice is input onto system – whichever is the sooner
4	Delivery note <ul style="list-style-type: none"> Check to goods received Retain and check to invoice 		
5	Invoice <ul style="list-style-type: none"> 3 box stamp (or equivalent) Initial for delivery and Arithmetic check Budget holder authorises for payment (full signature) 		
6	Payment <ul style="list-style-type: none"> Invoice presented for payment with three box stamp completed Bank authorisers confirm Bacs run or sign cheque 		

*A Requisition must evidence the following: a description of item/s required, supplier name, expected cost, date of order, a unique reference number, budget to be taken from, budget holder authorisation signature/date and confirmation sufficient funds are available.

3.3 Signed internal order forms/ requisitions and/or Purchase orders must be kept and attached to the invoice to maintain a full audit trail.

3.4 All orders are commitments and must have a unique reference number.

3.5 The school should undertake a review or check for the appropriateness of the goods or services, before issuing an order to a company. This should include checking the need for the product and/or service making sure that the items are not already available in the school and obtaining best value. Schools must also assess in advance, where relevant, the health and safety competence and insurance cover of any contractors not included on KCC's approved list.

3.6 For major purchases of goods/services and the allocation of contract work, the Governing Body must document a policy whereby: -

- As a matter of good practice, KCC recommend all orders under £8000 have one written quotation
- For orders in excess of £8,000, but less than £50,000, three written quotations must be sought and submitted to the appropriate delegated committee for approval, with the final decision reported to the Full Governing Body
- For orders of £50,000 or over, three written tenders must be sought, and be submitted to the Full Governing Body or delegated committee for approval

3.7 All tenders are invited by and are returned to the Headteacher, who keeps them securely before they are presented to the Full Governing Body or delegated committee for decision making purposes.

Where the prescribed number of quotations, estimates or tenders is not achieved, or where the lowest quotation is not accepted, the approval of the Governing Body to accept the situation is minuted

3.8 The Full Governing Body or delegated committee should review regularly, recommended at least every 12 months, and minute contracts/agreements for major purchases of goods or services, to ensure that value for money is achieved. And must also keep a record of their reasons for assessing and selecting particular contractors. This is not only considered good practice under best value but will also provide essential evidence to safeguard schools and the Authority from litigation claims.

3.9 Utilities, rents, rates, TEP statement formerly known as EduKent and other Direct Debits are budget commitments, and these costs should be recorded as such, either using the recurring journal process on SIMS FMS6 or as full purchase orders.

3.10 A recurring journal must evidence that it has been authorised by the budget holder before placing on the system. By means (as a minimum) of a signed requisition slip or email from the budget holders account. This evidence must be retained with the journal.

3.11 Schools must always ensure there is a separation of duties. No individual can be involved in the whole process of completing forms, approving them and paying the invoice

3.12 Once an order form has been completed and signed it should be filed safely in an 'orders awaiting delivery' file. Orders on file should also be checked on a periodic basis to account for any outstanding items and to ensure that no orders are missing.

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4. The Receiving of Goods

When goods have been received, they should be held securely, until checked. Once the check has been carried out the delivery note should be dated and signed to confirm the goods are of the correct quality and quantity. The delivery note should then be passed to the appropriate person to match the paperwork with the purchase order, so the invoice for the goods can be paid. If there is a problem with the goods, the appropriate person should be notified so that discrepancies can be investigated with the supplier. The order, with delivery note attached, should be filed safely in an 'orders awaiting invoices' file.

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5. The Payment of Goods & Services

5.1 Small items, subject to the £30 limit can be bought through the Petty Cash system. (refer to Finance Control 1 Section 7). Schools must declare if they hold Petty Cash in their Finance Policy and ensure the correct financial controls are in place. A **onecard** may be used to purchase goods and services, subject to the usual procurement process and Card transaction limits, (see section 6 of this document).

When the invoice arrives in school the following checks must be made:

- Check the invoice to the copy order/delivery note to confirm that only items ordered and received have been charged to the school
- Check prices, discounts and arithmetic for accuracy

- The invoice should be a proper VAT invoice this can include emailed invoices but not photocopied or faxed invoices and statements. Invoices without a VAT registration number may be paid but the school will be unable to reclaim the VAT element
- VAT should be checked to ensure that the amount has been calculated correctly or is at least within a 20p tolerance limit. If the VAT is wrong by more than 20p the invoice should be sent back to the supplier

5.2 When the above checks have been carried out the invoice should be stamped with the three-box certification stamp (or equivalent) on the invoice. The first two boxes should be initialled to indicate that (i) the order has been checked to the delivery of the goods and that (ii) the price on the invoice matches the cost of items ordered. The third box on the invoice should be signed by the budget holder. This ensures that the budget holder has sight of the final invoice, from which details may have differed from the point at which goods were requested for order. The invoice should then be processed on the school's accounting system. The amount of the goods should then be input on to the school's accounting system using the original commitment/purchase order as a reference. The box stamp must evidence a clear separation of duties.

5.3 The invoice should be presented for payment once all three boxes have been completed. The invoice (bearing the pending cheque or BACS run number) must be presented with the order and delivery notes for signing to release payment.

Payment of Invoices requires signatures from two authorised bank signatories who should check that the invoice relates to an authorised order and that the cheque details/BACs run details are correct. The BACS payment can then be released, or the cheque can then be dispatched to the supplier and the invoice can be filed in the 'paid invoices' file.

5.4 Payment of all invoices should be made no later than 30 days from the invoice date otherwise schools could fall foul of the "Late Payment of Commercial Debts Act 1998" (last amended 2018)" The Act allows small businesses to charge interest at 8% over the official dealing rate per annum on overdue debts. [Late commercial payments: charging interest and debt recovery: Interest on late commercial payments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/late-commercial-payments-charging-interest-and-debt-recovery-interest-on-late-commercial-payments) Any interest charges incurred would have to be financed from school budgets. KCC continues to pay all Kent suppliers within 20 days.

5.5 When paying invoices, schools should always pay attention to the terms and conditions that apply as some suppliers require payment more speedily than others. Schools should, however, also take advantage of discounts wherever possible, by processing those invoices/payments promptly.

5.6 All invoices must be kept for six years plus current for audit and HMRC purposes. In addition, capital invoices should be retained for twelve years.

5.7 Please note that neither cash or personal credit and debit cards can be used for the purchase of items for the school as they can be regarded as borrowing. If a school believes that the use of a personal debit card is the only viable option to make a purchase, they must secure written permission from Schools Financial Services prior to its use. See appendix A for details.

5.8 Personal reward cards must not be used alongside school purchases regardless of payment method, as this is seen as a benefit in kind.

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6. Paying for Goods and Services with a NatWest onecard

6.1 A **onecard** is a facility for use by schools, to allow the purchase of goods where it is not possible or appropriate to use cheques. Examples include internet purchases, purchases by telephone and 'In Person' purchases where a school cheque is unacceptable. It is important to note that a onecard is just another form of payment, all purchases are subject to the full procurement procedure.

6.2 Schools requiring a **onecard** will need to obtain an application form from KELSİ. These forms contain details of authorised signatories, credit limit and the individual transaction limit required. These details will have to be approved by the Headteacher or by the Chair of Governors if the applicant is the Headteacher.

6.3 The single transaction limit must not be greater than the limit set in the school's finance policy and Governing Bodies must review their finance policy to include specific mention of the cardholder, single transaction limit and monthly transaction limits. See Finance Policy section 3.13

6.4 The cardholder must sign the **onecard** immediately upon receipt.

6.5 The card holder is responsible for keeping the card secure, and for ensuring no other person can gain access to it. **Only the named cardholder** may use the **onecard**. Other members of staff must not 'borrow' the card or record the card number for purchasing items.

6.6 Passwords given by the authorised user(s) on the banking form must not be shared with other members of staff.

6.7 If a **onecard** is lost/stolen or compromised it must be reported to the Bank & SFS as soon as possible. [onecard-guidance.pdf \(kelsi.org.uk\)](#)

6.8 When using a **onecard** for internet purchases, school users must ensure that the internet site is secure and that all companies used are reputable. Never disclose a **onecard** number on an e-mail. This method of payment is not secure.

6.9 A school, on request, can block certain types of purchase, but cash withdrawal is blocked for all cards.

6.10 **onecard** receipts, invoices and e-mail confirmations of internet purchases must be handed to the school finance team as soon as possible for matching to the requisition/purchase order and, later, for matching to the **onecard** monthly statement.

6.11 Purchases made using a **onecard** must be recorded onto the school's accounting system in the same way as normal commitments. Some schools may wish to set up a separate order book, but this is not essential.

6.12 The school must ensure at least two people are involved in the checking and authorising process of each individual invoice (refer back to 5.2), which will be evidenced by the three-box certification (or similar).

6.13 Schools must enter the purchases under supplier names, to provide a complete and accurate audit trail. It is not appropriate to create a supplier called '**onecard**', as this will not record a true audit trail, neither will it help when reviewing purchases at a future date. **onecard** invoices and e-mail notifications should be attached to the orders and filed separately to enable ease of checking when the monthly statement arrives.

6.14 When processing the entries for payment, prefixing the purchase card invoice numbers with the letters 'OC' will allow the relevant 'invoices' to be selected with ease. The 'dummy cheques' drawn from SIMS FMS6 should be attached to the statement and slips.

6.15 When the statement is received it must be checked, signed and dated on the front by the card holder within 14 days, to verify that the listed transactions only contain known purchases. All supporting paperwork should be attached to the statement. Any discrepancies should be investigated and where possible resolved within the 14 days.

N.B. If the card holder is the Headteacher, the Chair of Governors or in their absence another senior leader must also sign the card statement front to confirm all purchases are school appropriate, before arrival of the next month's statement.

6.16 As the school must pay by monthly direct debit, the documentation should be cross-referenced to the bank statement, when reconciled. It may be helpful to keep the **onecard** statements and all other relevant documentation together.

6.17 If using SIMS FMS6, refer to FMS6 Procedure note No 6a for additional **onecard** guidance.

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