

Section 7: Banking

7. Why is this area important?

The proper administration of bank accounts is a fundamental financial control. In particular, regular and ***prompt*** bank reconciliations are essential. They prove that balances are correct and provide assurance that the underlying accounts have been properly compiled and are accurate. Auditors give particular attention to the frequency of bank reconciliation and view failure to keep them up to date as an indication of potential error or fraud and as a breakdown in the system of internal control.

General contacts

Schools Accountancy Services:
schoolsaccountancyservices@ealing.gov.uk

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7.1. Bank Statements & reconciliation

- It is recommended that primary schools obtain a statement fortnightly and secondary schools weekly. The statements should be reconciled as soon as they are received. They should be checked by the head teacher, and signed and dated as evidence of this check. It is a mandatory requirement of the LA that head teacher should carry out an independent check of the reconciliation.
- Periodic reviews of unpaid cheques should be made to establish reasons why suppliers have not cashed the cheques. Cheques unpaid for longer than six months should be stopped with the bank and cancelled and reversed on the system.

Bank statements to be signed and countersigned

The person performing the reconciliation should sign all bank reconciliations. They should also be reviewed and countersigned by someone who understands the reconciliation process.

7.2. Finance Returns

- Schools are required to submit a Finance Return to the LA at the end of each term. Schools can submit them half termly/monthly in agreement with Children's Finance. This return is a local bank account analysis, which breaks down the expenditure and income transactions that have gone through the school bank account and provides a summary of the cash flow position of the school. The LA also requires back-up documents to be submitted with the return. These are:
 - i. Bank history for the period of the return
 - ii. VAT Long Summary Report (summary details of income/expenditure by ledger code)
 - iii. List of unreconciled payments and income outstanding for the period
 - iv. Copy of the (recent) bank statement(s) used to balance the return
 - v. Copy of the petty cash transaction list showing closing balance
 - vi. VAT submittal report
 - vii. Debtor / Creditor / Payroll Control Reports (if applicable)
 - viii. Excel upload journal for Agresso
 - ix. Journal Definition reports for salaries if applicable i.e. external payroll
- These reports can be extracted from the SIMS FMS systems. For those using other accounting packages, it should be possible to extract this information.
- The return must be balanced before it can be submitted and the information input into the LA general ledger system. This prompts a

VAT reimbursement due to the school and the next term's budget advance.

- There are crucial control mechanisms in the operation of bank accounts. The following are the key elements:
 - i. Reconciliations must be undertaken regularly, at least monthly. Schools are recommended to undertake reconciliations more frequently than monthly for their own benefit, in order to avoid difficulties in balancing the account and to permit discrepancies to be identified, investigated and resolved as soon as possible.
 - ii. Any discrepancies should be properly investigated, and not merely carried forward to the next reconciliation.
 - iii. Whoever carries out the reconciliation should date and sign it to certify that it is correct.
 - iv. The reconciliation should be checked by a second person who is familiar with the way in which bank accounts are reconciled, and who should date and sign the reconciliation as evidence that they have checked it. The finance return requires the head teacher to certify that it is correct and implies that they have verified the bank balances, and therefore the head teacher should also verify the bank reconciliation.

7.3. Staff Responsibility

Staff Responsibility

Staff responsible for undertaking bank reconciliations should not be responsible for the processing of receipts or payments.

- In order to preserve separation of duties, wherever possible the person undertaking the bank reconciliation should not be in a position to process invoices for payment, nor receive or process income.

7.4. Dealing with bank surpluses/deficits

- Investments of surplus funds

Investment of funds

All funds surplus to immediate requirements should be invested to optimal effect in accordance with the LA's investment policy.

- Investment of surplus funds should be placed in Banks listed of LBE's approved list, contact Schools Accountancy Services for this list.
- Overdraft Facilities and Borrowing

- The school should not enter into any loan agreements (including overdrafts), other than with the LA, without the prior approval of the Secretary of State for Education. For additional guidance please refer to section 3.6 on [Ealing's scheme for financing maintained schools](#).
- Schools may have debit cards/credit cards. Credit cards are permissible provided the balance is settled on a monthly basis. Direct debits and standing orders are permissible. There is a scheme in place for schools to use Government Procurement Cards. Refer to Appendix 7. Currently there is a pilot scheme with a number of schools using government approved RBS purchase cards. It is intended that this scheme will be extended to more schools once the outcomes of pilot have been assessed.
- If schools use a trade card e.g. for the caretaker to purchase DIY materials, then there should be a letter of authority setting out the limits that can be committed on behalf the school.
- For additional guidance on borrowing in schools please refer

Private bank accounts

Individuals should not use their private bank accounts for any payment or receipt related to the school's budget.

- An exception to this is for the purchase of minor items of resources e.g. items under £75, where a member of the school's staff may pay for items in the first instance, obtain a receipt and then be reimbursed from the school's petty cash.