Section 7
Orders for Goods and Services and Payment of Accounts

1. Introduction

To 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

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

- Authorising and placing the order
- Receiving the goods or services and confirmation thereof
- Verifying the invoice and certifying for payment
- Authorising the payment e.g. signing the cheque

Given any constraints local to the school, such as a limited number of staff, 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.

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.

All orders over £100 must be signed by authorised signatories, who have delegated powers from the Governing Body. It is also a requirement that signatories are employees of the Kent County Council (KCC) or the Governing Body.

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.

3. Placing an Order

Once a school has placed an order it is committed expenditure from its approved budget. It is therefore essential that all orders are authorised at the appropriate level, and the school only pays for those goods/services that have been received.
Before issuing an order to a company the school should undertake a review or check for the appropriateness of the goods or services. 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.

In many schools, it is common practice for internal order forms to be used. These should be signed by approved signatories, before being dealt with in accordance with the approved procurement process.

An order should only be placed after the school’s accounting system has been checked, to make sure there is sufficient budget remaining and a commitment should be entered.

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

- As a matter of good practice, orders over £1,000 have three quotations sought

- 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 are sought, and are submitted to the Full Governing Body or delegated committee for approval

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

The Full Governing Body or delegated committee should regularly review contracts/agreements for major purchases of goods or services, to ensure that value for money is achieved

All orders are commitments and should have a unique reference number.

Utilities, rents, rates and EduKent are budget commitments, so these costs should be recorded as commitments in the same way. Using the recurring journal process on SIMS FMS6 is the preferred way to commit these amounts and process the direct debits payments.
Verbal orders may be made, provided it is immediately confirmed on an official order form marked “CONFIRMATION ONLY” (to avoid duplicate delivery). Verbal orders should be entered in the school’s accounting system as commitments as soon as possible.

For orders over £100 in value, at least two people must be involved in the process of completing internal order forms and approving them. Only an authorised signatory should be “signing off” orders over this sum. File copy orders must also be signed. No individual should be involved in the whole process of completing forms, approving them and paying the invoice. Schools should always ensure there is a separation of duties.

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

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.

5. The Payment of Goods & Services

Money for the payment of goods and services must not be given prior to purchase eg Cash or Gift Cards. Small items may be bought in cash by staff and reimbursed through a Petty Cash system (if the school holds Petty Cash) ensuring the school follows the correct financial controls. A Corporate Card may be used to purchase goods and services.

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

- The invoice should be checked to the copy order/delivery note to confirm that only items ordered and received have been charged to the school
- The prices, discounts and arithmetic should be checked for accuracy
• The invoice should be a proper VAT invoice – photocopied or faxed invoices and statements should not be paid. 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.

When the above checks have been carried out the invoice should be stamped with the three-block certification stamp on the invoice (or equivalent process). The first two boxes should be initialled to indicate that the order has been checked to the delivery of the goods and that the price on the invoice matches the cost of items ordered. The cheque details should then be processed on the school’s accounting system and should be matched to the school’s chequebook, if printed cheques are not used.

If the invoice is of a value less than £100, the invoice may be authorised by the person raising the order. In any other event, the payment must be authorised by the Headteacher or other delegated (and documented) signatory. The invoice (bearing the cheque number) and cheque should be presented together for signing and should be accompanied by the order and delivery notes. When authorising, a check should be carried out to ensure that it is an appropriate charge to the school. The third box on the certification grid should be signed in full. The documents will then need to pass to a second authorised cheque signatory. The signatories should check that the invoice is bona fide and that the cheque details are correct. The cheque can then be dispatched to the supplier and the invoice can be filed in the ‘paid invoices’ file.

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.

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 Regulations 2013” which came into force on the 1st November 1998. The Act allows small businesses to charge interest at 8% over the official dealing rate per annum on overdue debts. Any interest charges incurred would have to be financed from school budgets. KCC continues to pay all Kent suppliers within 20 days.

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.
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.

6. Paying for Goods and Services with a Corporate Card

A corporate card 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.

Please note that personal credit/debit cards should not be used for the purchase of items for the school as the following risks may occur:

- Staff may not be purchasing value for money by going directly to a company. The school may have preferred suppliers.

- Members of staff may be breaching finance regulations as responsibility is often delegated to the Headteacher for purchasing decisions.

- There may not be sufficient separation of duties if requisition, ordering and the purchase has been completed by the same person.

- The budget may not be checked before the purchase is made.

- Credit may be given to the member of staff as either the credit card may not be paid off when the employee is reimbursed or the employee’s bank account may go overdrawn.

- VAT may not be accounted for correctly if a proper receipt is not obtained.

- If the employee has a benefit attached to their credit/debit card this may be deemed a benefit in kind by HMRC.

- The terms and conditions of the credit/debit card may be invalid if the purchase is not for private use.

Schools requiring a corporate card will need to obtain an application form from KELSI. 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.

The single transaction limit must not be greater than the limit set in the school’s finance policy and Governing Bodies should review their finance policy to include specific mention of the card, cardholder and limits.
The cardholder should sign the corporate card immediately upon receipt.

It is not permitted to keep any corporate card(s) in the school safe where more than one person has access. It is secure if the card is kept with the card holder.

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

If a corporate card is lost it should be reported to the Bank as soon as possible. Disclaimers must be signed by the school to ensure that, if the card was used fraudulently, only the excess of £25 would be payable.

Only the named cardholder may use the corporate card. Other members of staff may not ‘borrow’ the card to record the card number for purchasing items.

When using a corporate card for internet purchases, school users must ensure that the internet site is secure and that all companies used are reputable.

Never disclose a corporate card number on an e-mail. This method of payment is not secure.

A corporate card may only be used for those items specified by the Headteacher. A school, on request can block certain types of purchase, but cash withdrawal is blocked for all cards.

Corporate card receipts, invoices and e-mail confirmations of internet purchases must be handed to the school finance team as evidence, for entering onto the school accounting system and, later, for matching to the corporate card monthly statement.

Purchases made using a corporate card 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.

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

When the statement is received it should be checked against the corporate card slips/orders and matched together within seven days, and any discrepancies resolved.
When all of the slips have been matched they should be stamped with the three-block certification stamp and initialled in the first two boxes. The third box is for the authorisation signature. The school should ensure at least two people are involved in the checking and authorising process. If one of the two people involved is the card holder, it is good practice to have a third person check e.g. the Headteacher’s card purchases could be checked by the Chair of Governors.

When processing the entries for payment, prefixing the purchase card invoice numbers with the letters ‘CC’ will allow the relevant ‘invoices’ to be selected with ease. If using SIMS FMS6, the direct debit ‘cheque book’ should be used, to ensure that ‘real’ cheques are not wasted when carrying out the payment processing routine.

The paper ‘cheques’ drawn from SIMS FMS6 should be attached to the statement and slips. The statement should be signed as checked, dated and countersigned in full by the Headteacher or authorised signatory as soon as possible after the reconciliation has taken place.

As the school is to pay by direct debit, the documentation should be cross-referenced to the bank statement, when reconciled. It may be helpful to keep the corporate card statements and all other relevant documentation together.

If using SIMS FMS6, refer to FMS6 Procedure note No 6 for additional guidance.