



Department of  
Education & Training

# Internal Controls for Victorian Government Schools

Financial Services Division



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This document is also available on the internet at  
<http://www.education.vic.gov.au/school/principals/finance/Pages/guidelines.aspx>

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## Introduction

### Financial policy

A major responsibility of school council under the *Education and Training Reform Act 2006* is to “ensure that all monies coming into the hands of the council are used for proper purposes”.

For Department policy relating to financial operations and financial position of the school, refer to the [Finance Manual for Victorian Government Schools](#) which is the policy and guidelines document for schools.

### Governance

Governance is about the way we manage our schools, the way we deal with stakeholders and the procedures and processes we put in place to meet accountability and stewardship obligations. It is also about the way we identify the risks that may prevent a school from achieving its desired targets. Importantly, the identification of risk allows a school to integrate its risk profile with an appropriate internal control environment – an environment which takes into account the consequences of failure.

### Internal Control

Internal control is a very important function of a school’s overall approach to accountability. The framework of checks and balances identified in good systems of internal control ensure that the assets of the school are safeguarded, that the accounting information produced is accurate and complete, and the information obtained from the school’s accounting system can be relied upon and used with confidence by people involved in school decision making and by stakeholders generally.

Internal control may be described as the processes and procedures that are introduced by schools to ensure the effectiveness and efficiency of their operations.

Internal control is therefore a broad framework of processes, procedures, systems and strategies that schools put in place to ensure the successful and cost-effective delivery of their programs.

An integral part of control assessment is analysis of risk. All organisations encounter a degree of risk in the pursuit of their goals and priorities. Internal control systems and mechanisms reduce risk and highlight planning or operational weakness.

An important part of the internal control framework of a school is financial management and its related operational elements, e.g. the internal controls applying to receipts, payments, custody and control of assets, salaries, wages and other benefits, bank accounts and investments.

Internal controls will vary between schools. Small schools, for example, often have difficulty in segregating duties across more than one person.

However, schools that do not have appropriate controls face higher risks than those that do. For example, in an organisation where the same person receives cash, issues receipts, prepares the banking, does the actual banking and carries out the bank reconciliations, the risk of a possible cash misappropriation is usually higher than in an organisation where these duties are split between two or more people.

The appropriate operation of school accounts, sound budgeting and monitoring processes and appropriate classification of receipts and payments greatly strengthen the financial internal control environment in schools.

The external audit of a school complements the Internal control environment by providing the school with a report on the operation of the controls and highlighting areas, via management letters to the School Council and the principal, where changes and/or improvements may be required.

The school audit program embodies internal control principles and practices and links the audit check of transactions with the assessed financial accountability risk confronting each individual school.

### Risk Assessment

By all relevant standards the Government school system in Victoria has a substantial resources base whether measured in terms of the annual student resources budget, the overall asset base, valuable and attractive equipment and/or amounts held for periods of time in investments.

### Financial Risk

The identification of risk is a key element of financial management. This publication on Internal Control develops, in some detail, the procedures and processes which schools should introduce to ensure the security of financial and physical resources along with systems which report on performance and highlight unplanned variances.

## Fraud Control

It is a mandatory requirement under the *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, that all cases of suspected or actual theft, wilful damage, arson, irregularity or fraud in connection with the receipt or disposal of money or property of any kind, should be reported to the relevant authorities and action taken.

The [Fraud Control Framework](#) developed by the Department, supports a commitment to good governance, strong ethical practices and compliance with relevant legislation

## 1. Internal Control Objectives

The main objectives of internal control include the following:

### 1.1 Validity

To ensure that all financial transactions are recorded, that they are soundly supported by appropriate documentation and that the accounting records report the true financial position of the school in a clear manner. This ensures they can be relied upon with confidence to provide a basis for informed financial decision making.

### 1.2 Authorisation

To ensure that transactions are properly authorised and processed by persons acting within their designated authority.

### 1.3 Completeness and Accuracy

To give assurance that the financial records include all transactions and that these transactions can be completely verified. That nothing is omitted either purposely or by mistake and that the financial reports represent the whole picture of the school's financial position.

### 1.4 Timeliness

To ensure that all transactions are recorded as close as practicable to the time of occurrence, so that at all times the accounting records reflect the actual financial situation and can be verified.

### 1.5 Security

To provide assurance of the safe keeping of assets and records.

### 1.6 Physical Existence

To ensure that all assets are recorded on the asset register.

## 2. Types of Internal Controls

There are many types of internal controls that provide assurance of security and proper functioning of the accounting system. The major controls can be broadly classified under the following headings.

### 2.1 Organisation

An Administration Policy with a clear plan of the organisation, together with written position descriptions that define and allocate responsibilities should be developed. These should define unambiguously to whom the holder of each position reports and the inter-relationships between job functions, to prevent both inefficient overlapping of functions and the avoidance of responsibility in some areas. Any delegation of authority and responsibility should be clearly shown.

When developing administrative policies and organisational charts, it is important to keep the accounting function as separate from other functions as possible so that the accounting records provide a more independent and reliable check on the other areas of the school administration. Senior administrative staff must ensure that other administrative staff are fully informed and have sufficient training to follow the approved policies and procedures.

## 2.2 Segregation of Duties

The prime method of ensuring this safeguard is to separate those responsibilities or duties which, if combined, would enable an individual person to process and record a complete transaction, such as ordering, receiving, approving and paying for goods.

Segregation of duties may appear difficult to achieve where a limited number of administrative staff are available for the accounting and finance functions. However, it can be implemented, by alternating sequential tasks, so that no one person has complete responsibility for the entire transaction, provided that some separation occurs between key activities. Functions that should be separated include authorisation, payment, custody and recording. In very small schools principals are advised to identify potential areas of risk to the School Council and auditor.

## 2.3 Physical Controls

These are measures that are taken to safeguard assets, including property, stores, cash and buildings.

## 2.4 Delegation, Authorisation and Approval

The delegation of authority to incur and to authorise expenditure is provided by the School Council.

All transactions should be authorised or approved by a responsible person who is familiar with the program budget requirements. Limits to amounts that may be authorised should be set and observed after approval by School Council

## 2.5 Arithmetical and Accounting Controls

These are the controls within the record keeping function and are designed to provide reasonable assurance that:

- all transactions have been properly authorised;
- all data is accurately recorded ensuring no transactions are omitted;
- accounting records are reconciled with independently provided information, such as the bank statement.

The financial security of the school is dependent upon the safe collection and banking of money, and best practice procedures must be in place to safeguard receipts and ensure that all money collected is recorded on the bank deposit slip and banked promptly.

## 2.6 Personnel

Principals should ensure administrative staff are fully informed and have sufficient knowledge and expertise to follow the approved policies and position descriptions.

Training programs, professional development courses and rotation of duties in larger schools, are effective means of accelerating employee development and of increasing the number of persons in the school office who are able to assume greater responsibility. Senior administrative staff will have a constant training function, not only of other administrative staff, but also in ensuring that teachers and other staff are aware of, and comply with, internal control requirements.

## 2.7 Supervision

A good system of internal control must include provision for supervision of transactions and record keeping. This can be facilitated by an Internal checking system, where the work of one person automatically checks that of another; for example, the person receiving goods may check that they were properly ordered and authorised. This can be further strengthened by a system of 'spot checking' random areas at regular intervals to ensure correct compliance with the control system.

Ultimately, however, the responsibility that controls are in place and compliance is being achieved rests with the principal and the School Council.

## 2.8 Management Controls

These are the controls exercised outside the day-to-day system routine. They include overall supervisory controls, such as the comparison of actual CASES21 data with the approved budget as entered on CASES21. Ensure that current School Council policies are in place to support internal control objectives.

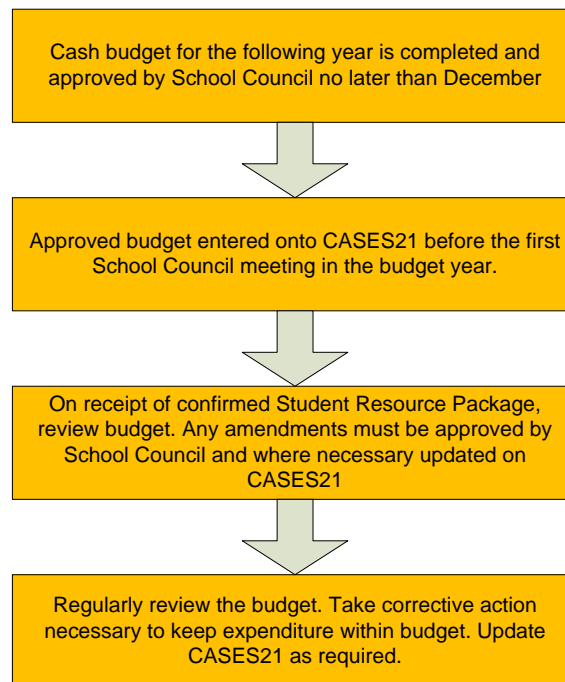
### 3. The Operating Cycle of a School

The following three flowcharts summarise the financial operating cycle of a school. An appreciation of each process is useful in developing an understanding of internal control systems. The flowcharts detail the budget process, receipting, ordering and payment of goods and services in readiness for various reports to be accessed.

School administrators will use this information for control and planning purposes. Each of these processes is an individual sub-system of the main accounting function and each has specific implications for internal control.

#### 3.1 School Budgeting Process

Flowchart 1 – School Budgeting Process



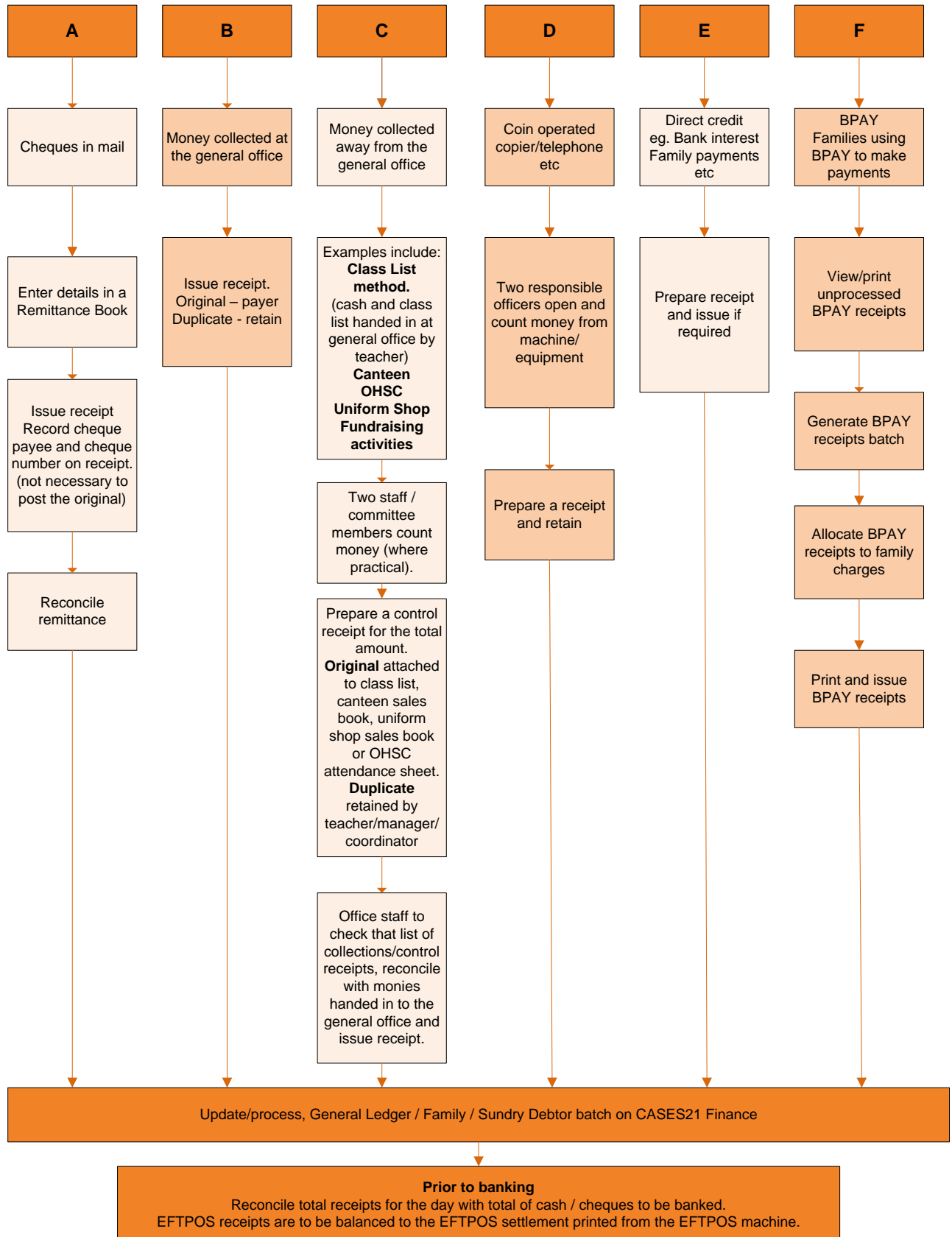


## 3.2 Receipting Process

There are six principle ways that schools collect money which are identified from A to F at the top of the flowchart.

Each receipting method requires verification and endorsement for accurate processing and tracking purposes and confirms proper internal controls are in place. Schools can use manual, mechanical or electronic methods for issuing receipts, so long as effective controls are in operation.

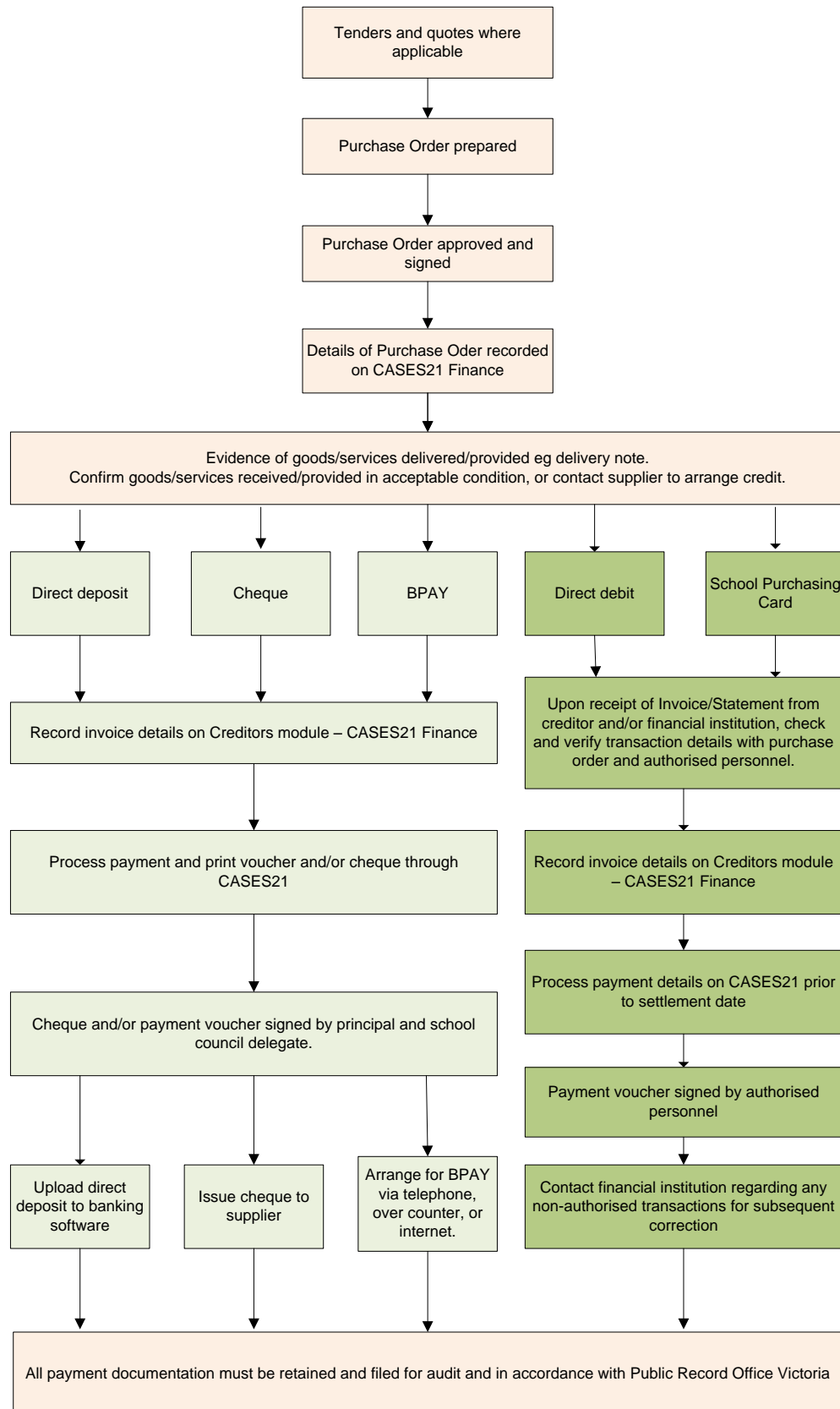
**Flowchart 2 – Receipting**



### 3.3 Payments Process

Schools may use a variety of means to make payments to suppliers, creditors, issue refunds etc. via cheque, direct debit, direct deposit, billpay or BPAY and School Purchasing Card. As the flowchart shows, regardless of the method of payment a documentation trail beginning with the creation of a purchase order and approval and authorisation processes, must occur prior to payment.

**Flowchart 3 – Payments**



## 4. Internal Control Sub-Systems

Internal controls can be broken down into subsystems. These subsystems ensure that all aspects of school financial processes are operated consistently in a secure environment.

For a school, the following subsystems have been identified as requiring specific internal control processes to protect both the resources and personnel involved.

A checklist has been included for each subsystem, identifying specific controls or actions.

### 4.1 Bank Accounts and Investments

All School Council bank accounts, except the High Yield Investment Account (HYIA), must be in the name of the School Council. Registered signatories at the bank for these accounts must comprise the principal as a mandatory signatory, and a second co-signatory who must be a member of School Council and approved by Council as a signatory. School Council can authorise more than one co-signatory at any one time providing they are School Council members. The Business Manager must never be a signatory for school accounts.

Registered signatories must be minuted at School Council and kept up to date at the bank. Authorisation for banking software and other electronic payments e.g. BPAY must follow the same controls that are applied to the registered signatories for the school bank account.

Bank accounts are to be maintained on CASES21 and monthly financial reports provided to School Council. Each bank account must be reconciled monthly and must be audited as per Department policy.

School bank accounts are not permitted to become overdrawn.

If the school Parent Association choose to operate a separate bank account it must also be recorded on CASES21. The PRINCIPAL is a mandatory signatory for the account and all cheques must be co-signed by another authorised signatory. The account must be independently audited each year.

The transfer of money from one bank account to another must be authorised by the principal and a report, detailing transfers must be presented to School Council each month.

Each school council must develop and endorse a school investment policy.

Where schools choose not to use the HYIA as the sole investment instrument, a register must be maintained to include all other investment accounts. This register should be regularly reconciled with bank statements or certificates. The HYIA is exempt from entry to the investment register.

Schools should refer to the School Investment Policy and Guidelines available on the Financial Management website for information in regards to the investment of school funds.

[www.education.vic.gov.au/school/principals/finance/pages/default.aspx](http://www.education.vic.gov.au/school/principals/finance/pages/default.aspx)

√	<b>Bank Accounts and Investments Checklist</b>
	Bank Account, other than the HYIA, are held in the name of the School Council.
	School bank accounts must never be overdrawn.
	An approved investment policy is in place and reviewed annually by School Council.
	Investment Register is maintained and reconciled frequently (HYIA is exempt from entry to register).
	Investment transfers are approved by the principal and ratified by School Council.
	All bank accounts are reconciled monthly and audited as per the Department guidelines.
	Excess cash in Official Account invested in line with Department policy to maximise interest returns. <b>Note:</b> The investment of excess cash from the Official Account should be consistent with cash flow projections. In other words we should be careful of investing a short term excess cash position when a shortfall may be forthcoming in a subsequent month.
	Parent club accounts not operated through the Official Account are independently audited each year and the report provided to School Council.

## 4.2 Chart of Accounts

The pre-defined Chart of Accounts included on CASES21 is used for the coding of revenue and expenditure. Schools should regularly check the Chart of Accounts online, as updates to codes can occur. The importance of correct coding prior to CASES21 data entry is critical to the credibility, reliance and accuracy of information. The reports generated, as a result of the Chart of Accounts codes chosen, can only be accurate and reliable when data has been correctly entered onto the system.

√	<b>Chart of Accounts Checklist</b>
	Chart of Accounts codes pertaining to general ledger accounts, programs, subprograms and initiative are used appropriately and consistently.

## 4.3 Receipts

A policy for the collection of monies should be in place and available for all staff and members of the school community.

Good physical safeguards, including a locked, controlled access safe and secure cash drawer, also with controlled access, are necessary to prevent any loss of cash from the school premises.

Receipts should be entered onto CASES21 when received and original receipt issued stating the purpose of the remittance. In circumstances where this is not possible, a manual receipt can be issued. The receipt book should be reconciled to the CASES21 transactions when entered to ensure all receipts received by the school are banked.

No receipt should be altered and no duplicate receipts issued. If an error has been made the receipt should be cancelled and the original of the incorrect receipt attached to the duplicate copy. If a duplicate receipt is requested, the receipt of money should be acknowledged by a typed note on school letterhead, (General Ledger receipts) or by providing a Family or Sundry Debtor Statement showing the receipt of the money.

Personal cheques are not to be cashed under any circumstances.

All cheques received by mail are to be entered in a remittance book, and all cheques, which have not already been crossed "not negotiable", should be crossed as soon as they are received.

Money received at points other than the school administration office are to be receipted in one of three methods:

**Class list** – cash and class list reconciled and submitted to the office by the class teacher.

**Trading operations** – money counted by two people (where practicable) and a control receipt issued. Funds then submitted to the general office for reconciliation and banking.

**Electronic receipts, manual receipts or EFTPOS receipts** – individual official receipt issued. Receipts and cash submitted to general office for reconciliation and banking.

√	<b>Receipts Checklist</b>
	School policy in place for collection of money
	Official receipt issued immediately for all cash, cheques, BPAY and EFTPOS received
	Total of receipts issued is reconciled with total monies collected
	No receipts altered
	Cancelled receipts remain attached to duplicate copy.
	No duplicate receipts issued.
	No personal cheques cashed.
	Any coin-operated vending machines emptied and cash counted by two officers.
	Money collected away from the school office to be counted by two people (where applicable) and a control receipt issued or class list attached. Submitted to general office for reconciliation and banking.

### 4.3.1 Refunds

Before a school processes a refund, the original receipt is to be produced or receipt number identified, and the payment voucher for the refunded amount attached to the receipt document.

Any refunds issued by a school must be by cheque or EFTPOS if appropriate, to the parent/guardian and not in the form of cash to the student.

Schools should refer to Schools Electronic Funds Management Guidelines available on the School Finance website before processing a refund using EFTPOS

[www.education.vic.gov.au/school/principals/finance/pages/default.aspx](http://www.education.vic.gov.au/school/principals/finance/pages/default.aspx)

### 4.4 Banking

All cash, cheques, etc. must be banked intact and where possible, banking carried out daily to avoid having money on the school premises overnight. Small schools with small amounts of money, on hand, may opt to bank once a week. Money kept on the premises overnight must be locked in a secure location and checked regularly by more than one person. Internal control can be further enhanced by ensuring weekly banking does not occur on the same day each week.

In no circumstances should money be left on school premises during vacation periods.

The bank deposit slips, which are to be prepared through CASES21 and printed in duplicate, should be compared with:

- the total amount of money received and prepared for banking; and
- the total amounts recorded through CASES21.

This will provide an additional check on the accuracy and completeness of the deposit.

Should any cheque be dishonoured, communication with the drawer of the cheque should be made immediately.

✓	Banking Checklist
	All cash and cheques collected are banked intact daily by person other than the one processing the collection.
	Bank deposit slips prepared in duplicate.
	Depositor signs bank deposit slip.
	Cash stored in safe with controlled access.
	Money not left on school premises during vacation periods.
	Dishonoured cheques are followed up promptly.

## 4.5 Purchases and Expenses

It is important to separate the authorising, recording and custody functions so that a cross-check is provided for each function.

The person who performs the purchasing function will ideally be independent of those persons who carry out invoice processing and payment, stock records and receipt of goods.

### 4.5.1 Purchases from Suppliers

Specific procedures are to be followed when purchasing goods from private suppliers. Whether getting an oral quotation or inviting public tenders, the prime focus should always be to seek and achieve 'value for money'.

The following table indicates the required number of quotes:

Tender/Quotation Thresholds	
Less than or equal to \$2,500 (GST inclusive)	A minimum of one quote (maybe verbal or written)
Greater than \$2,500 and equal to \$25,000 (GST inclusive)	A minimum of one written quote
Greater than \$25,000 and equal to \$150,000 (GST inclusive)	A minimum of three written quotes to be sought.
Greater than \$150,000 (GST inclusive)	Public tender process.

The quotes, including a record of verbal quotes received, and tenders are to be attached and filed with the purchase documentation. Where the lowest quote has not been accepted, a note to this effect from the authorised officer, setting out (briefly) the reasons, should be filed with the purchase order documentation. This note would form part of the audit trail.

An official school order form must be raised and authorised for all school purchases of goods, whether from private suppliers or government agencies. Approval to purchase is dependent upon funds being available to meet the payment (funds sufficiency). A purchase order is not required for petty cash, some canteen items and utilities accounts.

Official school order forms are not to be used for private purposes.

Order forms (hard copy or electronic) are to be entered in the *Accountable Documents Register* and are to be serially pre-numbered and used in strict sequential order so that all forms can be easily traced and accounted for.

Stocks of purchase order forms should be inspected periodically by the authorised officer to detect any broken sequence of original purchase order forms.

It is essential that a duplicate copy of each order be kept by the initiating department/ administrative staff as both a permanent record and authority for delivery and payment. The duplicate is marked 'goods received' or 'cancelled' when the account is passed for payment.

Once approved, orders should be recorded on CASES21 to accurately determine commitments against budget and to ensure cash flow requirements.

### 4.5.2 School Purchasing Card

The School Purchasing Card represents another form of paying for schools supplies. The card is not intended to replace the traditional forms of ordering and payment. It provides additional flexibility and convenience without any loss of accountability. Schools should document a policy for use of the card including details of authorised personnel, expenditure limits, information for cardholders and practices reflecting Department guidelines.

All other purchasing guidelines in relation to internal control should be followed in the use of the card.

### 4.5.3 Receipt of Goods

Full details of items and quantities appearing on the delivery docket are to be checked before the docket is signed.

This check will prevent incorrect items and quantities being processed through the system and possibly paid for. Short deliveries are to be similarly noted. Subsequently, the delivery docket should be compared with the purchase order and also matched with the invoice as part of the internal checking system. Variations should be investigated. Part payments may be relevant where the full purchase order has not been delivered.

### 4.5.4 When Payment is processed

The person drawing the cheques should preferably not be involved with ordering and receiving, thus providing an independent check on these functions.

All paid invoices are to be clearly marked "paid", similarly, the copies of purchase orders which support payments should be marked 'goods received' and, where possible, endorsed with the reference number of the paid invoice. This should overcome the risk of duplicate payments

Before cheques are signed, all supporting documentation (quotes, orders, invoices and vouchers) must be attached to each cheque allowing the relevant details to be checked by the signatories for completeness and approval.

If payment is via direct debit, direct deposit, BPAY or School Purchasing Card the equivalent pre-authorisation and approval procedures and associated documentation must be in place to verify the payment.

Procedures should be established to ensure that invoices are paid in time to obtain any discounts and that those not offering discounts are paid within the permitted credit period.

### 4.5.5 Payment of Taxes

Schools are required to lodge a Business Activity Statement (BAS) containing the net amount for each tax period. The BAS is used to report tax entitlements and obligations including Goods and Services Tax (GST), and Pay As You Go (PAYG) tax.

Schools are required to pay and charge GST and should claim the tax back as an Input Tax credit through the Australian Tax Office (ATO).

Schools must assess the Fringe Benefits provided to staff employed at their school and report, the FBT liability incurred, to the Department each April.

BAS returns, which are generated through CASES21, should be signed by the principal and are to be lodged either monthly or quarterly, in accordance with the agreement made between the school and the ATO.

Further information is available on the Tax Resources website:  
<https://edugate.eduweb.vic.gov.au/Services/Finance/Pages/Tax.aspx>

J	<b>Purchases and Expenses Checklist</b>
	Quotes/tenders obtained as per current Victorian Government Purchasing Guidelines, and purchase orders raised and authorised.
	Once authorised, orders are recorded on CASES21 to accurately determine commitment against budget.
	Pre-numbered blank order forms are kept secure and recorded in Accountable Documents Register.
	Electronic order forms, commencement date and first order number, should also be recorded in the Accountable Documents Register.
	Order forms not to be used for private purchases.
	Duplicate of each purchase order retained.
	All orders are approved: purchase orders signed by school principal or persons appointed by School Council – other than person writing out the order.
	Person receiving goods different from person authorising order.
	Goods received checked against delivery docket.
	Delivery docket checked against supplier's invoice and purchase order.
	Duplicate of the purchase order marked 'Goods received' and endorsed with the invoice number. Invoice marked 'Goods received' and endorsed 'paid'.
	Person checking invoice for correctness signs to accept responsibility.
	Retention of all documentation.

J	<b>School Purchasing Card Controls Checklist</b>
	The principal and school council to determine which personnel and activities will be eligible to utilise a School Purchasing Card.
	The principal and school council to determine the expenditure limit for each identified cardholder and to issue financial delegations which match these limits.
	School council is to appoint an 'Authorisation Officer'. (Usually the principal)
	'Undertaking by the Cardholder' should be completed by each user and retained by the school.
	Principal is to ensure that: <ol style="list-style-type: none"> <li>1. All approved School Purchasing Card users receive an appropriate briefing which includes the financial institution's terms and conditions, together with written procedures as to the operation of the card.</li> <li>2. The cardholders' names, card details, etc are minuted at School Council; along with any changes (and reasons for the changes/s) if/when they occur.</li> <li>3. Arrangements are developed and documented: <ul style="list-style-type: none"> <li>• For the safe and secure custody of the School Purchasing Card at all times.</li> <li>• For the monthly School Purchasing Card statements to be attached to the relevant reports (CASES21) as part of the tabled documentation for Finance/School Council meetings.</li> <li>• To ensure full compliance with School Purchasing Card procedures and controls (refer to Department Guidelines and Procedures).</li> <li>• To ensure all cards are received at the school address.</li> <li>• To recall and cancel cards when a user leaves the school, or the card is no longer required.</li> </ul> </li> </ol>



## 4.6 Assets and Stores

Most schools hold a substantial inventory of assets and stores. Valuable and attractive items often represent a major investment of school resources. Control of assets, and asset management generally, constitute important elements of a school's internal control. Refer to the [Asset Management](#) policy for further information.

**Assets** with a value greater than \$5,000 must be entered on to the school's CASES21 Asset Module within 30 days of acquisition. Any assets leased (operating lease not finance lease) or received as donation by the school should also be recorded on the CASES21 Assets Module (at a zero value). This includes computer equipment provided by the Department.

The CASES21 Asset Module may also be used by schools to record items with a value of less than \$5,000 for tracking purposes and for items that are considered to be attractive assets (digital cameras, computer accessories etc).

### 4.6.1 Stocktaking

A stocktake is to be conducted, as a minimum, once every two years and provides the best check on physical assets control. If performed in stages throughout the year, a stocktake minimises interference with school programs. The school principal should appoint a stocktaking officer, who is not involved in the handling or custody of stores, to conduct and supervise the stocktake. Any adjustment to the CASES21 Asset Module requires proper authorisation of the School Council.

### 4.6.2 Disposal of Assets

A Board of Survey must identify obsolete or unserviceable equipment and recommend a course of disposal action to School Council. Any changes to the assets on hand must be recorded in the CASES21 Asset module as soon as possible. Details, including reason for disposal and endorsement by the principal, are to be entered and filed as part of the internal checking system and noted by School Council.

### 4.6.3 Insurance

The [School Equipment Coverage Scheme](#) (SECS) applies to all government schools and to all school-owned equipment including library books and teaching aids. School equipment is covered for loss or damage caused by fire, burglary, storm or vandalism.

Items leased, rented or lent to the school are excluded from SECS and schools should ensure these items are insured separately.

To be covered, schools must ensure all equipment valued at \$5,000 or more is recorded on the CASES21 Asset Module. For those items valued under \$5,000 schools should maintain an inventory of equipment showing the quantity and description of items, including cost and date of purchase.

Schools can utilise the CASES21 Asset Module for monitoring such records.

### 4.6.4 Borrowing of Equipment

A loans register is to be used to record the movement of assets taken from the school for educational purposes and the date of return.

Comprehensive details including the serial number should be recorded, ensuring that the correctly specified equipment is easily tracked at any time and that the equipment will be covered under SEIS in the event of loss or damage.

√	Assets and Stores Checklist
	Receipt of donated equipment minuted at School Council meeting and entered on school CASES21 Asset module at zero value.
	All assets over \$5,000 immediately entered fully into CASES21 Asset module
	Lease items (operating lease only), including leased cars, are recorded on the CASES21 Asset module with the Lease start date, Lease end date and the monthly lease cost.
	The CASES21 Asset module is maintained by a person not associated with physical custody of assets. Inventory of stock, not entered on the CASES21 Asset module, is maintained for good stock control.
	Stock take completed annually.
	Persons performing stock take do not have custody of items.
	Board of Survey to identify obsolete or unserviceable equipment and recommend course of disposal action to School Council.
	CASES21 Asset module is adjusted for disposals; reasons given; principal authorises; minuted at School Council meeting.
	Additional insurance cover arranged for items not covered by School Equipment Insurance Scheme (SEIS).

Loans register is used to record assets borrowed from the school.
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## 4.7 Payments (Cheque and Electronic)

All payments must be jointly approved and signed by the principal and a member of School Council nominated to authorise payments. Under no circumstances is the business manager to be an authoriser for cheques or electronic payments. Refer to *Education and Training Reform Regulations 2007 Part 3 r. 37 (3)*.

All payments made in the preceding month and invoices awaiting payment should be tabled at the monthly School Council meetings, i.e. Cash Payments report and Invoices Awaiting Payment report.

Cheque stationery should be entered in the *Accountable Documents Register* and stored in a secure location at all times. When processing payments, cheques should be used in sequence to enable the control of both unused cheques and those being prepared.

Cheques are to be made out to the payee not to Cash.

Cancelled cheques are to be clearly marked "cancelled" and attached to the original payment documentation to guard against later unauthorised use. A secure file should be maintained for cancelled documents stating the reasons for the cancellations.

Immediately the accounts are passed for payment, all vouchers, invoices and supporting documents are to be marked with a "paid" or "passed for payment" stamp, to ensure that no account can be paid twice.

Blank cheques are not to be signed under any circumstances.

**Electronic Payments** are possible via direct debit, direct deposit and bill pay (BPAY):

- Under Direct Debit procedures, the payment is automatically transferred from the School Council's Official Account on a prescribed date, referred to as the settlement date. However, the school should be in receipt of an invoice prior to the settlement date. Depending on timing, the payment can then be approved in advance by School Council along with other payments, or ratified in the following month.

Either way, funds sufficiency and verification checking is possible and must be conducted.

- BPAY is consistent with the method of payment by cheque referred to above, and subject to related internal controls, except that the school completes the payment over the telephone, in person or internet on/ before the due date.

J	Payments Checklist
	All payments, except petty cash, made by cheque, direct deposit to disk, direct debit, School Purchasing card or BPAY.
	Dissection details entered on invoice or "payment voucher"
	Payment voucher authorised by cheque signatories and all supporting documentation (including quotes) attached.
	Invoices and purchase orders, and all supporting documents endorsed "PAID" after approval and cheques signed.
	Cheque stationery recorded in Accountable Documents Registered and stored securely at all times.
	Cheques completed in sequence, ensuring correct guidelines are followed.
	ALL internet payments/debits, and cheque payments are to be authorised by the principal and nominated member of School Council. Never the business manager.
	All payments made from School Council accounts approved or ratified by School Council and documented in Council minutes.
	Cheques sent to payees with identifying remittance advice.
	All alterations to cheques properly authorised by signatories.
	Cancelled cheques recorded in CASES21 and documented on the payment voucher with principal endorsement.
	Supporting documents systematically filed.
	Blank cheques never signed.
	No loans permitted. Schools are not permitted to loan money under any circumstances.
	Unpresented cheques followed up after 3 months.

## 4.8 Commitment Control

Commitments consist of any outstanding orders a school may have at any point in time.

All commitments must be closely monitored to ensure the schools cash flow position is known at any time. A record of total commitments must be presented to School Council each month.

✓	Commitment Control Checklist
	All outstanding orders regularly recorded on CASES21 and reported at monthly School Council meetings.
	Commitments recorded on the system are regularly reconciled to ensure figures are current and accurate.

## 4.9 Accounting/Finance Procedures

### 4.9.1 Bank Reconciliation

Each month records maintained on CASES21 must be reconciled with the bank's records. This is accomplished by comparing the transactions recorded on CASES21 with the bank statement. A bank reconciliation must be completed for every bank account operated by School Council. All relevant reports must be printed, signed by the principal and presented to School Council each month.

Any bank accounts that do not reconcile to relevant bank statements should have their variances investigated immediately and the reasons for the variances noted for audit purposes.

All adjustment journals, credit notes, reversals or cancellations are to be approved by the principal prior to processing and presented to the School Council.

Any cheques, which remain un-presented for three months, should be followed up and appropriate action taken.

A cheque that has not been presented at the bank for payment within twelve months of the date of issue is deemed to be a stale cheque. The bank is to be notified that the cheque is stale and stop payment is requested. Each stale cheque must be recorded (as a reverse payment with the original cheque number details) on CASES21 and the resulting documentation should be attached to the original payment voucher and securely filed for future reference and audit.

Any deposit that appears as "not yet credited" on the Bank Reconciliation Statement should also be followed up, as this indicates that money has been receipted, but not banked.

Reversals or cancellations should be ticked off immediately on the Bank Reconciliation Statement against the original transaction. Reversals or cancellations that continue to appear on the Bank Reconciliation Statement should be investigated

### 4.9.2 Investment Policy

An Investment Policy must be formalised through the School Council in accordance with Department guidelines. Surplus funds, not required immediately, that are held in the school's Official Account can be invested to generate interest revenue for the school. The School Council must decide and approve the financial institution/s in which to invest the funds. Due to the risk and complexity associated with some investments, schools should aim to minimize their exposure to risk when investing school funds. Refer to Schools investment policy and guidelines available from the [School Finance](#) website.

### 4.9.3 Investment Register

An Investment Register must be maintained for any funds not immediately required which are placed in approved investment mediums to earn a higher rate of interest. The HYIA account is exempt from entry to the Investment Register.

### 4.9.4 Accountable Documents

A register of Accountable Documents must be kept to record such sensitive items as order forms and cheques.

Serial numbers of each book are entered in the register and books are issued consecutively, recording date of issue and person to whom the issue was made. An entry is also made when used books are returned to complete the control cycle. Regular inspection of the stock of accountable forms by the authorised officer is required to identify any missing original copies of the forms.

### 4.9.5 Trading Operations

A Profit and Loss Statement is to be completed annually for all trading accounts, e.g. Canteen, Before/After School Care Program.

✓	<b>Accounting Records Checklist</b>
	ALL bank accounts reconciled with bank statement each month.
	Any variances between bank accounts and bank statements should be investigated and reasons noted.
	Bank reconciliation statement includes: <ul style="list-style-type: none"> <li>• All unpresented cheques;</li> <li>• Deposits not yet credited;</li> <li>• Reversals and cancellations; and</li> <li>• Sundry entries that appear on the bank statement for more than one reconciliation period are followed up. (unpresented cheques no longer than 3 months)</li> </ul>
	The bank should be notified of stale cheques and stop payment applied. <ul style="list-style-type: none"> <li>• Each stale cheque is to be recorded on CASES21 and the resulting documentation should be attached to the original payment voucher and securely filed for future reference and audit. Refer to - CASES21 Finance Business Process Guide - Section: 5 General Ledger</li> </ul>
	Accountable Documents Register is maintained.
	Financial statements are printed and filed for audit at the end of each month and at the end of the calendar year.
	Financial information given to school councillors in advance of the monthly meeting, to enable them to carry out their management role from an informed position.
	Cooperatives independently audited and the annual report provided to School Council.

#### 4.9.6 Petty Cash

The purpose of petty cash is to meet minor payments, up to a limit of \$200 on any one item.

##### **Imprest System**

Petty cash advances, which must be approved/ratified by the School Council, are to be maintained on an imprest system.

This means that only the aggregate of the actual (monthly) payments are claimed by way of reimbursement.

Therefore, the amount of the advance is accounted for at any time by the production of cash/vouchers totalling the advance.

##### **Approval of Payments**

All petty cash payments should be supported by a voucher written in ink, and approved by an authorised person.

Completed vouchers should also be marked 'paid' to prevent them from being re-submitted and paid again.

##### **Recoupment**

Whenever petty cash needs replenishment:

- total the payments to date;
- ensure that the total of the payments made plus the balance of cash on hand equal the amount of the advance;
- summarise the expenditure incurred to accounts chargeable on reimbursement;
- prepare the payment voucher to replenish the advance to its fixed amount, that is, a cheque is to be drawn for the sum of the total payment made;
- make the recoupment cheque payable to the 'advance holder' and opened to 'pay cash' with this notation being signed by the cheque signatories.

A new record of the petty cash payment schedule is to be started after each recoupment of the advance amount.

##### **Security**

Only one officer is to be the custodian 'advance holder' of a petty cash advance and accountable for it. Therefore, no other person is entitled to access the advance.

Cash on hand is to be kept in a secure location (lockable drawer/safe) at all times. The cash on hand must be fully adjusted and re-banked at the end of each school year.

During other vacation periods, where small amounts are held it is not necessary for action to be taken.

**Petty cash reconciliation**

The principal or an officer appointed by the principal should carry out checks (at least two per year) where the officer checks that the petty cash balances, without having given the advance holder/custodian prior advice of the check.

The check should not be at the end of a reimbursement period and is intended to ensure that:

- the records are up-to-date;
- loans are not being taken from the advance;
- security is being maintained over the advance and vouchers.

The custodian must be present at all times during the check.

The principal is to be advised in writing of the results of the check in a signed and dated report from the checking officer and the advance custodian.

√	<b>Petty Cash Checklist</b>
	Petty cash payments limited to \$200 per item.
	Petty cash custodian has no other cash receipt or payment function.
	Petty cash kept separate from all other funds in a secure location (lockable drawer/safe) at all times.
	IOU's not accepted.
	No personal cheques cashed.
	Petty cash voucher written in ink to support each payment, approved as applicable.
	Petty cash vouchers marked 'paid' when funds are paid to the claimant.
	Documentation attached to petty cash reimbursement request.
	All transactions recorded in petty cash book.
	The recoupment cheque is to be payable to the advance holder and opened to 'pay cash', with the notation being signed by the cheque signatories.

**4.10 Budgeting**

A comprehensive and properly installed budgetary control system, effectively used, provides the means of measuring whether financial objectives are being met in curriculum and non-curriculum areas. This is achieved by the comparison of actual with budgeted data, highlighting any variances and providing information, for the preparation of the next budget. This process aids in decision-making and future planning to ensure that the schools' resources are being utilised to their maximum efficiency and effectiveness.

School Council should approve the budget by December of the previous year. However, changed circumstances could necessitate amendments to the budget over the course of the following year.

In order for the budget to reflect the actual situation proposed, amendments should be considered by the School Council and once approved, the budget is amended on CASES21. This process may need to be undertaken several times in any school year.

It is Department policy that both the revenue and expenditure budgets are recorded on CASES21.

**4.10.1 Cash Flow Budget**

It must be noted that regardless of whether revenue and expenditure for the year are in line with budget, actual cash receipts may fluctuate from month to month and it is important that cash is available to make all payments as they fall due.

A cash flow budget 'breaks down' cash receipts and payments into monthly amounts, and compares the cash available with the cash requirements. It will identify months of high cash requirements, in which the placement of orders may need to be deferred until cash is available and alternatively times when investment opportunities may exist.

A Cash Flow Statement can be used to compare actual cash flows with the budgeted cash flows and will provide early warning of impending difficulties and enable prompt remedial action to be taken.

The early warning signals include:

- lower than anticipated collections;
- higher than anticipated payments;
- low cash book balance with payments still outstanding,
- increased cost of supplies for resale, but low collections; and
- other income such as donations or trading operation profits below expected levels.

If payments are higher than anticipated, or collections lower, it may be necessary to adjust the budget for the changed circumstances. This will involve reassessing the availability of funds and programs for the remainder of the year to reflect what is realistically attainable.

√	<b>Annual Budgeting Checklist.</b>
	All sources and amounts of revenue identified.
	Program balances to be carried forward from previous year included.
	Cost of stores, services and educational programmes for coming year identified.
	School budget prepared and approved prior to beginning of school year.
	Cash Flow budget prepared for monitoring of liquidity and investment opportunities.
	Regular comparison of actual with budgeted income and expenditure. Substantial variances should be investigated.
	Adjustments are made to budget to reflect changed circumstances and are approved by School Council.
	School Council approved budget entered onto CASES21 prior to first Council meeting.

#### 4.11 Trading Operations

A non curriculum operation, run by the school council is referred to as a Trading Operation e.g. canteen (not leased), second hand book shop, uniform shop, Out of Hours School Care.

The basic internal control principles discussed in Sections 4.3 (Receipts) 4.5 (Purchases and Expenses) and 4.6 (Assets and Stores) apply to trading operations.

A Profit and Loss Statement is to be completed on an annual basis and presented to school council. For larger operations a mid year report would assist with monitoring financial health.

Stock control is particularly important. Care should be taken to avoid stock loss, which can seriously affect profitability.

A cash float, determined by the school council, is to be recorded and maintained. During operating times, areas which do not have a cash register, should keep cash in lockable drawers, the key to be held by the supervisor or designated person.

Cash from vending machines, photocopiers etc should be removed and counted by two people.

√	<b>Trading Operations Checklist</b>
	Established by approval of School Council.
	Income sufficient to meet full costs.
	Workers' award, contract, agreement etc kept on file.
	Written purchase orders.
	Deliveries checked by someone other than the person ordering.
	Assets recorded on CASES21 Assets Module.
	Twice yearly stock take completed by two people.
	Profit and Loss Statement prepared at least once a year.
	Cash safely stored.
	Cash takings counted by two people.
	Takings entered in daily sales book with two signatures.

## 4.12 Camps and Excursions

A record must be kept of the revenue and expenditure in respect of individual excursions. Cash received and disbursed should be subject to a check by two people and a calculation made of the surplus or deficit generated by the excursion.

Receipts are to be issued for all monies collected, refer to section 3.2 Receipting process.

Procurement processes apply to all activities expenditure, refer to section 4.5 Purchases and expenses.

Any decision by the school to subsidise excursions must be approved by School Council.

√	<b>Camps and Excursions Checklist</b>
	Approval must be gained from principal or School Council, depending upon the duration and nature of activity.
	Receipting and purchasing rules apply for all activities.
	Cash receipts handed to administrative staff for banking with class lists, etc.
	Subsidisation of camps and excursions approved by School Council.

## 4.13 School Level Payroll

School Councils are empowered to register as group employers for tax purposes and employ casual relief teachers (up to 30 continuous working days) and non-teaching staff. School Councils are bound by the same obligations as any employer and must strictly observe specific compliance procedures to the Australian Taxation Office (ATO), DET, Superannuation and Work Cover authorities and other relevant bodies.

Internal controls for payroll include: retention of payroll documentation and reports in a secure, confidential location such as a fire proof safe and ensuring that timesheets are authorised by the principal or delegated staff member.

The tax file numbers (TFN) are to be kept in a separate file, not in personnel files of the employee.

Significant payroll-related information should be in writing e.g. authority to commence and/or cease deductions.

It is recommended that the school level payroll is reconciled monthly to ensure accuracy of data and prevent the problem of tracking through up to eleven months of records to detect errors or omissions.

Keeping accurate payroll-related records assists in the event of enquires/investigations; statistical data and audit checks.

Comprehensive personnel files with documentation permanently attached should be maintained for all school council employees.

√	<b>School Level Payroll Checklist</b>
	Compliance procedures in place for Australian Tax Office, Superannuation, Worker's Compensation, DET and School Council requirements.
	Authorisation of hours worked procedures in place. Including timesheets being authorised by the principal or delegated staff member.
	Certification of every payroll by the principal.
	Remittance of PAYG and superannuation instalments, are processed according to required timelines.
	Tax File Number Declaration forms are completed and lodged when submitted by School Council employed staff.
	All pre-employment processes for new staff completed, including Police Check, WWC Check (E) and VIT registration as applicable. Copies to be retained.
	Issue and reconciliation of Payment Summaries is accurate and timely.
	Payroll documentation and retention requirements are in place.
	Relevant payroll reports are generated, certified (if required) and kept on file for audit.
	Budgetary control is maintained over the school level payroll.

## 4.14 Computer Systems

To ensure data integrity, passwords are necessary to access the Department computer programs.

It is essential that all staff are aware of the importance of maintaining a secure password and of the access levels their password allows. Passwords should not be disclosed to another person, as security of the system may be breached and data integrity jeopardised.

Staff should be aware that access to the computer system by a password or log-on indicates that the person logging-on is responsible for the data entered and that approval has been given for that staff member to perform the functions available to them at the particular access level.

It is recommended that passwords are changed regularly and data is backed up daily with a copy stored off the school property each evening

√	Computer Information Systems Checklist
	Authorisation policies and procedures relating to hardware/software access are in place.
	Systems/Software manuals are available and being used.
	More than one person is trained to use Department software.
	Measures that ensure the physical security of equipment and software are in place.
	Ensure data integrity at all times.
	Equipment/software 'backup' is available.
	User passwords and log-on are confidential and secure at all times.
	Data is backed up daily and virus protection is current.



## 5. Identified Internal Control Risks

The Audit and Review Branch reports annually on school finance audits. Based on findings over recent years, general trends have been identified and highlighted as being of particular concern. A summary of the most common risks is shown below:

### 5.1 Asset Register

	Potential Risks	Implications
Poor asset management	<ul style="list-style-type: none"> <li>Loss of physical control of school assets</li> <li>Inability to determine maintenance requirements</li> <li>Asset not insured.</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty in locating and confirming existence of assets.</li> <li>Loss or misappropriation of assets not detected as early as possible.</li> <li>Possible equipment failure without warning.</li> <li>Potential cost outlay to school to replace missing assets.</li> </ul>

### 5.2 Asset Recording, Stocktaking and Disposal

	Potential Risks	Implications
Poor asset management	<ul style="list-style-type: none"> <li>Asset purchasing function not co-ordinated in a budget context in line with school priorities.</li> <li>Failure to update asset register upon disposal of assets.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase of assets with little or no regard to the achievement of school objectives</li> <li>Unnecessary carrying of non-core, idle or unused assets.</li> <li>Unsatisfactory recording of assets.</li> <li>Assets purchased for private use.</li> <li>Assets lost or stolen.</li> <li>Stocktake process is inefficient.</li> </ul>

### 5.3 Chart of Accounts

	Potential Risks	Implications
Inaccurate coding of data entry to CASES21	<ul style="list-style-type: none"> <li>Reports are unreliable, inaccurate and misleading.</li> </ul>	<ul style="list-style-type: none"> <li>Reports could adversely affect decisions being made for school programs.</li> </ul>

### 5.4 Budget Approval by Council

	Potential Risks	Implications
School operating without an approved budget	<ul style="list-style-type: none"> <li>School strategic plan may not be validated</li> <li>No satisfactory system of monitoring budget trends.</li> </ul>	<ul style="list-style-type: none"> <li>School Council does not have the opportunity to confirm school Strategic Plans, programs and projects that are in place.</li> <li>Appropriate financial and resource planning are at risk.</li> </ul>

### 5.5 Investment Policies & Procedures

	Potential Risks	Implications
Poor investment management.	<ul style="list-style-type: none"> <li>Loss of control of investments and investment income.</li> </ul>	<ul style="list-style-type: none"> <li>Speculative investment decisions.</li> <li>Less investment returns.</li> <li>Loss of investment asset.</li> </ul>

## 5.6 Payments not approved or ratified by School Council

	Potential Risks	Implications
Breach of School Council regulations	<ul style="list-style-type: none"> <li>• Unauthorised purchases or expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Expenditure made outside school budget.</li> <li>• Spending inconsistent with planned expenditure.</li> <li>• Personal expenses charged to school budgets.</li> <li>• Oversupply of stocks and therefore, inefficient use of assets.</li> <li>• Failure to achieve value for money on purchases (i.e. purchases may not be made on terms that are most favourable to schools).</li> <li>• Non-compliance with special purpose funding guidelines.</li> </ul>

## 5.7 Quotes, Purchase Orders, Invoices and the Receipt of Goods

	Potential Risks	Implications
Inadequate controls	<ul style="list-style-type: none"> <li>• Failure to properly manage the purchasing function, including: <ul style="list-style-type: none"> <li>◦ obtaining quotes,</li> <li>◦ ordering,</li> <li>◦ receipting of goods and</li> <li>◦ payment of invoices.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Expenditure made outside the school budget.</li> <li>• Spending inconsistent with planned expenditure/overspending (funding shortfalls).</li> <li>• Oversupply of stocks and therefore, inefficient use of assets.</li> <li>• Failure to achieve value for money on purchases.</li> <li>• Purchase of unsuitable equipment.</li> <li>• Non-Compliance with special purpose funding guidelines leading to serious breaches of accountability guidelines.</li> <li>• Mismatching of goods received with those specified in quote and/or purchase order.</li> <li>• Overpayment of invoices.</li> </ul>

## 5.8 Payroll Controls

	Potential Risks	Implications
Poor payroll administration	<ul style="list-style-type: none"> <li>• Recording systems not providing sufficient control of work performed.</li> <li>• Insufficient accountability allowing the continuation of payments to ceased employees.</li> <li>• Employment approvals not sufficiently controlled to prevent unauthorised inclusions on the payroll.</li> <li>• Checking processes are insufficient to identify, follow-up and recover salary overpayments</li> </ul>	<ul style="list-style-type: none"> <li>• Unauthorised or ghost employees included on payroll.</li> <li>• Inaccurate payroll records and calculations.</li> <li>• Payment of salary for work not performed.</li> <li>• Overpayment of salary.</li> <li>• Inadequate information given to staff regarding employment conditions.</li> </ul>
Non Compliance	<ul style="list-style-type: none"> <li>• Checking processes are not sufficient to ensure the accuracy of pay rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient recognition of superannuation, PAYG tax and Worker's Compensation costs.</li> <li>• Insufficient personnel data on file to meet requirements.</li> </ul>

## 5.9 Monthly Bank Reconciliations

	Potential Risks	Implications
Poor cash management	<ul style="list-style-type: none"> <li>• Failure to reconcile the school's cash records with independent bank statements</li> <li>• School Council Official Account overdrawn</li> </ul>	<ul style="list-style-type: none"> <li>• Unidentified losses of cash, cheques or electronic transfer (perhaps due to fraud and misappropriation)</li> <li>• Unidentified credits.</li> <li>• Misclassification or reconciling items (e.g. bank charges)</li> <li>• Insufficient funds to meet the payment of accounts within normal trading terms.</li> <li>• Failure to recognise surplus funds in sufficient time to take advantage of investment opportunities.</li> </ul>

## 6 Internal Control Questionnaire

The information below reflects possible questions that may be reviewed by the auditors visiting schools. The checklist covers a variety of areas and will assist with ensuring financial policy compliance. Schools may wish to add points specific to their school in order to further reduce risks.

### ADMINISTRATION

#### A. School Councils

1. Did School Council meet regularly and at least twice each term?
2. Did Council minutes record the tabling of the audit report and audited financial statements?

#### B. Budget development

1. Did Council approve a total school budget including all projected revenue and expenditure (prior to beginning of school year)?
2. Was a cash flow budget prepared to maximise investment of surplus funds?
3. Were revenue and expenditure budgets adequately entered in CASES21?
4. Were major revisions to budget approved by School Council?

#### C. Budget performance and monitoring

1. Did Council monitor actual revenue to budget projections for all major sources of government and locally raised funds, including major fundraising activities and trading operations?
2. Did Council undertake regular comparison of actual with budgeted expenditure?
3. Was the approval or ratification of all payments and invoices awaiting payment made from Council accounts, including the Official Account and specific purpose accounts such as Building or Library Funds, documented in Council minutes?
4. Did the principal monitor the SRP Management Report and ensure that Council was informed whether the school was in a surplus or deficit situation in respect of salary credits?
5. Did the principal approve all adjustment journal entries processed?

#### D. Accountable documents

1. Did the school maintain satisfactory control over accountable documents?

#### E. Specific Purpose Funds

1. Where relevant, did Council approve and monitor budgets for specific purpose funds i.e. Cluster funds?
2. Did the school's account coding enable revenue and expenditure related to specific purpose funds to be clearly identified?

### FINANCE

#### A. Bank Account controls

1. Was CASES21 used to operate all School Council accounts and those of any parents' club in accordance with Department requirements?
2. Were monthly bank reconciliations undertaken for all school council accounts to ensure that financial reports to council were accurate?
3. Were bank reconciliation variances investigated and reasons for the variances noted?
4. Were bank reconciliation statements checked regularly and transactions outstanding for more than one reconciliation period followed up? (Unpresented cheques no longer than 3 months)
5. Were cheque signatories current and in accordance with regulations?
6. Did council operate within its financial powers in that it did not take out any loans or borrowings or provide any salary advances to staff?

7. Were additional Council accounts operated on CASES21 in accordance with legislative or Department requirements?
8. Were annual audits undertaken for accounts associated with the school including those of cooperatives, and any parents' clubs not operated through the School Council Official Account?

#### **B. School Council Official Account controls**

1. Were all council trading operations, including the canteen, uniform shop, book store, BASC program, and similar activities operated through the School Council Official Account?
2. Were receipts banked intact, and without delay to ensure that large amounts of cash were not kept at the school?
3. No duplicate receipts were issued?
4. Did the school ensure that unbanked cash was kept in a secure location with limited access?
5. Were controls over petty cash satisfactory in that reimbursements were made only on the provision of receipts and no personal cheques were cashed?
6. Did the school ensure that the School Council Official Account was not overdrawn during the year?
7. Did the school ensure that excess cash in the School Council Official Account was invested to maximise interest returns?
8. Were dishonoured and stale cheque procedures followed?

#### **C. Investment Account controls**

1. Did council review and formally document an investment policy in regard to risk, interest rates, dollar limits, periods of investment and the authorisation of investments?
2. Were summarised investment reports regularly presented to school council?
3. Were all investment transactions approved in advance or ratified by school council?
4. Did the school have an investment register that was regularly reconciled with bank statements or certificates?
5. Was the investment register regularly reconciled to CASES21?
6. Were all investments recorded in the name of the school council?
7. Were all investment redemptions receipted back to the school council official account and all investments from the school council official account recorded as bank transfers in CASES21?

#### **D. Parents' Club**

1. Did the internal controls operating over parents' club activities ensure that all funds received by the club were banked promptly?
2. Was the principal a co-signatory to the parents' club fundraising account?
3. Did council approve parents' club fundraising activities in advance?

## **REVENUE**

#### **A. Government Grants**

1. Were grants from state, local and commonwealth governments recorded in CASES21 appropriately?

#### **B. Locally Raised Funds**

1. Have local revenue sources been appropriately coded in CASES21?
2. Were receipts coded to 73001 – Reimbursements, correctly classified in accordance with the Chart of Accounts?
3. Were receipts issued promptly to all persons paying money into the school office?
4. Had the school taken steps to segregate duties in the office to minimise risk or used the CASES21 Families/Sundry Debtor Modules?
5. Did controls over reversed receipts minimise the risk of fraud or misappropriation?

#### **C. Trading operations**

1. If council operated a canteen, did it break even or make a surplus in the year under review?
2. If council operated a uniform shop, did it break even or make a surplus in the year under review?
3. If council operated an BASC program, did it break even or make a surplus in the year under review?

4. If any council operated trading operation made a loss in the year under review, was this loss investigated?
5. Were annual reports and profit and loss statements prepared for all council trading activities?
6. For all council trading activities, were all over or under daily takings reviewed independently and discrepancies investigated?
7. For all council trading activities, was cash adequately secured during the day and prior to banking?
8. For all council trading activities, were cash receipts reviewed against average or expected daily takings?
9. For all council trading activities, were stock takes conducted at least annually?
10. If council operated an BASC program, were comprehensive controls established over associated receipts and expenditure?

#### **D. Camps and Excursions**

1. Did council formally minute all decisions to subsidise camps and excursions?
2. Were class lists of students attending camps and excursions reconciled to cash receipts?

#### **E. Receipts from other sources**

1. Were receipts reconciled to bookings or hire records for the hire of school facilities?
2. Did a responsible person monitor actual performance to budget projections for the hire of school facilities or equipment?
3. Did all hirers of facilities carry their own public liability insurance?

## **PAYMENTS**

#### **A. Purchasing controls**

1. Did the school comply with government purchasing requirements?
2. Did the school avoid using pre-signed cheques?
3. Was the capacity to approve requisitions/purchase orders restricted to authorised persons?
4. Was account coding checked at the time of recording commitments and/ or by the cheque signatories at the time of signing?
5. Were invoice extensions, additions and pricing checked?
6. Were invoices endorsed with "goods received" following a check that the goods had been delivered?
7. Did the school ensure that payments made on the basis of faxed, photocopied or duplicate invoices were authorised and had not previously been paid?
8. Did the school ensure no order forms were used for private purposes?
9. Did the school use the CASES21Creditors module?
10. Were all payments, except petty cash, made by cheque, direct debit, Direct Deposit, BPAY or Purchasing Card?
11. Were payment vouchers authorised by signatories and all supporting documentation attached?

#### **B. School Purchasing Card**

1. If the school has applied for the School Purchasing Card/s, has a policy on the use of the card/s been produced and minuted at school council?
2. Were cardholders briefed prior to obtaining a card?
3. Was an 'Undertaking by Cardholder' form signed by all parties and presented at school council for each cardholder?
4. Was the 'Undertaking by Cardholder' form retained for audit?
5. Is a Register of all cardholders and their details maintained?
6. Has the Authorisation Officer approved all monthly School Purchasing Card transactions?
7. Is the 'Letter of Assurance' completed annually?

### **C. Leases**

1. Was leased equipment, including leased motor vehicles, recorded on CASES21 Asset Management System at a zero value?
2. Did the school use operating leases and NOT finance leases?

### **D. Assets**

1. Were accountable assets immediately recorded in the CASES21 Asset Management system when purchased or acquired?
2. Was a stocktake conducted at least annually to test and confirm the asset register?

### **E. School Council Motor Vehicles**

1. Were all motor vehicles leased or owned by the school registered in the name of the school council and not in the name of an individual?
2. Was an accurate log book maintained for each motor vehicle?

### **F. Asset Security and Disposal**

1. Were replaced assets and trade-ins removed from the Asset Management System when recording related acquisitions?
2. Did the school use a loans register to record assets hired/borrowed and taken from the premises?
3. Did the school use a register to record access to buildings e.g. staff keys and security passes?
4. Did the school have a system for reporting and investigating missing or damaged assets and adjusting the Asset Management System accordingly?
5. Did the school have separate insurance cover for those assets not covered by the School Equipment Insurance Scheme (SEIS)?

### **G. Central Payroll (eduPay)**

1. Were personnel records for all employees at the school stored in a secure and fire proof environment?
2. Were changes or variations to employees' records supported by authorised documentation permanently attached to the employee's file?
3. Did the school update individual payroll records within the relevant payroll cycle?
4. Had the principal certified the accuracy of the Fortnightly Pay Advice and implemented an appropriate system for monitoring and reconciling fortnightly variations?
5. Had eduPay access been withdrawn for staff who had left the school or whose duties had changed?
6. Were all pre-employment processes for new, transferred or promoted staff at the school completed?
7. Did the school pay all special payments and allowances to central staff through the central payroll?

### **H. School Level Payroll (CASES21)**

1. Was budgetary control maintained over the school level payroll?
2. Were changes to the school level payroll made only on the basis of written authorisations?
3. Were timesheet records approved by an authorised person or the principal prior to payment?
4. Were the school level payroll details reviewed by the principal or a person delegated this responsibility?
5. Were superannuation, Worker's Compensation and tax payments recognised and paid to the appropriate bodies within the designated timelines?
6. Were PAYG Payment Summaries reconciled to payroll records and issue to employees as at 30 June, and prior to 14 July?
7. Were comprehensive personnel files, with documentation permanently attached, maintained for school council employees?
8. Has a satisfactory Working With Children Check (E) been obtained for all non teaching school council employees?
9. Has a Victorian Institute of Teaching (VIT) card been sighted for each CRT?

## **TAX**

### **A. FBT**

1. Did the school maintain detailed records of fringe benefits provided to centrally and School Council employed staff?
2. Did the school make FBT payments to the ATO for School Council employees?

### **B. GST/PAYG 'No ABN Withholding'**

1. Did the school maintain detailed records relating to the amount of GST payable to the ATO and in relation to the entitlement to claim input tax credits?
2. Did the school retain a copy of each BAS submitted to the ATO and the relevant working papers (including the Audit Trail reports)?
3. Did the school retain all tax invoices and adjustment notes received in each relevant tax period?
4. Did the school maintain a correspondence file in relation to the GST obligations?
5. Did the school make payments to suppliers in accordance with ATO requirements regarding the need for suppliers to quote their ABNs or to provide a 'Statement by a Supplier' that they have some form of exception?

## 7. Useful References:

### WEBSITES

**Financial Management** [www.education.vic.gov.au/school/principals/finance/pages/default.aspx](http://www.education.vic.gov.au/school/principals/finance/pages/default.aspx)

**School Policy and Advisory Guide** [www.education.vic.gov.au/school/principals/spag/pages/spag.aspx](http://www.education.vic.gov.au/school/principals/spag/pages/spag.aspx)

**School Councils** <http://www.education.vic.gov.au/school/principals/governance/Pages/schoolcouncil.aspx>

**Student Resource Package** [www.eduweb.vic.gov.au/srp/](http://www.eduweb.vic.gov.au/srp/)

**Human Resource Management:** [www.education.vic.gov.au/school/principals/hr/Pages/default.aspx](http://www.education.vic.gov.au/school/principals/hr/Pages/default.aspx)

**Emergency & Security Management**

[www.education.vic.gov.au/school/principals/management/Pages/emergency.aspx](http://www.education.vic.gov.au/school/principals/management/Pages/emergency.aspx)

**Information Technology in Schools** [www.education.vic.gov.au/school/principals/infrastructure/Pages/ict.aspx](http://www.education.vic.gov.au/school/principals/infrastructure/Pages/ict.aspx)

**The Tax Resource Centre** <https://edugate.eduweb.vic.gov.au/Services/Finance/Pages/Tax.aspx>

**Australian Taxation Office:** <http://www.ato.gov.au/>

### DET PUBLICATIONS

**School Equipment Coverage Scheme Policy & Guidelines**

Refer to Department resources at the link below

<http://www.education.vic.gov.au/school/principals/spag/finance/pages/equipment.aspx>

**CASES21 Finance Process Guide** [www.education.vic.gov.au/school/principals/finance/Pages/cases21.aspx](http://www.education.vic.gov.au/school/principals/finance/Pages/cases21.aspx)

**School Finance website**

The following publications are available at [www.education.vic.gov.au/school/principals/finance/Pages/default.aspx](http://www.education.vic.gov.au/school/principals/finance/Pages/default.aspx)

- Finance Manual for Victorian Government Schools
- Chart of Accounts for Victorian government Schools
- Financial Reporting for Schools
- School Electronic Funds Management Guidelines
- School Investment Policy and Guidelines
- School Purchasing Card – DET Guidelines and Procedures
- School Level Payroll Requirements
- Asset Management Policy
- A Guide to Budget Management in Schools

CASES21 Finance Business Process Guide.