



Department of Education and
Early Childhood Development

School Finance Manual for Victorian Government Schools

Department of Education and
Early Childhood Development
Financial Services Division

*Every
child,
every
opportunity*



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- 296/2008
School Investment Policy Guidelines
- 396/2008
EFTPOS Receipting in Schools Guidelines
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- 437/2008
Financial Commitment Summary
- 464/2008
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Publications (refer to DEECD Online Resources)

- Internal Control for Schools* 2006
- SEIS Policy & Guidelines* 2008
- Chart of Accounts for Victorian
Government Schools* 2008
- Financial Reporting for Schools* 2008
- School Level Payroll Requirements* 2007
- CASES21 Finance Process Guide* 2008
- A Guide to Budgeting in Schools* 2008
- Accounting Concepts for
CASES21 Finance* 2008

Websites

- Financial Management in Schools
<http://www.education.vic.gov.au/management/financial>
- CASES21
<http://www.education.vic.gov.au/management/financial/cases21.htm>
- Victorian Government Schools Reference
Guide:
<http://www.education.vic.gov.au/management/governance/referenceguide>
- Human Resources:
<http://www.education.vic.gov.au/hr>
- Emergency & Security Management:
<http://www.education.vic.gov.au/management/emergency.htm>
- Audit and Review Branch:
<http://www.sofweb.vic.edu.au/piad/audrev.htm>
- School Improvement and Accountability:
<http://www.education.vic.gov.au/management/schoolimprovement/>
- Tax Resource Centre (DEECD)
<http://www.education.vic.gov.au/management/financial/tax>
- Australian Taxation Office:
<http://www.ato.gov.au/>
- Professional Learning:
<http://www.education.vic.gov.au/proflearning/>
- Safety, Health & Wellbeing:
<http://www.eduweb.vic.gov.au/hrweb/safetyhw/default.htm>

Glossary

The following definitions should be read in conjunction with the definitions contained in the *Education and Training Reform Act 2006* and the *Education and Training Reform Regulations 2007*.

AGM

Assistant General Manager

BAS

Business Activity Statement

Business Manager

Usually refers to an Education Support staff member (ES) who performs financial and related administrative activities. The term is used throughout the manual to cover administrative managers, registrars and clerical officers in smaller schools and principals in small primary schools where clerical assistance is not available, and any other officer with this responsibility.

Capital Acquisitions

Required to be identified separately on the BAS. Capital assets include plant and equipment, motor vehicles, land and buildings etc.

CASES21

Computerised Administrative Systems Environment in Schools

CRT

Casual Relief Teacher

DEECD

Department of Education and Early Childhood Development

Designated Officer

For the purposes of this manual the term "designated" personnel refers to staff authorised by the school council after consultation with the principal to carry out administrative functions to give effect to financial decisions of the school council.

DTF

Department of Treasury and Finance

EFTPOS

Electronic Funds Transfer at Point of Sale

EOM

End of Month

EOFY

End of Financial Year

FMA

Financial Management Act

GST

Goods and Services Tax

HYIA

High Yield Investment Account

LOTE

Languages Other Than English

OSE

Office of School Education

SMS

Schools Maintenance System

School Community Associations

Organisations formed for the purpose of assisting schools in terms of parts 43 to 47 of Education and Reform Regulations 2007. They may, with the approval of the School Council, raise funds for the benefit of the school.

SDS

Special Developmental School

SEIS

School Equipment Insurance Scheme

Services

Includes the performance of any service required by the school to initiate or maintain its educational programs or improve and maintain its equipment, buildings, furniture and furnishings and grounds.

SRP

Student Resource Package

Stores

Includes all equipment and all materials required by a school to initiate or maintain its educational programs.

TFN

Tax File Number

Work of Art

A sculpture, piece of pottery, painting, etching, tapestry etc. with an estimated value in excess of \$200.

YTD

Year to Date

1. Financial Responsibilities

Under the *Education and Training Reform Act 2006* the School Council has the duty to ensure that all moneys coming into the hands of the council are expended for proper purposes.

1.1 Education Regulations

The *Education and Training Reform Regulations 2007* Section 36 (1) provide that a School Council must ensure that these are kept, in the form determined by the Secretary, proper accounts and records of the transactions and affairs of the School Council and any other records necessary to sufficiently explain the financial operations and financial position of the school. The instructions in this manual are in a form determined by the Secretary.

The School Council must maintain records in a form that will:

- ensure that all money payable to the council is properly collected;
- ensure that all money expended in the council's name is properly authorised and expended;
- ensure that adequate control is maintained over assets held in the name of the council or in the council's custody;
- ensure that all liabilities incurred in the council's name are properly authorised;

- ensure efficiency and economy of operations, and avoidance of waste and extravagance; and
- develop and maintain an adequate internal audit system.

1.2 Role of School Council

To ensure that the instructions referred to above are complied with, a School Council needs to work with the Principal and other appropriate staff to develop necessary procedures and to record in the council minutes when decisions are made, which must occur at least once a year, and whenever subsequently necessary, the names of school staff and/or councillors authorised/delegated, for example, to:

- (a) approve and/or sign orders.
- (b) prepare and/or approve invoices for payment.
- (c) sign cheques and authorise internet banking payments.

HOT TIP

Record decisions in School Council Minutes.

The success of a School Council's functioning in the financial area will depend on:

- The awareness the Principal and school councillors have of their roles in managing the school's finances. This manual should aid in this regard.

- Development of a collaborative process for establishing the annual budget.
- Regular (monthly) review of progress against budget projections and the making of any necessary adjustments.
- Ensuring that ordering processes which are practical and which achieve budgeting control are established and maintained.
- Consideration of items presented for payment at its regular meetings.
- All cheques drawn on any account kept under the control of the council must be signed by the Principal and a member of School Council nominated by the School Council for that purpose. All internet payments must also be authorised by the account signatories.
- The school Business Manager cannot be nominated as a signatory even if that person is a member of the School Council.
- The Principal being responsible for overseeing the day-to-day administration of the school's finances in line with council decisions.

HOT TIP

Cheque signatories/internet payment authorisers must be the Principal and a member of the School Council. Never the Business Manager.

The School Council must prepare an annual report including a section relating to financial activities.

1.3 Role of Principal

The Principal works with the council to:

- Develop appropriate financial procedures.
- Ensure that information about the school's financial position is made available to the council and its committees.
- Ensure that the budget planning process and the administration of the budget throughout the year are supported with full documentation.

The Principal must make available, for inspection by any person interested in the work of the school, a copy of the financial statements of the School Council certified by the Principal and the School Council president for the most recent year ending on 31 December. (refer the *Education and Training Reform Regulations 2007* Part 3 – Division 4, Regulation 38).

HOT TIP

Audited Financial Statements to be made available upon request.

1.4 Retention of Financial Records

Schools are responsible for the creation, management and disposal of records relating to all aspects of school administration. These records include financial records. Schools should refer to, and become familiar with, Circular S260-2007 New Retention and Disposal Authority for Records of Common Administrative

Functions (PROS 07/01) section 5 and PROS01/01 which document the scope, purpose, rationale and responsibility for record keeping as well as DEECD's relationship with the Public Records Office Victoria.

All documents can be found in EduLibrary under Schools/Archives & Records Management.

Further information and assistance can be accessed in the Victorian Government Schools Reference Guide, Section 6.29 and the Archives and Records Management Unit within DEECD.

1.4.1 Register of Accountable Documents

A register must be maintained to catalogue accountable documents such as order books, cheque books and receipt books. When accountable documents are received by the school, the date received and the first and last serial number of each book is to be entered in the register.

Accountable documents are to be issued consecutively and, when brought into use, the date of issue and the name of the person to whom issued are to be recorded in the register of accountable documents. The issue is to be acknowledged by the receiver initialling the register in the appropriate column.

When completed, accountable records are to be filed. The date of the last entry in the record is to be entered in the register of accountable documents. The accountable records are to be stored securely for the required retention period.

Where a school has unused accountable documents, for example, superfluous blank cheques, (when the school has closed a bank account) the unused stationary should be shredded and the Accountable Documents Register should be updated with the date and reason for the disposal.

2. Internal Control

Internal control is a combination of measures and methods put in place to ensure that the assets of the school are safeguarded, that the accounting information produced is accurate and complete and the information obtained from the schools' accounting system can be relied upon and used with confidence by all people involved in financial decision making. Good internal control PROTECTS staff and resources.

Internal control ensures:

- Transactions recorded are supported by fact.
- Transactions are authorised appropriately.
- Accounting records reflect the current position.
- Safekeeping of assets.

HOT TIP

Internal Control protects staff and resources.

The following are examples of a summarised internal control checklist. Note that this is not exhaustive, and for further information refer to the publication "*Internal Control for Schools*".

PURCHASES AND EXPENSES

Orders used for all purchases

All orders approved by Principal or nominated officer

ASSETS AND STORES

Stocktake completed annually

Asset Register updated regularly

Equipment engraved (where practicable)

CASH RECEIPTS

Receipts issued for all revenue

Money collected elsewhere in school handed to office on day of receipt, and control receipt issued for total collection

SCHOOL LEVEL PAYROLL

Compliance procedures in place for ATO, Superannuation and WorkCover

Employment declaration forms completed and lodged

Remittance of PAYG instalments are timely

Issue and reconciliation of payment summaries

VIT registration or Working With Children Check cited

REGISTERS

Accountable documents register maintained for receipts, cheques and order books

Investment register maintained for investments other than HYIA

EFTPOS Register maintained for user details, phone, void and refund transactions

Purchasing Card Cardholder Register

BUDGETING

Budget prepared and approved prior to beginning of year

Budgets entered on CASES21 prior to first School Council meeting

Regular (monthly) comparison of budget with actual revenue and expenditure

Adjustments to budget made to reflect changed circumstances and minuted at School Council

CASH PAYMENTS

All payments, except petty cash, made by cheque, direct debit or Purchasing Card

Blank cheques never signed

All cheque/direct debit/Purchasing Card payments have supporting documentation

COMMITMENT CONTROL

All commitments (outstanding orders) promptly recorded on CASES21 and reported at monthly School Council meetings

Commitments recorded on the system are regularly reconciled to ensure they are correct

For more information please see "*Internal Control Procedures for Schools*" on Financial Management website at: <http://www.education.vic.gov.au/management/financial/cases21>

3. Finance Policy/ Best Practice

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

The School Council must ensure that an annual master budget statement is prepared each year and that the school's financial statements will be audited by an external auditor nominated by DEECD at least once every three years. More information on school audits can be found in Section 7 of this document.

At each meeting, council should be provided with financial reports that provide the following information:

- All bank balances.
- Creditor invoices awaiting payment.
- Payments to be ratified for the previous month.
- Budget vs. Actual financial information.
- Outstanding orders.

Proper management means effective budgeting and long term planning.

School Council must ensure:

- that proper accounts and records of financial operations and the financial position and operation of the council are kept;
- the establishment and maintenance of an adequate internal audit control system that will promote operational efficiency and ensure adherence to prescribed DEECD and school policies.

3.1 School Budget

A budget is a plan of action expressed in monetary terms. It is used to plan the course of future events in a school and assists a School Council in monitoring actual events against its initial plan.

HOT TIP

A budget is a financial plan approved by School Council.

The School Council has responsibility for the school budget and for seeing that it is developed in a way which ensures that funds expected to be available are put to the best use in terms of the school's strategic plan and its educational policy.

School Council has the responsibility to see that the budget takes into account all sources of income available to the school, including fund raising, and that the school's needs will be met.

Progress in implementing the school's financial plan should be reviewed at each meeting of the council by comparing budget to actual revenue and expenditure. Graphs depicting the situation may assist the council in assessing performance.

3.1.1 Planning

It is essential that School Council adopts a clear system of planning which ensures that all the resources in the school reflect and support the school's overall educational priorities and long term objectives.

Many School Councils plan their budgets on the basis of separate programs for each curriculum and administrative area for example, mathematics, arts, integration support etc. Budgets are allocated to each program in accordance with short and long term priorities for improvement and support in each area.

The regular evaluation of school policies, and the programs that have been established, will provide valuable data for the School Council as it seeks to make decisions that will improve the school's capacity to meet the educational needs of all of its students.

3.2 Investment of School Funds

School Councils have full responsibility for monitoring school funds and deciding if there is the opportunity to invest surplus funds to generate interest revenue for the school.

To maximize the funds available for investment, it is essential to prepare a cash flow budget to determine cash requirements in any given period.

To assist schools to identify the potential for investment of excess funds and to determine an appropriate cash reserve or “safety net”, the following resources are available:

- Cash flow budget example.
- Summary of Financial Commitment Statement resulting from accumulated funds and budgetary considerations in line with school strategic plan priorities (refer Circular 436-2008

Cash Reserve Benchmark) which recommends an average of two months recurrent expenditure excluding expenditure related to building, ground works and asset write downs, or \$10,000, whichever is the greater, is considered a safe reserve to allow schools to meet budget variations and commitments that may occur.

Both of these documents can be accessed on the School Financial Management website at www.education.vic.gov.au/management/financial

The onus is on the School Council, as trustee of school funds, to ensure that money is adequately protected by placing it in secure investments. Due to the risk and complexity associated with some investments, schools should aim to minimize their exposure to risk when investing school funds.

Where School Councils elect to operate investment accounts in addition to the HYIA, the following guidelines are in place to assist council in discharging their responsibilities as trustees of school funds.

School Councils are required to ensure that school funds are only invested with financial institutions (specifically Banks and Credit Unions), which are regulated by the Australian Prudential Regulation Authority (APRA), and are listed by them as an Authorised Deposit-taking Institution (ADIs). A full list of these financial institutions can be obtained from the APRA website at <http://www.apra.gov.au/adi>

Schools are able to invest in the following types of products with these institutions:

- Cash Management accounts.
- Term deposit accounts.
- Accepted or endorsed bills of exchange.
- Negotiable, convertible or transferable certificates of deposit.

The investment of school funds in shares or other financial products, or with other financial institutions not listed as an ADI under the APRA guidelines is not allowed.

Schools should also be reminded of the compliance requirements in the *Education and Training Reform Act 2006 Section 2.3.6* which states that a School Council does not have the power to form or become a member of a corporation.

Where schools retain separate investments it remains essential to ensure that the maturity profile of the deposits is appropriate to the school's needs and that the following internal controls are in place.

- School Councils should formally minute, and review annually, an investment policy which details the:
 - level of funds to be invested
 - term of the investment(s)
 - type of investment(s), with reference to the school's required cash flow during the year.
- School Councils should monitor investments for compliance with their policy.

- All investments, or changes to investments, should be approved by School Council and authorised by the Principal and a School Council delegate.
- The school's investment policy should be reviewed on a regular basis.
- All investment accounts must be recorded on CASES21 Finance and, except for the High Yield Investment Account, should be in the name of the School Council and recorded in an Investment Register.
- All investment accounts must be reconciled each month and audited in accordance with DEECD policy.
- Schools should not deposit money directly to, or make payments directly from, an investment account. All receipts and payments must go through the school's Official Account with investment funds transferred to/from the investment account.

Exceptions to this are:

 - interest earned and paid directly into an investment account
 - funds deposited by the Department directly to the High Yield Investment Account
 - schools with Australian Taxation Office endorsement for Deductible Gift Recipient status to operate a gift deductible trust fund (e.g. school library or building fund).
- On maturity of an investment, the School Council should review the cash requirements of the school and decide whether the funds are to be reinvested or utilised.

- Where schools choose not to use the HYIA as the sole investment instrument, details of all other investments must be recorded in a manual investment register using headings such as:
 - Bank account
 - Bank title
 - Account type
 - Interest rate %
 - Investment date
 - Maturity date
 - Account Balance
 - Deposits
 - Withdrawals
- The Investment Register must be updated with any changes to invested monies and regularly reconciled with bank statements and certificates.
- Keeping the register up-to-date will facilitate end of year reporting requirements.
- Schools should retain the following information in regards to investment of funds:
 - School Council minutes containing approval of investment policy, approval of investments and details of changes to investment account particulars
 - The School's approved 'School Council Investment Policy'
 - Investment Register
 - Bank statements or Certificates
 - Relevant CASES21 Finance reports

3.3 Bank Accounts

All school council bank accounts, except the 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 the school council.

Bank accounts are to be maintained on CASES21 and regular (monthly) financial reports provided to school council. Each bank account must be reconciled each month and audited annually. School bank accounts are not permitted to become overdrawn.

The transfer of money from one bank account to another should be authorised by the Principal and a report detailing transfers presented to school council each month.

3.3.1 Official Account

Schools operate one main bank account known as the Official Account.

Registered signatories at the bank for the account 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. The Business Manager, Registrar or Bursar employed by the school cannot be nominated as a signatory to school accounts, even if that person is a School Council member.

The Official Account is to be maintained on CASES21 Finance and regular (monthly) financial reports provided to School Council. The account must be reconciled each month and audited in accordance with DEECD policy.

The Official Account is used for the receipt of money provided from local and commonwealth government sources and locally raised funds such as voluntary contributions, donations and fund raising activities.

All payments for goods and services must be made from the Official Account.

Schools may choose the financial institution at which to hold their Official Account taking into consideration fees and charges and access to a branch for secure depositing of funds.

Schools may operate other accounts such as cooperative loans and those for tax-deductible funds, e.g. building funds.

Schools may transfer surplus funds at any time from the Official Account to the HYIA or other investments to maximise interest income.

Under no circumstances should the Official Account become overdrawn or cheques knowingly drawn on the official account where there are insufficient funds to meet the payment.

3.3.2 High Yield Investment Account (HYIA)

The HYIA was established by DEECD to assist schools with cash flow planning and, in the event of surpluses being identified, to provide schools with an attractive and competitive interest rate on the funds invested, while still retaining an 'at call' status.

Use of the HYIA greatly simplifies the establishment of a School Council's investment policy and eliminates the need for the ongoing maintenance of an investment register for that account.

All DEECD grants are deposited directly into the HYIA. Basic policy for the HYIA is as follows:

- Schools are able to transfer funds from the HYIA into the Official Account at any time, and vice versa.
- Surplus funds from the Official Account can be deposited into the HYIA to maximize interest revenue.
- All other revenue received by the school is to be paid into the Official Account.
- The interest gained from the HYIA is paid directly into that account.
- No account-keeping fees or transaction charges are applied to the HYIA.

Refer to the Financial Management website located at <http://www.education.vic.gov.au/management/financial/>

3.4 Financial Arrangements for School Community Associations

In many cases School Council fund raising is done in cooperation with welfare clubs, parent clubs and other community groups associated with the school.

Under the Education and Training Reform Regulations 2007, any proposed fund raising efforts by a parents club for a specific purpose require the approval of the School Council.

DEECD policy (refer Executive Memorandum 98/028) allows for two alternative methods of maintaining the parents' club account:

Option A – A sub program within the School Council Official Account – recorded on CASES21

A defined subprogram under Program code 870 School Community Associations, provides the club/association with a complete description of all revenue and expenditure (recurrent and capital) as well as the current uncommitted funds for the sub program.

The benefits of taking up this option are:

- The receipting, paying and recording procedures at school level will be simple.
- All revenue and expenditure records can be provided by the school.
- Clubs/associations will not be required to prepare financial statements for audit.

OR

Option B – A designated School Community Association Fundraising Account – recorded on CASES21.

Under this option, clubs/associations can choose to continue to operate a separate bank account. However, all financial details still must be recorded on CASES21 by the school.

The club/association would maintain its own receipt and cheque books and submit them to the school on a regular basis for entry of that data onto CASES21. All transactions are then coded and recorded accordingly. The club/association would be provided with a number of reports that will contain information on each transaction. Cheques drawn on this

account require the Principal to be the main signatory and counter signed by a second authorised signatory.

Whilst financial reports will be provided by the CASES21 system, financial records (cheque book, bank statements) including details of all revenue and expenditure (recurrent and capital) will need to be provided for an independent audit.

Parent clubs whose funds are not held in the School Council's Official Account **are required to notify the Office of Fair Trading and Business Affairs prior to conducting any public fundraising event.** Where a club fails to do so, a penalty will apply. (Refer Circular 102/2000 *Fundraising Appeals Act 1998* located on the Schools Financial Management website.)

The co-operative development of School Council goals and priorities for expenditure will ensure the confidence and support of all sections of the school community in this important area.

3.5 Fundraising

In accordance with *Part 4 Division 2 Regulation 48 of Education and Training Reform Regulations 2007*, the members of the school community of a Government school may undertake fundraising activities, having as their objective the establishment or augmentation of school funds or funds for a particular school purpose, if the agreement of the School Council is first obtained.

HOT TIP

School Council to authorise all fundraising activities.

A School Council may not reject any proposed effort submitted by members of the school community for school funds or funds for a specific purpose, e.g. the purchase of a computer, before it has considered the recommendations of a committee consisting of:

- the president of the School Council or the president's nominee, who must be the chairperson;
- one other representative of the School Council elected for the purpose by the School Council;
- two representatives of the group or body proposing the money-raising activity; and
- the Principal.

School funds raised by members of the school community must be handled strictly in accordance with the regulations. All cheques drawn on an authorised school community association's fund-raising account shall be signed by the treasurer or the secretary of the club concerned and countersigned by the Principal, who shall be satisfied before signing that the payment is for the approved purpose.

All funds raised for the school must be held in trust by:

- (a) the School Council; or
- (b) a parent/welfare club (after it has raised the funds) in an account kept for that purpose by the club and must be expended in such a manner as may be deemed by the School Council, after discussions with the club, as the most appropriate in the interests of the school.

Before fundraising by means of raffles or bingo can be undertaken, permission and instructions must be obtained from the Victorian Commission for Gambling Regulation, Level 5, 35 Spring Street, Melbourne 3000. The website for the authority is located at <http://www.vcgr.vic.gov.au>

Schools may undertake major fundraising activities as joint ventures with other schools and/or their local community. Joint venture fundraising activities can pose additional risks for schools and their communities and, as such, require a higher level of organization and control.

Some of the issues that schools should consider and the internal controls that should be in place prior to involvement in any major fundraising venture are listed below. This list is not exhaustive, but is provided to indicate the types of issues to consider when organising any fundraising activities.

3.5.1 Rationale

(i) Documentation of a clear statement of strategy and principles. Approval by School Council:

- The type of fundraising event.
- The purpose for which profits from the fundraising activity will be used.
- Identification of the level of community involvement.
- What attractions are acceptable/ risk free and those that are not.
- Whether high risk activities are to be allowed in order to attract people.
- Whether insurance cover is required for high risk activities.

(ii) Establishment and documentation of a clear organisational structure

The activity should be supervised by a small committee reporting to the School Council. The members of this "supervisory committee" should be chosen for their expertise in areas such as financial, legal, public relations or marketing and should include at least one member of the School Council finance committee.

The supervisory committee must be empowered to exercise ultimate control. For example:

- No significant financial obligations may be incurred without the authority of the supervisory committee.
- Due process such as budget proposals should be predetermined.

The supervisory committee could approve subcommittees as appropriate, but all committees should be small, accountable, committed and provide minutes of all meetings.

The supervisory committee should not be involved directly in the organization of the event. Its main purpose is to serve a risk management function.

(iii) A Statement of Authority

The supervisory committee should prepare a clear delegation of authority in relation to the subcommittees. This is necessary in order to curb possible over-enthusiastic subcommittee members or individuals.

(iv) A Statement of Distribution of Profits or Losses

The fundraising parties should know in advance their obligations (level of effort) and expectations (profit).

3.5.2 Preplanning

The management and requirement needs of the event should be assessed and documented.

(i) Recruiting the Right People

If possible, recruit the best people well in advance. A last minute reliance on volunteers who have not been involved in the process to date could be counter-productive.

(ii) Compliance and Regulations

Investigate thoroughly any legal, taxation (GST treatment), insurance and government-related compliance matters e.g. obtain permits for raffles, bingo; cheque signatories in accordance with DEECD policy; requirement for public liability insurance in place prior to conducting activity; lodging of required documentation e.g. Running Sheets to Casino & Gaming Authority for bingo etc.

(iii) Formulation of a Sales & Publicity Strategy

A well controlled publicity campaign can be very productive.

(iv) Formulation of Detailed Budgets for Each Activity

It is essential to prepare detailed revenue and expenditure budgets for each activity. The budget must be closely monitored by the supervisory committee and budget variances regularly reviewed.

The 'GST Fundraising Wheel' available on the Tax Resource website can assist in developing the budget and determining if the activity will be profitable. www.education.vic.gov.au/management/financial/tax/gst/fundraising

(v) Establishment of Authority and Responsibility

Financial delegations should be established by the supervisory committee to ensure control over commitments.

Requisites exceeding a defined value should only be authorized by the supervisory committee. The committee may delegate authority for smaller amounts, within budget, as appropriate.

(vi) Establishment of a System of Finding and "Locking-In" Sponsors

All offers for sponsorships must be confirmed in writing. Sponsorship (defined as the gifting of goods and services) is not always understood. There must be no doubt about the conditions associated with the provision of goods and services provided under sponsorships. (Refer to Executive Memorandum No. 2002/041 Framework for developing school-business/community relationships)

Also refer to the Victorian Government Schools Reference Guide Section 6 Management. Located at <http://www.education.vic.gov.au/management/governance/referenceguide/>

3.5.3 Organisation

A number of organisational issues/plans need to be established. These could be the responsibility of subcommittees or groups who have a clear understanding of their roles and responsibilities.

(i) A Logistics Committee

This committee should not only investigate and provide essential additional services (public conveniences, security, power etc) but also plan the use of those facilities. For example, if the hire of a marquee was required, ensure that the use of this key utility is not monopolized by a low profit activity which may restrict the opportunities for more productive activities.

(ii) A Security Plan

Security requirements need to be assessed. For example, arrangements over:

- Entrance fees.
- Sales of tickets or products.
- Items of value (tools, products, cash).
- Crowd control.
- First aid.

All tickets, whether raffle tickets, entrance tickets, drink tickets or any other type must be numbered and reconciled to cash received. The timely preparation and publication of a roster system will ensure that all stations are adequately staffed and provide back up support if required.

(iii) Cash Control

- Select, train and supervise money handlers.
- Institute a recording system at point of sale.
- Institute a receipted cash collection and banking system.
- Develop appropriate proformas for:
 - float reconciliation
 - proceeds from activity details (date, monies counted by 2 people, names, amount, signatures).

At each cash collection point there must be at least two specified persons appointed for collection, recording and safe-keeping of cash. While adequate change must be on hand, frequent collections of cash, in exchange for a receipt, must be made and the cash collected must be banked or lodged in a security safe/ van periodically.

(iv) A Payments System for Creditors and Beneficiaries

All invoices must be approved and such approval must certify that the goods or services were received satisfactorily. All records must be properly maintained.

3.5.4 Review

(i) “After the Event” Procedure

The supervisory committee should:

- institute and document an “after-the-event” review procedure. This is essential for future reference;
- send letters of thanks as appropriate;
- complete a profit and loss statement;

- review existing guidelines and amend as necessary to assist future activity operations.

Documenting locally-prepared guidelines will assist personnel involved in the activity to ensure that all procedural and compliance matters are completed.

For information concerning the recording of financial transactions and bank account details of parent clubs/associations refer to Executive Memorandum 98/028 – Welfare Clubs. See also Circular 102/2000 Fundraising Appeals Act 1998.

Both can be found on the Financial Management website at:

www.education.vic.gov.au/management/financial

3.6 Trading Operations

DEECD policy provides for schools to conduct various trading operations as a school community service, and also to raise funds locally. The major types of trading operations include canteen, out of hours school care, uniform and book sales.

A profit and loss statement is to be prepared annually for School Council and audit purposes for all trading operations. A proforma is available to assist with this requirement and can be accessed on

<http://www.education.vic.gov.au/management/financial/cases21.htm>

HOT TIP

Profit & Loss Statements to be prepared for all Trading activities.

Ongoing monitoring of school trading operations should occur to ensure the operations are being operated efficiently and effectively.

3.7 Receipting and Banking

3.7.1 Receipting

3.7.1.1 Receipts in general

All cheques received by mail are to be entered in a remittance book and the entries signed by the Principal or their delegate and one other person. Open cheques should be crossed ‘Not Negotiable’ immediately upon receipt to make sure that the cheques, if mislaid, cannot be cleared through a bank account other than that of the school.

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

Care should be taken to ensure that the next available receipt number is always used and that no receipt number is missed. A separate receipt numbering system or receipt book is to be kept for each bank account and only one receipt book for each account is to be in use at any one time. Stocks of receipt books should be kept secure and recorded in the accountable documents register.

No receipt should be altered or a duplicate receipt issued. If an error has been made the receipt should be cancelled and the original incorrect receipt attached to the original receipt batch report. If a duplicate receipt

is requested, the receipt of money can be acknowledged by a typed note on school letterhead, or where schools are using CASES21 Accounts Receivable, a 'statement' showing the receipt of money may be issued.

3.7.1.2 Receipt cancellation

Spoiled or cancelled receipt originals and copies should be stamped with the word 'cancelled' and a brief explanation of the reason for cancellation should be given. Receipts are to be attached to the copy and filed. Appropriate entries on CASES21 are to be completed regarding the cancelled receipt(s).

3.7.1.3 Cashing personal cheques

Schools must not cash any personal cheques either in full or in part. This includes cheques from the Principal, staff, School Council, parents/guardians, suppliers, Department of Education and Early Childhood Development officers and the public.

3.7.1.4 Electronic receipting

Schools are able to accept and process alternative receipting methods to cheque and cash, namely credit/debit cards (EFTPOS) and direct credit including BPAY. These options require set up arrangements with each financial institution, and schools are advised to compare rates, e.g. EFTPOS merchant fees, that may vary from bank to bank.

Use of electronic receipting allows schools to increase the options and convenience provided to parents/debtors, as well as improves security by reducing the amount of cash handled and kept on school premises.

For further information in regard to EFTPOS refer to Circular S396-2008 on the Financial Management website: www.education.vic.gov.au/management/financial/policy.htm

The circular provides guidance on internal controls schools should adopt prior to using EFTPOS.

3.7.1.5 Money received away from the general administration office

Moneys received at points other than at the general office are to be receipted by one of three methods:

- by the issue of an individual official receipt by the person receiving the money;
- by a class list collection method for individual amounts up to \$5 per student, received for group activities such as excursions for which moneys are normally received over a period of time;
- by subsidiary records: teacher's record of collections (one per teacher).

The teacher's record of collections must be operated in accordance with the printed instructions. All moneys collected in the classroom must be detailed in the record and must be paid intact to the responsible officer each day.

Schools should refer to the publication, *Internal Control for Schools*, which can be accessed at: <http://www.education.vic.gov.au/management/financial/cases21.htm> for information regarding internal control measures applicable to receipting.

3.7.2 Banking

Collections are to be counted prior to banking and must agree with the total of receipts issued.

All collections should be banked in the form they are collected or received (for example, cash, cheque, money order, EFTPOS).

Bank deposit slips should be prepared in duplicate and are to include:

- full particulars of the deposit;
- the signature of the depositor.

As far as practicable, reasonable efforts are to be made for collections to be received by the general office in sufficient time to be banked each day to ensure large amounts of money are not kept on the school premises. In instances where it is impractical to bank daily, adequate security should exist for the temporary holdings of moneys. Money should not be left on school premises during school vacation periods.

3.7.3 Dishonoured cheques

On receipt of advice from the bank that a cheque has been dishonored, the Principal is to communicate with the drawer of the cheque to correct any irregularity or obtain a fresh remittance.

Efforts should be made to recover bank charges from the drawer, including adoption of the policy that future collections are used first to cover outstanding charges.

3.8 Purchasing

A School Council is empowered to purchase or maintain goods, equipment and materials for carrying out its functions, subject to *Part 2.3 of the Education and Training Reform Act 2006*.

No officer or employee shall use a school purchase order to obtain goods and services for private use.

HOT TIP

A school order must not be used for private purposes.

An important part of the process of ordering stores and services from any source, including the internet, is that the incurring of the expenditure is subject to approval by the School Council. The purchase order and any other associated order documents are to be approved by the School Council or its delegated officer.

The purchasing function must be strictly controlled and authority to sign purchase orders confined to the Principal or other designated officer. The names of persons authorised to sign purchase orders are to be recorded in the council's minutes.

The designated officer examines the purchase order documents and, by signing the purchase order, indicates that the purchase is being made:

- with the approval of the School Council;
- in accordance with the purchasing policies and instructions in this manual;
- for the approved purposes and within the monetary limits of any government grant to which the payment is to be charged;

- within any conditions attaching to donated or locally raised funds against which the payment is to be charged; and
- subject to funds being available to meet the payment.

HOT TIP

Record in School Council minutes officers authorised to sign purchase orders.

3.8.1 Purchasing Thresholds

3.8.1.1 Direct Purchases from Private Suppliers

A School Council may purchase directly from any source of supply when it is to the best advantage of the school. The exception is where Whole of Government Contracts apply.

Local communities make substantial financial contributions to schools and there is usually a community expectation that a portion of school funds be spent in the local community. In all such cases the school is required to ensure such purchases represent good value for money in an overall sense, e.g. taking into account equipment compatibility, availability of materials and servicing arrangements where applicable. However, the normal purchasing procedures outlined in this section are still to be observed.

Purchases from private suppliers may also take place via the internet. Where it is a requirement to have an account, such as for purchasing via eBay, it must be held in the name of the school and not an individual. All normal purchasing procedures apply to internet purchases.

HOT TIP

Quotation thresholds are required to be followed by schools.

Prior to inviting tenders, a specification for the stores must be prepared in sufficient detail and in such a way as to make clear what is required, to enable a fair comparison to be made of the offers received. When considering a quotation/tender, regard must be given to whether service contracts are available and whether the item needs to be compatible with other school equipment.

The following purchasing thresholds are to be followed when making direct purchases from a private supplier:

If the purchase is...	then the process is...
Less than or equal to \$2,500 (GST inclusive)	A minimum of one quote (may be 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

Note – estimated gross amount is the amount before adjustments (e.g. car costing \$16,000 with a trade-in valued at \$14,500 - the estimated gross amount is \$16,000 and not \$1,500).

Acceptance of a selected quotation is to be recorded in the School Council's minutes. Only then should a school order be issued.

3.8.1.2 Procedures for Purchases of Items with a Total Cost greater than \$2,500 (GST inc) and equal to \$25,000 (GST inc)

At least one written quotation is required. A suitable record of the following details is to be filed with the payment voucher copy of the order it supports:

- A detailed description of the goods or services for which quotations were invited.
- Name(s) of organisation(s) invited to submit quotations.
- Quotation, costs and delivery details, together with the name of the person giving the quote and the date given for supply.

3.8.1.3 Procedures for Purchases of Items with a Total Cost greater than \$25,000 (GST inc) and equal to \$150,000 (GST inc)

At least three written quotations are required. A suitable record of the following details is to be filed with the payment voucher copy of the order they support:

- A detailed description of the goods or services for which quotations were invited.
- Names of organisations invited to submit quotations.
- Quotations, costs and delivery details, together with the name of the person giving the quote and the date given for supply.

- Where fewer than three quotations were obtained, the reasons why (e.g. sole supplier).
- Where the quotation accepted is other than the lowest received, the reasons for accepting that quotation must be given, for example, "cannot deliver goods by required date", "preference for local trader".

Wherever possible, quotations should be obtained for items with identical specifications to allow direct comparisons of quotations. The information described above is to be filed with the payment voucher copy of the supporting order.

3.8.1.4 Procedures for Purchases of Items with a Total Cost of Over \$150,000 (GST inc)

Where stores or services with an item value in excess of \$150,000 are to be purchased directly from private suppliers, public tenders are to be invited and the procedures detailed below are to be observed.

3.8.1.5 Procedures for Public Tenders

Tenders are to be invited publicly in such a way as to induce the greatest practicable competition by advertising appropriately in local or any other newspapers. Mention is to be made of the availability of a detailed specification. A copy of the specification is to be provided to each supplier invited to submit a tender.

At the same time, known suppliers may be approached and requested to submit a tender. A schedule of the names, addresses and telephone numbers of persons or firms contacted is to be prepared.

Tenderers are to be requested to ensure that all tender forms are submitted in a sealed envelope that bears some form of identification that tenders are enclosed, e.g:

- included in address: "Tender for supply and delivery of relocatable buildings, Principal, <name of school> <suburb and post code>".
- marked on envelope: "Tender for supply and delivery of relocatable buildings—closing date 28.6.20xx".

Tenders are to be held unopened in a secure place until the specified time and date.

As soon as practicable after the time fixed for the closing of tenders:

- *tenders are to be opened in the presence of the* Principal and a member of School Council or a senior member of staff (known as the tender opening committee) as decided by the School Council;
- each tender is to be immediately numbered and initialled by the members of the tender opening committee present at the time of opening;
- the particulars of each tender received and opened is to be entered on a schedule that is signed by each member of the tender opening committee and the schedule is to indicate the names of tenderers and the tender amounts;
- the details of tenders received is to be ruled off after the entry of the last tender;

- tenders received after closing time are not to be considered except where there exists clear evidence that the tender was posted before that time or telegram advice was received before that time detailing price and delivery schedules (the evidence or telegram advice is to be affixed to and retained with the tender);
- after consideration of the tenders by a tender subcommittee comprising the Principal, representative(s) of School Council and, if necessary, any other person(s), the findings are forwarded to the School Council;
- reasons for the acceptance of the tender are to be noted on the schedule and signed by the president of the School Council and the Principal (a resolution of the acceptance of a tender must be recorded in School Council's minutes).

When a tender has been accepted by the School Council, the Principal shall issue a purchase order indicating the price to be paid and attach thereto a copy of the original job specification.

3.8.1.6 Procedures for Purchases from a Sole Supplier

Proprietary lines and items obtainable from one firm only may be purchased without observing the full procedures relating to items costing more than \$2,500, provided the School Council considers the item represents value for money. However, public tenders are to be invited for all items with a value in excess of \$150,000 and the standard procedures are to be observed.

3.8.1.7 Procedure for Ordering Periodicals, Textbooks and Similar Learning Materials

The amounts expended on periodicals and textbooks are so large that schools are obliged to make every effort to obtain books at the best delivered price available. Purchases are to be made using knowledge of the market or by inviting competitive quotations. Consideration should be given to factors such as a recommended retail price of publishers or wholesalers, price and discount offered by prospective retailers, delivery time and costs and opportunity given to return stock. Every effort should be made to obtain all such information from suppliers so that the School Council can place orders and gain maximum benefit.

3.8.2 Purchase Orders

This section sets out the procedures relating to the issuing of purchase orders for:

- purchases from government departments and authorities;
- purchases from private suppliers.

HOT TIP

Purchase orders must be raised for all purchases.

It is essential, irrespective of the type of order form used, that at least one copy of the order issued be retained at the school, preferably remaining in the order book.

No purchases shall be made without an official order form except for petty cash items approved by the Principal

or delegated officer, certain canteen supplies and utilities.

School purchase order forms are only to be used for purchases that are paid for from school funds, not private purchases. No duplicate of an order shall be issued. Any order issued in replacement of an order not received by a supplier shall state that it is a replacement order.

School purchase order forms must not be used to place an order with a supplier for private use of staff, pupils or other persons.

3.8.2.1 Requisition Forms (not mandated by DEECD)

The basis for an efficient ordering system in a large school is generally a requisition form. Individual faculties prepare a requisition that is authorised by the appropriate person, such as the head of the department.

The requisition may be prepared in duplicate: an original to be forwarded to the Principal, Business Manager or other designated person and a copy to remain with the faculty as its record.

The requisition should include details of supplier, goods-quality and quantity required, estimated cost of goods and date required.

3.8.2.2 Order Forms (mandatory)

Official school order forms should incorporate the school's name, address and telephone number, and any other desired information. They should be colour-coded triplicate forms for each order so that:

- the original can be sent to the supplier;

- one copy can be filed in sequential order number;
- one copy can accompany the voucher prepared when the account is passed for payment.

The following features must be included:

- numbering in continuous sequence. The format may be as bound books, pads or continuous stationery;
- provision for expenditure and program/sub program charging code as determined within CASES21;
- stipulate that they are for official use only;
- stipulate that deliveries are to be made during school hours only;
- provide for GST requirements;
- provide for signature of authorising officer/s.

As purchase order forms are accountable documents, they should be recorded in an accountable documents register when received showing the purchase order numbers and the date received. On issue of books, details of the serial number sequence, name of recipient and date of supply should be recorded in the register.

Irrespective of the type of order form used it is essential that at least one copy be retained at the school, preferably in the order book or pad. This copy of the order shall be endorsed by the paying officer when the account is passed by the School Council for payment.

3.8.2.3 Purchases from Private and Government Suppliers

Order forms are to be used for all purchases above the petty cash limit of \$200 except as follows:

Special procedures may be adopted to make purchases of certain canteen supplies without the issue of a purchase order for each individual case. These procedures apply to supplies renewed at short, regular intervals, such as bread, fruit, pies etc.

HOT TIP

Purchase of canteen supplies and utilities exempt from purchase order process.

Special procedures may be also applied for similar purchases for home economics.

Schools may also apply these procedures to the regular utilities accounts they receive.

When preparing purchase orders, special care is to be taken to insert all relevant details, including the mode and time of delivery.

3.8.3 Goods and Services Tax (GST)

The Goods and Services Tax was implemented in July 2000. Schools should refer to the **A-Z of the GST and PAYG for schools** for full information relating to all GST matters available on the Tax Compliance Unit website: <http://www.education.vic.gov.au/management/financial/tax/default.htm>

3.8.4 Tax Invoices

A tax invoice is the primary document for recording GST. It is a document that meets certain defined criteria that is issued for supplies and is used by the recipient to support a claim for input tax credits. Without a tax invoice there can be no input tax claim. The contract must establish the supplier's obligation to give a tax invoice to the customer.

3.8.5 No Australian Business Number (ABN) Provided

Under the tax system, payments to suppliers depend on the provision of ABN registration details and the receipt of a valid tax invoice for all taxable supplies. Should suppliers choose not to register or disclose details of their ABN, the school/DEECD is required to withhold 46.5% of any payment for remittance to the ATO.

For all expenditure processed on CASES21 a school must hold a valid tax invoice if the supplier of the goods or services has an income greater than \$75,000 in a financial year.

Suppliers have a legal obligation to issue a tax invoice within 28 days of a request.

3.8.6 Compliant Tax Invoices

Tax invoices must include certain information. If you use an incorrect or incomplete tax invoice to claim a GST credit, the GST credit may not be allowed.

A valid tax invoice **for taxable sales that total less than \$1,000** must contain:

- the words ‘tax invoice’ stated prominently;
- the name of the seller;
- the ABN of the seller;
- the date of issue of the tax invoice;
- a brief description of the goods sold;
- the GST-inclusive price of the taxable sale; and
- the GST amount. This can be shown separately or, where the GST to be paid is exactly 1/11 of the total price, as a statement along the lines of ‘total price includes GST’.

A valid tax invoice **for taxable sales that total \$1,000** or more must contain:

- the words ‘tax invoice’ stated prominently;
- the name of the seller;
- the ABN of the seller;
- the name of the buyer;
- the address or ABN of the buyer;
- the date of issue of the tax invoice;
- the quantity of the goods or the extent of the services sold;
- a brief description of the goods sold;
- the GST-inclusive price of the taxable sale; and
- the GST amount. This can be shown separately or, where the GST to be paid is exactly 1/11 of the total price, as a statement along the lines of ‘total price includes GST’.

- If the tax invoice is for a taxable sale **and** either a GST-free or input taxed sale, the tax invoice must also show:
 - each taxable sale
 - the amount of GST to be paid (for the taxable sales), and
 - the amount to be paid for the total sale.

Invoices not including GST:

Schools can pay on an invoice from a supplier who is earning less than \$75,000 in a financial year. The invoice would **NOT** include GST, however the supplier must supply an ABN otherwise 46.5% withholding tax must be applied to the transaction by the school and remitted to the ATO.

Statement by Supplier or Hobby Declaration Form (Nat 3346):

If a supplier is unable to provide the school with an ABN, the school can only make full payment if the supplier is prepared to sign a Statement by Supplier form. If a signed form is held the school would not need to withhold 46.5% withholding tax.

The form should be retained by the school for taxation purposes.

Note, the Statement by Supplier form should only be used in limited circumstances. The form should only be used for suppliers who provide ad hoc or temporary services to the school and should not be used for suppliers that provide on-going, recurring or permanent services to the school.

For further information refer to the GST Fact Sheet on the DEECD Tax Resource Centre website:

<http://www.education.vic.gov.au/management/financial/tax/default.htm>

A Tax Invoice will not be compliant in the following circumstances:

- supplier either has not or cannot register and gain an ABN;
- supplier has an ABN but has not recorded this on its invoice; and
- supplier is registered for GST and has an ABN recorded on its Tax Invoice but the document is non-compliant because it is missing some other required detail(s).

It is expected that most suppliers will register for GST purposes. From an administrative perspective, it is preferable to deal with registered suppliers. However, it is acknowledged that this will not always be possible, particularly in remote localities. Principals and DEECD Contract Managers should encourage suppliers to register for both an ABN and for GST.

3.8.7 Information Sources

Tax Resource Centre on the DEECD website at **<http://www.education.vic.gov.au/management/financial/tax/default.htm>**

3.9 Payment Of Accounts

Schools may make payments to suppliers, via cheque, direct deposit, BPAY and School Purchasing Card.

3.9.1 Approval to make payment

Approval by a delegated officer is given before a purchase order or a commitment is entered into. This approval signifies that:

- the stores and services are needed and represent good value for money;
- the purchase is in accordance with the purchasing policies and instructions;
- the commitment is within the approved purposes and monetary limits;
- funds will be available to meet the payment.

3.9.2 Preparation and issue of cheques

All cheques drawn on any account kept under the control of School Council must be signed by the Principal and a member of School Council nominated by the School Council for that purpose.

The Business Manager, Registrar or Bursar employed by the school cannot be nominated as a signatory to school accounts, even if that person is a School Council member.

Signatories should ensure that all vouchers submitted for payment are supported by properly authorised purchase orders, certified invoices and correctly endorsed delivery dockets before accounts are authorised for payment.

The payment voucher should be certified and authorised. The cheque should be crossed 'Not Negotiable', and correctly drawn to the claimant shown on the payment voucher or order, and drawn for the amount authorised on the payment voucher.

Abbreviations for the cheque payee (use of initials etc) should be avoided to minimise opportunities for the wrongful alteration of the cheque.

3.9.3 Payment certification and authorisation of payments

3.9.3.1 Check the invoice is within the terms of the approval to incur expenditure

Each invoice for payment received from a supplier is to be examined to ascertain that it is within the terms of the approval to incur expenditure given by the Principal or delegated officer shown on the copy of the purchase order, the delivery docket, or other documentation where a purchase order need not be issued. This examination is to ensure that:

- the stores/services and quantities ordered and certified are supplied;
- the prices as approved on the purchase order have not been exceeded.

Should the quantity or price be more than stated on the purchase order, payment is not to be made in accordance with the purchase order unless the approval of the council, Principal or designated officer as appropriate is obtained to accept expenditure for any oversupply or price variation.

A designated officer may authorise payments of up to 15 per cent in excess of prices indicated on purchase orders. Where the variation is greater than 15 per cent, specific approval for payment should be obtained from the School Council.

If stores or services supplied are different from those ordered, the acceptance of the Principal or delegated officer is needed for the change from the original approval to incur expenditure.

The approval to incur expenditure for the variations referred to in the two preceding paragraphs may be obtained by either an amending purchase order or by the signature of the Principal or delegated officer on the supplier's invoice after a suitable notation such as:

- oversupply accepted;
- price increase accepted.

3.9.3.2 Check that service has been performed

The responsible officer should ensure that there is clear evidence that the stores/services for which payment is claimed have been received satisfactorily.

The receipt of stores and services should be endorsed and dated by the signature of the receiving officer on a document such as a delivery docket. The responsible officer should endorse the duplicate copy/copies of the purchase order to this effect and should attach it to the payment voucher. If an order is part supplied, a notation must be made on the

duplicate copy/copies of the purchase order. When supply has been completed, the copy/copies of the purchase order should be endorsed 'final supply'.

3.9.3.3 Check of correctness

The following action should be taken:

- make a deduction in the amount payable to take advantage of any available settlement discount;
- ascertain that the rates of charge and calculations are correct and sign the certification on the payment voucher to this effect;
- ensure that the payment voucher is completed correctly.

3.9.3.4 Availability of funds

It is necessary to confirm that funds will be available to meet the payment.

If there is any doubt about the availability of funds, the responsible officer should discuss the matter with the Principal before payment is made.

3.9.3.5 Action to prevent duplication of payment

For part payments against purchase orders, care is to be taken to note the cheque number and amount of each part payment on the purchase order. The order should be attached to the payment voucher relating to the final payment.

Immediately upon passing accounts for payment, all vouchers, invoices and supporting documents must be cancelled with a 'paid' stamp.

In general, payment should not be made on the basis of duplicate or

facsimile copies of invoices. Where this is unavoidable the duplicate or fax copy should be certified to the effect that the invoice has not been previously paid.

Payment is always made on receipt of an invoice which has been verified once the goods have been received. Payment should never be made on the statement alone. The statement is used to reconcile all invoices that have been received by the school for one particular creditor. Instances can occur where invoices are listed on a statement but the goods and/or original invoice may not have been received by the school or may have been paid after the statement was printed.

3.9.3.6 Authorisation of payment

Upon the payment voucher being prepared on CASES21, the payment is now ready for authorisation by the Principal and other designated officer.

Before signing the payment voucher as authorised, the Principal and designated member of School Council should ensure that:

- the invoice is certified as to receipt of goods or service and as to correctness of rates and calculations;
- it has been confirmed that funds are available to meet the payment;
- all documents have been stamped and endorsed as paid to prevent the duplicate payment of claims.

3.9.4 Cheque issue

3.9.4.1 Preparation of cheques

The following procedures are to be adopted when preparing a cheque for an authorised payment:

- the details to be inserted in ink;
- the cheque is to be crossed by having two parallel transverse lines drawn across the face of the cheque. The words 'not negotiable' are to be written between those lines unless the cheques are printed in this manner;
- the cheque is to be drawn to 'order' by using any of the following methods:
 - cross out the word 'bearer'
 - cross out the word 'bearer' and write or print above it the word 'order';
- cheques are to be drawn in numerical sequence.

3.9.4.2 Signing cheques

Each cheque is to be referred, with the authorised payment voucher, to the Principal and the other cheque-signing officer.

Before signing a cheque, an officer is obliged to ensure that:

- the payment voucher is certified and authorised in the proper manner;
- the relevant invoice is attached to the payment voucher;
- the cheque is correctly drawn to the payee, as shown on the authorised payment voucher and invoice, and has been crossed 'not negotiable' and drawn to order by crossing out 'bearer';
- the amount of the cheque agrees with the payment authorised on the payment voucher and invoice.

3.9.4.3 Issue of cheques

Cheques are to be forwarded to payees accompanied by a remittance advice that includes a brief statement sufficient to identify the payment in the books of account of the creditor, such as 'Attached is a cheque in payment of your invoice no. 16982'.

3.9.4.4 Stop payment on cheques

In the case of a cheque that has not been received by the payee (lost or destroyed):

- immediately ascertain from the bank whether or not the cheque has been debited against the bank account. If not presented, request a stop payment and make necessary adjustment to CASES21;
- issue a stop payment notice to the bank giving details of the cheque and lodge it with the bank within twenty-four hours of the advice of non-receipt being received;
- issue a replacement cheque and record entries on CASES21 accordingly;
- in the event of the payee advising that the original cheque has come to hand before the replacement cheque is mailed, cancel any entries in CASES21 and advise the bank verbally and in writing to lift the stop payment notice on the cheque;
- should the original cheque subsequently be returned, cancel it and advise the bank in writing to that effect so that it may update its current stop payment lists;

- have the payee give a letter of indemnity that the amount shall be made good in the event that it is debited against the school's bank account before taking the action detailed above.

If the cheque has been paid into a bank account other than that of the payee, recovery of the money is to be sought:

- if it was a bank error—from the collecting bank;
- if it was a school error—from the person or firm into whose account the cheque has been paid.

Where a payee has not received a cheque and it has been negotiated by another person, a replacement cheque cannot be withheld until recovery has been made—it must be issued on request.

3.9.4.5 Cancelled cheques

Cancelled cheques are to be marked 'cancelled' and attached to the payment voucher and filed. Each cancelled cheque is to be amended on CASES21.

3.9.4.6 Stale cheques

The following action is to be taken for stale cheques, that is, cheques that have not been presented to the bank for payment within twelve months of the date of issue:

- The bank is to be notified that the cheque is stale and to stop payment on it;
- Each stale cheque is to be recorded (as a reverse payment) on CASES21

and the resulting documentation should be attached to the original payment voucher and securely filed for future reference and audit.

Note: Schools should follow up any un-presented cheques after three months with the payee.

For information on processing of cheques refer to CASES21 Finance Business Process Guide available on the Financial Management website: www.education.vic.gov.au/management/financial/cases21.htm

3.9.5 Electronic payment of accounts

3.9.5.1 Direct debit

The direct debit facility effectively allows an external source, i.e. financial institution, supplier etc to remove or 'sweep' funds pertaining to a pre-arranged amount and date from the school's Official Account on a regular or ad hoc basis e.g. computer lease payment, School Purchasing Card. All suppliers/creditors offering the direct debit facility will require a 'direct debit request' authority from the school. This is usually in a printed form supplied by each creditor for which the direct debit facility is sought. It is important to carefully read and understand the terms and conditions accompanying the direct debit commitment prior to completing and authorising the expenditure. This is essentially a 'service agreement' and should indicate a range of minimum requirements to be provided by the creditor. The authority should be signed by the Principal and a duplicate copy retained.

For further information see S385-2007 School Internet Banking Guidelines on the Financial Management website at: <http://www.education.vic.gov.au/management/financial/policy.htm>

3.9.5.2 BPAY

BPAY differs to direct debit in that the school has full control of the payment with regards to the payment date and amount of the expenditure. BPAY is essentially an alternative to payment by cheque and employs the use of electronic (Internet), telephone or 'pay in person' for transfer of funds from the school's Official Account to the supplier.

The financial institution the school uses for its Official Account will require a formal registration and authorisation from the school. When the school wishes to pay a creditor(s) by BPAY, pre-registered details are selected by telephone, Internet or in person and funds are subsequently transferred. Only invoices displaying the BPAY biller code and reference numbers can be paid using this facility.

As with direct debit, schools should carefully read and consider the terms and conditions accompanying the facility prior to registration.

For further information see S385-2007 School Internet Banking Guidelines on the Financial Management website at: <http://www.education.vic.gov.au/management/financial/policy.htm>

3.9.5.3 Pay Anyone

This is a form of internet banking that is effectively on a 'pay anyone' basis for example Direct Debit using the school level payroll.

It provides schools with the freedom and flexibility to pay anyone (creditor, local payroll employee) by nominating their BSB and Account number at the time of the transaction.

The lack of a third party product such as BPAY raises the risk for schools that use this method of payment. Data security is minimal and is totally reliant on the internal control procedures developed and implemented by the school to monitor the authorisation and, accuracy of transactions.

In particular, internal controls surrounding the following process are critical:

- the setting up of payee details; and
- the transfer of funds from the Official Account to payee account(s).

For further information refer to *Circular S385-2007 Internet Banking Guidelines* on the Financial Management website: www.education.vic.gov.au/management/financial/policy.htm

3.10 Petty cash

The purpose of petty cash is to meet minor payments for purposes other than salary and wages. The limit on any one payment is \$200.

The Principal, with the permission of the School Council, may establish a petty cash advance under the following conditions:

- The initial advance is to be established by drawing a cheque made payable to the advance

holder, that is the member of staff responsible for the custody and control of the cash advance, and opened to 'pay cash';

- In normal circumstances, a petty cash advance should be sufficient to pay the expected expenditure for a month;
- Each petty cash advance is to be maintained on the 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.

Advances are to be adjusted at the end of each school year by either:

- the repayment of cash equal to the advance;
- the production of vouchers equal to the advance;
- the production of cash and vouchers equal to the advance.

Authorised advances may be re-established at the beginning of the next year.

3.10.1 Approval and payment of petty cash expenses

A petty cash docket is to be used to show the details for each individual payment.

3.10.2 Delegation of control of the petty cash advance

All documentation relating to the payment, that is, cash register dockets, supplier's invoices and so on, are to be attached to the petty

cash docket and, in turn, it is to be attached to the petty cash schedule that is the advance holder's summary record of transactions. At the time of payment, all dockets and supporting documentation are to be cancelled by writing or stamping the word 'paid' across all documents.

Where an individual has used a personal credit card to purchase goods for the school, the card holder's copy of the voucher is to be attached behind the petty cash docket when reimbursement is claimed.

3.10.3 Petty cash records

A record of petty cash expenditure, using either a book or the petty cash schedule mentioned above, is to be maintained by the advance holder. The record is to show:

- the amount of the advance;
- the date cash was paid;
- the signature of the person incurring the expense;
- a brief description of the expense;
- the account to be charged;
- the amount of purchase(s).

3.10.4 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.

3.10.5 Security

In accordance with internal control procedures, only one officer is to be the custodian 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.

3.10.6 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.

3.10.7 Refunds to parents

Should an event be cancelled, refunds to parents/guardians are to be made by preparing a payment voucher and forwarding cheques to each parent/guardian for the amount to be refunded. Should a parent/guardian seek a refund of excursion money paid to the school because of the inability of the student to attend (for example, because of illness) a refund is to be made in accordance with school refund policy by cheque to the parent/guardian and not by cash to the student.

Payment vouchers for the refund of excursion fees should be endorsed with the number(s) of the relevant receipts issued for the original collection of the excursion fees.

Resources

Financial Management website:
<http://www.education.vic.gov.au/management/financial>

4. Funding

4.1 Chart of Accounts

Funding for schools can be broadly categorised as:

- Government provided funds which consist of:
 - DEECD Grants
 - Commonwealth Government Grants
 - Other State Government Grants
- Locally raised funds:
 - Parent Payments
 - Donations
 - Trading Operations
- Other funds:
 - Bank interest
 - Proceeds of sale of furniture/ equipment

Schools are required to receipt funds as per the designated Chart of Account codes. There is provision in the school level Chart of Accounts to accurately code all funds to ensure effective monitoring and reporting for management and School Council.

For further information see the publication Chart of Accounts available on the Financial Management website:
www.education.vic.gov.au/management/financial/cases21.htm

4.2 Student Resource Package (SRP)

The primary source of funding for schools is provided by DEECD via the Student Resource Package (SRP). The SRP is the schools recurrent budget allocation for the calendar year and is designed to provide schools with flexibility in the management of their resources. Further details are available from the SRP website at:

<http://www.education.vic.gov.au/management/financial/srp.htm>

5. Budget Management

A budget is often described as a plan of action expressed in monetary terms. Its purpose is to plan the course of future events and to assist in monitoring actual events against the plan.

The preparation of a school budget is designed to support the Strategic Plan by maximising the educational benefit to pupils from the financial resources made available. Therefore, in the interests of good financial management, School Councils are to prepare an annual budget of revenue and expenditure (recurrent and capital) and to monitor the actual revenue and expenditure against that budget.

In preparing a school budget important decisions are required to be made. Decisions concerning availability of resources and related matters are summarised in a budget. It is widely recognised that there are advantages to be gained by having all levels of management and the school community participate in the budget preparation and monitoring processes. The particular form of program budget adopted in Victoria is a participatory model and it is expected that the School Council in establishing the budget will involve all interested parties. Hence strong emphasis is placed on relating financial resources to programs approved by the council following extensive participation by the school community in the budget preparation process.

The primary purpose of setting a budget is to ensure that expenditure

is controlled within the resources available. As a result of the budgeting and monitoring processes, the School Council is in a better position to determine whether the cash flow of the school, at various stages throughout the year, will allow for the transfer of surplus funds to investments attracting a higher rate of interest.

Authority from the School Council for the placing of purchase orders for items of recurrent expenditure will, at many schools, stem from the council's adoption and monitoring of its periodic budget.

In the case of capital expenditure, e.g. furniture and equipment, the school administration will need to be assured of the council's willingness to release funds for a particular purchase before any order is placed. In many cases this will require obtaining appropriate quotations.

What Is School Budgeting?

School budgeting is the process of directing cash resources into activities that enable clearly identified school goals to be met.

School budgeting can be made to serve the double objectives of participation and effective school management because:

- a systematic and collaborative planning process can be followed, involving the school staff and the school community;
- it provides a manageable system that permits a council to see its planning functions in the context of the whole school operation;

- the council in particular and the school community can see that goals, priorities and policies are implemented through the activities of the school; and
- it can enable a council to ensure that the management of resources is in line with its strategic plan and with the agreed goals, priorities and policies of the school.

5.1 School-Level Budgeting

A school-level budget is a comprehensive financial plan for the operation and improvement of the school. Overall school goals, priorities and policies as outlined in the strategic plan are expressed in terms of a number of discrete programs. Each program covers an element of the school's operation and has a specific set of guidelines and implementation plans. Dividing the school activities into separate programs enables the school to effectively differentiate between various aspects of the operation of the school, and to ensure that the pattern of resource distribution across programs reflects the school educational priorities. Because each program identifies its plan for implementation, evaluation of the school program becomes easier to manage. The collaborative framing of specific policy and program statements helps members of the school community to develop a clearer direction for the school.

Each program has a person responsible for it and that person should prepare a draft budget for that program for consideration by the School Council. The School Budget is the sum total of all of the various program budgets

5.1.1 Putting School Budgeting into Practice

School budgeting relies upon systematic planning—logically ordered procedures are required in its development. The following conceptual sequence of activities should be followed:

- creation of the school strategic plan, a four year plan outlining specific school goals and improvement focuses;
- determination of policies and processes to achieve the Strategic Plan goals;
- identification of programs through which the policies and processes can be implemented;
- identification of resources needed to implement the programs;
- allocation of resources to programs according to the goals established in the strategic plan;
- development of processes for continuing review and evaluation of policies and programs and subsequent planning for school improvement.

5.1.2 Allocating Costs to Programs

The costs to be charged against each program is a school decision. That decision depends on the significance of the size of the cost and whether or not the school can actually apportion that cost.

There are, however, other general costs which may/or may not be charged against a program on a proportional basis, e.g. electricity, gas etc. The total electricity bill may be dissected among all programs on the basis of floor space or on some other basis. The preferred alternative to doing this is to charge the whole electricity bill against the administration program.

5.1.3 Capital Expenditure

In most instances, program budgeting deals with annual recurrent costs. i.e. the costs of expendable items used through the course of the year for student learning programs or to support those programs.

Capital expenditure (for non-recurrent items such as furniture and equipment, information technology hardware, buildings etc) may need to be treated differently in the preparation of the budget.

For example, consideration needs to be given as to how more expensive items such as photocopiers, servers, data projectors and the like will be purchased and replaced, and over what time period. (Items may also be obtained via an *operating lease*).

There are several alternatives:

- Individual programs may be permitted to carryover funds from one year to the next until sufficient funds are available.
- A particular capital item may be treated as a School Council priority and funded outright in a particular year.
- A specific program budget may be set up for capital items, with funds being set aside each year to cover future replacement costs.

Whatever method is used, budget preparation should adequately provide for the school's current and future capital costs.

5.1.4 The Accounting Process

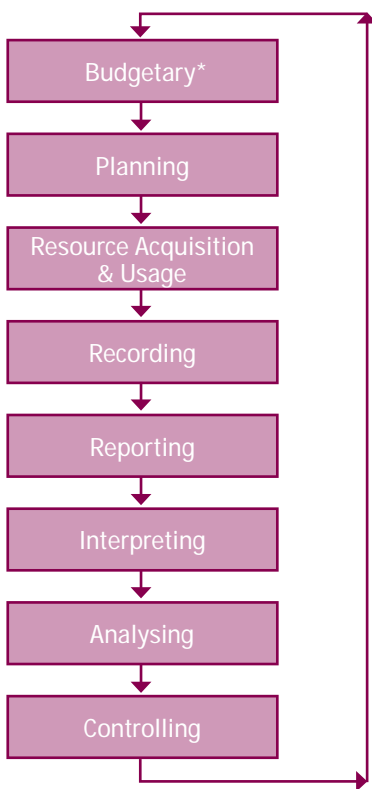
Budget preparation is the first stage of the accounting process. It is the means whereby the school specifies its planned future activities in terms of monetary resources required to meet its objectives.

After preparation, budgets serve as:

- control standards against which actual financial events are compared and variations analysed;
- statements of intention, for modification (re-allocation of resources) when school priorities change or new priorities emerge;
- a basis for evaluation of educational outcomes in relation to funds expended.

Program budgeting links identified school policies and programs to financial resources by means of the accounting system.

Budgeting in Accounting



* *Budgetary relationship process*

Resource planning, expressed by program budgets, and actual resource transactions, as recorded on CASES21, should therefore include all types of resources available to the school. To omit any category of resource from budgeting or accounting recording will distort the apparent relevance, accountability and controllability of programs.

5.1.5 Classification of Resources

In both budgeting and accounting records, resources will be classified as:

Revenue: Resource collections and incomings; and

Expenditure: Resource consumption and outgoings.

These can be broken down as follows:

Definitions and explanations:

Revenue

Resources for programs.

Cash receipts

Receipts in cash form (including cheques, direct credit, EFTPOS).

Non-cash receipts

Resources in forms other than cash, e.g. school staff entitlement credits (SRP), the services of all staff not paid in cash at school level.

Committed revenue

Resources "tied" to a specified program, e.g. Out of Hours School Care (OHSC).

Uncommitted revenue

Resources available for discretionary allocation to programs by school management, e.g. Student Resource Package quarterly grant (cash), funds raised locally.

Expenditure

Use of resources in programs.

Cash payments

Amounts paid by cheque, petty cash, direct debit or Purchasing Card.

Non-cash payments

Amounts paid by central, regional or any other authority on behalf of the school, e.g. payment of staff salaries on the central office payroll.

Recurrent expenditure

Payments on items normally consumed within one accounting period, e.g. electricity, class materials.

Capital expenditure

Payments on items >\$1,000 normally expected to provide benefit to the school for more than one accounting period, e.g. computer, furniture and equipment, motor vehicles.

5.1.6 Further Information

The Schools Resource Allocation Branch of DEECD has produced a professional development program in financial management for school leaders and Business Managers entitled "*Dollars & Sense*". This program consists of the following four modules:

- Student Resource Package.
- Introduction of Workforce Budgeting.
- Financial Management (incorporating Program Budgeting).
- Financial Reporting.

Participants receive a comprehensive folder outlining the four modules. More information relating to this program can be accessed via the Financial Management website at <http://www.education.vic.gov.au/management/financial/>

A professional development program entitled “*Talking Finances*” is available for Business Managers, aspiring Business Managers and ES staff, that is similar in development and delivery to the “*Dollars and Sense*” program. Principals may also wish to attend.

The unit topics have been developed based on advice from a range of practitioners and will be delivered by current and former Business Managers, as well as a tax consultant who has worked extensively with schools and the Department in relation to school taxation issues.

The program will consist of the following six modules and detailed course material will be provided.

- Student Resource Package.
- Asset Management.
- Budget Preparation.
- Report Analysis.
- School Level Payroll.
- Taxation.

Participants receive a comprehensive folder outlining the six modules. More information relating to this program can be accessed via the Financial Management website at <http://www.education.vic.gov.au/management/financial/>

5.2 Budget Preparation

5.2.1 Annual Budget

The annual budget is the overall financial plan for the school for the following year. As such, the annual budget should be adopted by the School Council no later than December of the previous year. A budget comprises summaries of all anticipated revenue and expenditure (recurrent and capital) required for the operation of programs and should be soundly based on the evaluations of the operations of each program in the preceding year. Revenue and expenditure are classified as outlined in the following pages.

HOT TIP

Master budget should be approved by School Council prior to the year it relates.

Revenue

In preparing its annual revenue budget for the year, a school should consider the *total of all its available resources*. This includes:

- SRP Cash Grants.
- Other DEECD, State and Commonwealth Grants.
- Parent payments (giving consideration to the school's historical collection rate).

HOT TIP

Accurate records should be kept of any funds that are to be brought forward from previous years.

- Other Locally Raised Funds.
- Cluster Funds.
- Regional Funds.
- Funds to be brought forward from the previous year committed to specific Programs (a school should keep diligent records of these funds each year) i.e. Out of Hours School Care.
- Other uncommitted funds.

A school's revenue budget should account for all funds available to the school for the new year, irrespective of whether these funds are to be spent.

Expenditure

In preparing its annual expenditure budget a school should develop an expenditure budget that contains the following information:

- Funds committed to all Programs (split into individual Sub Programs as appropriate).
- Brought forward funds committed to Programs (split into individual Sub Programs).
- Funds committed to Capital purchases (including those not expected to be spent in the budget year).
- Uncommitted Funds.

The total funds accounted for in a school's expenditure budget should equal the total amount of funds available to be distributed as per the school's revenue budget. This is to ensure that all funds, even those that will remain uncommitted for the year are considered and reported to School Council.

5.2.2 Planning a Budget

There are six stages in planning and developing a budget:

Stage 1

Development of a timeline for the Annual Budget process to enable the school to successfully meet its strategic plan objectives.

Stage 2

Estimation of anticipated revenue for the coming year and confirmation of other available funds such as carried forward funds.

Stage 3

Invitation to Coordinators/Regions/Clusters to make submissions for the allocation of funds.

Stage 4

Matching of requests for resources with the resources available.

Stage 5

Submission of final proposals to council for consideration and adoption.

Stage 6

Approval of the final budget by School Council.

Stage One – Timeline

The annual budget is the overall financial plan for the school for the following year and should be approved by School Council no later than December of the current year.

Schools should develop a timeline for their budget process that works back from the date the budget is to go to School Council for final approval (usually November/December).

It is essential that everyone involved in the process is consulted in establishing the timeline, as it is these individuals who will have to meet the deadlines set. Existing committee dates and schedules also need to be considered.

Schools may want to split processes even further and nominate more specific dates for the completion of each task within each process. Once the timeline/process has been established, all participants should be informed.

Stage Two – Anticipated Revenue

As part of this stage all available sources of funds should be identified including:

- Surplus funds expected to be carried forward from the current year including funds held on behalf of external stakeholders such as regional or cluster funds, or parent clubs.
- New revenue expected to be earned in the forthcoming budget year.
- Previous years' financial statements are of assistance in preparing estimates for the coming year.
- Council to approve rates for voluntary contributions/subject charges for the next year.
- Ask the appropriate people to find out how much will be available from each source. Often it will not be possible to calculate exact amounts until such factors as the actual enrolment are known. However, close approximations can be made and corrected when actual amounts are known.

- Where parent clubs contribute to the process of developing the budget by the raising of funds, these funds should be included in the annual budget.

Stage Three – Invitation to make submissions for the allocation of funds (Anticipated Expenditure)

Program coordinators should be advised that next year's budget is being prepared and what the School Council's policies and priorities are to be for the year so that the needs of the educational programs may be assessed. Often a joint meeting of the Curriculum and Finance Committees is held so that effective coordination of this occurs.

If required, program coordinators should be asked to submit sub program budget requests to the budget coordinator. All submissions should indicate what funding is required to cover both recurrent and capital expenditure.

Consideration also needs to be given to general capital purchases that a school may wish to make either in the budget year or in the future. Funds should be allocated accordingly, or set aside in the case of future year capital purchases, to ensure these aims can be achieved.

It should be noted that submissions should also reference educational outcomes and/or the linkages to the school strategic plan.

Where the school is co-ordinating funds for a region/cluster/association, a submission should be completed by the group to enable a sub program budget to be created for reporting purposes.

The school budget management committee/School Council finance committee will consolidate submissions and make final adjustments to sub program requests in line with available revenue.

A well prepared annual budget will ensure a complete picture of school funds, displaying how much the school holds (to be carried forward), how much will be received (new revenue), how much will be spent (expenditure) and how much will be carried forward for future projects.

Stage Four – Initial Adjustments to the Budget

In bringing together the anticipated revenue and program expenditures it will become clear whether there are adequate resources available to meet the requests of program coordinators. If anticipated revenue is not sufficient for the year's needs, the School Council must determine whether additional revenue can be raised or what proposed programs will need to be cut back, deferred or cancelled. Remember that certain grants must be used for specified purposes and do not form part of general revenue.

Stage Five – Final Adjustments to the Budget

When the final adjustments to the budget have been made and it has been established that there will be sufficient funds to cover all proposed expenditure, the budget can be submitted to School Council for approval.

Stage Six – Approving/ Adopting the Budget

Once the school's annual budget has been finalised, it is recommended that detailed budget information be provided to each member of School Council for approval.

In approving, and therefore adopting the annual budget, the School Council must ensure that:

- the budget has been prepared using the agreed collaborative processes;
- the budget reflects the school's policies and priorities as reflected in the school strategic plan;
- when implemented, the budget will meet all DEECD and legislative requirements.

Once approved, a copy of the school annual budget should be distributed to each member of the School Council and a copy filed for audit purposes.

The revenue and expenditure budgets should then be entered into CASES21 Finance prior to the first School Council meeting.

An initial review and adjustment should be made to the budget early in the budget year to reflect the confirmed SRP budget.

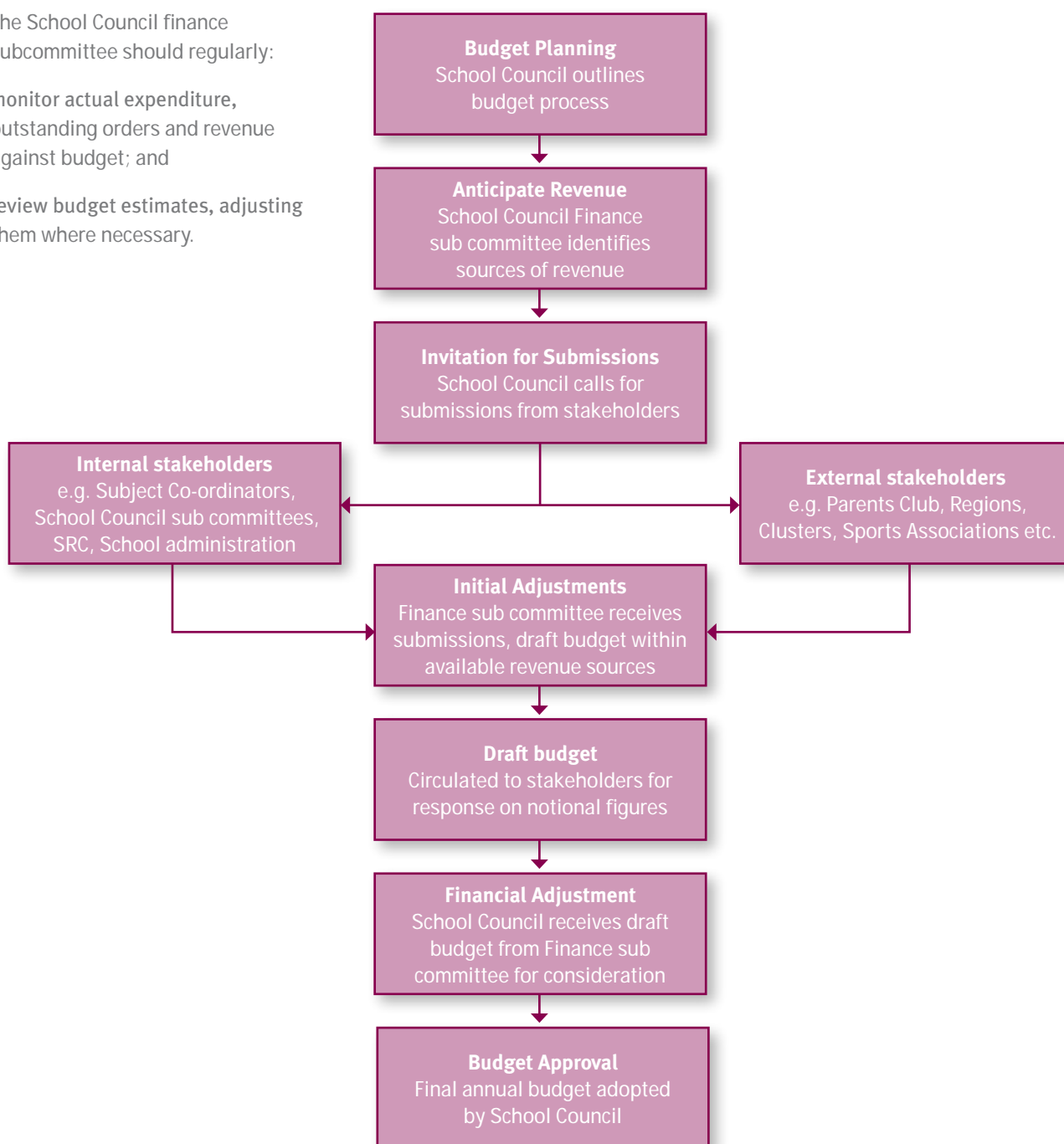
Any amendments to the approved budget must be presented to School Council for authorisation.

The publication 'A Guide to Budget Management in Schools', sample worksheets and proformas are available from the Financial Management website at <http://www.education.vic.gov.au/management/financial/policy.htm>

A Suggested School Council Budget Planning Process

The School Council finance subcommittee should regularly:

- monitor actual expenditure, outstanding orders and revenue against budget; and
- review budget estimates, adjusting them where necessary.



5.2.3 Budgeting and CASES21 Finance

Schools are required to record both revenue and expenditure budgets in CASES21 Finance.

Further information on entering budgets is provided in the CASES21 Finance Business Process Guide Section 6 on the Financial Management website:
<http://www.education.vic.gov.au/management/financial/cases21.htm>

In regards to budgeting schools should adopt the following processes:

5.2.3.1 Revenue and Expenditure Budgeting

For curriculum programs such as Mathematics, The Arts, Humanities etc it is recommended that only expenditure budgets are used to track funds.

Expenditure budgets are entered against each active sub program and should include all of the expected recurrent expenditure for that sub program for the budget year.

Balances brought forward from previous years for curriculum sub programs should also form part of the current year expenditure budget for the sub program.

Revenue budgeting and the collection of funds earmarked to fund curriculum programs should be consolidated into a single sub program called 9499 – Revenue Control. This approach is recommended as it simplifies the process of tracking the majority of schools revenue and minimises the

time required for budget entry and review. This will also make tracking funds easier for program coordinators as all they will be required to consider is year to date expenditure against their sub program expenditure budgets (recurrent and/or capital).

For programs with specific accountability requirements schools may elect to use a combination of both revenue and expenditure budgeting at individual program level for sub programs.

For example, trading operations such as canteens, outside hours school care and uniform shops, it may be important to track both revenue and expenditure to ensure the program is profitable and viable and to complete a Profit and Loss Statement.

Cluster funds held by coordinator schools for programs such as Schools for Innovation and Excellence and IT for Technical Specialists; Regional Initiatives; Parents Associations and Camps and Excursions are other types of programs that may require both revenue and expenditure to be reported at an individual sub program level for ease of monitoring and reporting.

5.2.3.2 Capital Expenditure Budgeting

It is also recommended that only expenditure budgets are used to track activity relating to capital expenditure and that schools should use a single school defined sub program within the General Purpose Programs (930) area to do this. As is the case with curriculum programs, budgeting for revenue to be used to fund capital

purchases should be consolidated into a single sub program called 9499 – Revenue Control.

5.3 Monitoring Revenue and Expenditure

Regular monitoring is important to ensure all expected revenue and expenditure is accounted for and within budget. This will involve comparing actual figures to budget figures to assess performance against expectations. Variances can be identified, investigated and reported with corrective action taken if required.

HOT TIP

A school's Operating Statement should be used to monitor budget vs. actual at general ledger level.

As indicated earlier, this process is simplified if the majority of revenue is recorded against sub program 9499.

The key report to use in monitoring budgeted versus actual revenue and expenditure is the Operating Statement – Detailed (GL21150). This report provides a comparison, both on a monthly and year to date basis, of revenue and expenditure at the general ledger level.

More information on analysing the CASES21 Finance Operating Statement (GL21150) can be found in the publication '*Operating Statement A practical example and explanation*' located on the School Financial Management website.

The Operating Statement, in conjunction with the Balance Sheet (GL21160S), should be provided to School Council at each meeting.

5.4 Budget Adjustments

It may become necessary for schools to make council approved adjustments to their annual budget. Schools should regularly review actual revenue and expenditure to budget and make adjustment to the budget where required to accurately reflect the position of the school, e.g. a special grant is received or a new program is introduced.

HOT TIP

Budget adjustments should be approved by School Council.

As reviews of the school's annual budget are made the summary of the budget provided to councillors should also be updated to ensure that School Council is up to date with the current budget position of the school.

All adjustments to budget should be approved by School Council and be reflected on CASES21.

5.5 Cash Flow Budget

A cash flow budget is a useful means of estimating and monitoring the cash available to the school throughout the year. A School Council is required to develop and monitor a cash flow budget if investments are held by the school. Refer to Executive Memorandum 97/021 – Investment of School Funds and Circular S296-2008 School Investment Policy Guidelines located on the Financial Management website.

To estimate the cash flow, the difference between the budgeted receipts and payments for each month is calculated. It is essential that the projected balance is always positive. The CASES21 Finance Cash Flow Statement (GL21151) is an excellent resource for analysing a school's cash flow on a monthly basis. The actual figures when compared with those projected will clearly show problems in the cash flow and signal the need for caution and possible action.

The preparation of this type of budget, which complements the normal revenue and expenditure budgets, although somewhat time-consuming in preparation and maintenance (monitoring), provides the School Council with a valuable tool in the financial control of the school's operations.

Schools must plan to always have sufficient cash available to cover payments.

5.6 Cash Flow Warning Signs

The following situations are examples of warning signs where closer examination is necessary and corrective action, if warranted, should be taken.

- Collections for the period are markedly lower than was anticipated.
- Expenditure for parts of the budget are higher than was anticipated.
- Cash resources available to the school are low (after allowing for any funds previously surplus to requirements and invested elsewhere) and large commitments have still to be met.
- Increase in cost of supplies purchased for resale to pupils but collections are low.

Set out below is a sample Cash Flow Budget Report

Example
School Council
Cash Flow Budget Report as at 28 February 200X

	January		February		March			Year-to-Date (i.e., 28 February in this example)	
	Estimate	Actual	Estimate	Actual	Estimate	Actual		Estimate	Actual
Receipts									
SRP Quarterly Grant	24,000	25,220						24,000	25,220
SMS	3,000	3,000						3,000	3,000
Subject Contributions	10,000	8,000	5,000	5,000	2,000			15,000	13,000
Interest	1,200	700	2,400	2,600				3,600	2,800
TOTAL RECEIPTS	38,200	36,920	7,400	7,600	2,000			45,600	44,020
Expenditure									
Gas	1,000	900	1,000	920	1,000		Columns for April through to December	2,000	1,820
Electricity	2,500	2,600	2,500	2,100	2,500			5,000	4,700
CRT's			500	200	1,200			500	200
Contract Cleaning	4,000	4,000	7,000	7,000	7,000			11,000	11,000
Curriculum Programs			3,000	3,500	5,000			3,000	3,500
TOTAL EXPENDITURE	7,500	7,500	14,000	13,720	16,700			21,500	21,220
Surplus/(Deficit)	30,700	29,420	(6,600)	(6,120)	(14,700)			24,100	22,300
Cash Balance at beginning	2,000	2,000	12,700	11,420	6,100	5,520		2,000	2,000
Investments Maturing									
- CBA 5/1/200X	5,000	5,000						5,000	5,000
- CBA 3/3/200X					15,000	15,000			
CASH FLOW - SURPLUS/(DEFICIT)									
(before calculating desired "Cash Balance at end" and thus funds available for "Investments")	37,700	36,420	6,100	5,520	6,400			31,100	30,300
Investments made	45,000				5,000			45,000	
- HYIA		20,000							20,000
- CBA matures 3/3/200X		15,000							15,000
- CBA matures 16/4/200X		10,000							10,000
INVESTMENTS MADE	45,000	45,000	0	0	5,000			45,000	45,000
Cash Balance at end	12,700	11,420	6,100	5,520	1,400			6,100	5,300

Comments:
 From the Year-to-Date and January and February columns, while there have been some minor variations in actual cash flows compared with the estimates (i.e. budget), the estimates are proving overall to be accurate and thus no change is currently considered necessary.

Signed:
 (Business Manager) (Dated)

Certified Correct:
 (Principal) (Dated)

6. Asset Management

Many schools have substantial investments in stores, equipment, furniture, books and other learning materials. Although most items are covered by insurance administered within DEECD, proper procedures are to be followed on purchase, custody, loss or disposal of these items.

By keeping appropriate records and identifying valuable items of school equipment and furniture, losses can be minimised.

Asset information is required under the *Annual Reporting (Administrative Units) (Asset Reporting) Regulations 1988*, *Treasury (Asset Register) Regulations 1988* and for insurance coverage purposes.

For the most recent guidelines, visit the School Financial Management Website. <http://www.education.vic.gov.au/management/financial/cases21.htm>

Definition of an asset

The term "asset" refers to items purchased that have a GST exclusive value greater than \$1,000. The purchase cost must include any delivery and installation costs. Where the delivery and installation charge covers multiple items, the costs should be apportioned to each item.

For a more detailed definition of an asset, refer to the Victorian Government Schools Reference Guide Section 7.13.2.1

Assets over \$1,000 are capital acquisitions and must be recorded with a GST code of G10.

Some items and class of items under \$1,000 must also be recorded. These items are recorded as expenses with a GST code of G11 and recorded in the Asset Register using the "AA" categories. For example, computers, audio-visual and photographic equipment.

6.1 Receipt of Donated Equipment, Material or Money

The receipt of donated equipment, material or money is to be reported by the Principal at the next School Council meeting and minuted.

Where a donation of equipment is received it is to be included in the CASES21 Asset Management System at a zero value with the fair market value recorded in the 'additional details' field.

Where a donation of money is received an official receipt must be issued.

6.2 Insurance on Stores

DEECD's School Equipment Insurance Scheme (SEIS) applies to school equipment and stores. SEIS Policy and Guidelines 2001 can be viewed at [Edulibrary/schools/Liability Management Branch/Insurance/SEIS – Policy & Guidelines](#)

6.3 Identification of Assets

Where appropriate, each accountable asset should be engraved or stamped with the name of the school at the earliest practicable date.

If the nature of the item makes engraving impractical, such as in the case of violins and delicate scientific apparatus, some other practical means of marking the school name and asset number on such items should be used.

It is suggested that furniture such as movable garden seating be engraved on the metal legs or in another appropriate position for easier identification in case of theft.

6.4 Recording of Assets

The CASES21 Asset Management System (Asset Register) must be used by all schools to record details of their equipment, (including leased equipment), tools, furniture, machinery, etc. with a value of \$1,000 and over.

New assets should be added to the Asset Register within 30 days. When a school raises an order for the purchase of an asset, the basic details should be added to the system and completed once details such as serial numbers etc. are known.

Regular recording and ongoing maintenance of assets in the CASES21 Asset Register will ensure minimal checking prior to audit.

Schools must also keep a detailed register of attractive items with a value less than \$1,000 and the CASES21 Finance Asset Management System can also be used for this purpose.

Information on newly acquired assets is transferred to DEECD via CASES21 messaging system to comply with the Department's policy on insurance.

Any asset or aggregated set of assets meeting one or more of the following criteria will be flagged for transfer to DEECD when details are recorded:

- Assets that fall into a specific asset category, for example, computers, printers, communications equipment, video and photographic equipment.
- Assets that fall into a specific insurance category, with a value equal to or exceeding \$1,000, for example, photocopiers, microcomputers, mini-computers, other office equipment, communications equipment, video recorders, television, other audio visual equipment, sporting equipment, gardening equipment, musical instruments and books.
- Individual assets or aggregate sets of assets, with a value equal to or exceeding \$1,000.
- Leased assets.
- Records previously sent to DEECD that have been modified since the data was last sent to DEECD.

The CASES21 Finance Asset Register provides a safe, easy method of recording the school's assets and has several report and inquiry options to assist schools with the asset management process. It is an effective tool for resource management and stock control. For detailed instruction on how to enter assets onto the system, refer to the CASES21 Finance Process Guide, Section 4 Assets.

6.5 Identification and Recording Library Books, Textbooks and other Non-Accountable Items

The Library Manager is responsible for maintaining methods of stock control that account for all library books and materials. In schools where there is no Library Manager, this is the direct responsibility of the Principal.

All library materials received from any source, except material having a low value or short life, are to be accessioned as soon as practicable after receipt. The following are typical examples of items that are accessioned: books, maps, audio materials, projected visual materials, video materials, pictures, charts, microfilms and computer materials.

6.6 Accessioning of Library Materials

Alternative methods of accessioning library materials are:

- a library accession register/book;
- a card register (cards filed in ascending number order) and/or order slip;
- a periodical card register (for newspapers, magazines and other periodicals);
- electronic tracking e.g. bar coding.

6.7 Library Loans Records

A record of items on loan should be maintained. If it is considered desirable School Councils may implement a library fine system to encourage the return of borrowed materials.

6.8 Other Assets and Textbooks

Schools are required to operate effective stock control over all equipment, textbooks, class sets etc.

Entry on the asset register of textbooks or other equipment is advised and can be achieved by recording them as an aggregated asset e.g. a school may have \$60,000 worth of library books/class sets.

Works of art with a value in excess of \$200 are to be recorded in the asset register. Assets won as prizes should be added to the asset register at their replacement cost at the time they were acquired.

6.9 Stock Control Guidelines

The accuracy and completeness of appropriate records is an essential basis for adequate stock control.

Each accountable item and learning material can be entered into the CASES21 Finance Asset Management System.

Each item is to be sighted at least once every twelve months.

HOT TIP

Stocktake to occur minimum every 12 months.

Registration and stocktaking is desirable for all assets but the extent of this will vary according to the administrative needs of the school, organisation of the faculty and nature of the article.

6.10 Stocktaking

Stocktaking can be performed in stages throughout the year (it must occur at least once a year) in order to minimise interference to educational programs, e.g:

- Certain asset categories or groups of assets each month or in particular months;
- During each term; or
- During vacation periods.

For attractive items or shared items (e.g. cameras) it would be prudent to sight these items at least once a term.

When carrying out stocktakes or asset verifications, regardless of the method used, the following procedures must be observed:

- The Principal should nominate the date or period of time for the stocktake to take place.
- A stocktaking officer should be appointed by the Principal to conduct and supervise the stocktake. This person will be independent and must not have custody of any asset to be counted. Assistant stocktaking officers, being persons who have knowledge of the location and identity of the items in particular areas, should also be appointed. An assistant stocktaking officer can be someone who has the responsibility for, or custody of, assets.

- Stocktake sheets listing all assets held by the school, by name and location should be prepared from the Asset Register.
- The Stocktake sheets should list the serial numbers or other unique identifying reference against each asset to assist with the asset recognition.
- On the appointed date, the areas designated for the stocktake should be systematically checked for assets listed on the appropriate stocktake sheet by the stocktaking officer and one other person. The quantity of each item must be recorded on the stocktake sheet. The serial numbers or unique identifiers would also be confirmed on the stocktake sheet.
- Items encountered that match the definition of an asset that are not on the stocktake sheet should be recorded for checking on the asset register.
- On completion of the physical check of each stocktake sheet, the stocktaking officer must reconcile the count on the stocktake sheet against the asset register.
- Where discrepancies are disclosed the items involved are subject to a recount.
- All stocktake sheets must be signed by the officers who conducted the count and all discrepancies notified in writing to the Principal.

6.10.1 Discrepancies in Stocktakes or Loss of Assets

If a stocktake reveals a substantial discrepancy, (for example items of equipment/furniture located that are not recorded in the asset register and/or loss of equipment recorded in the equipment register), the following action should be taken:

- In the case of items not being recorded in the asset register, the matter must be drawn to the attention of the Principal. An investigation should be undertaken to identify how the items were acquired. Only then will it be possible to determine whether the items are owned by the school or in its custody, the value (cost) of the items and whether they should be treated as school assets.
- In the case of loss of equipment, an officer is to be appointed by the Principal to conduct an investigation. The Principal should be provided with a written report of discrepancies stating what action has been taken to locate the missing items.
- The Principal recommends to the School Council the appropriate action that should be taken in light of the findings. Regulations require that all cases of suspected or actual theft, wilful damage, arson, irregularity or fraud in receipt or disposal of money or other property of any kind, are to be reported to the Regional Director and relevant DEECD personnel.

- If the School Council is satisfied that any missing item cannot be recovered and appropriate action has been taken as above, action to write off the item and adjust the asset register.

6.10.2 Stocktake of Library Materials

The increasing importance of library resources in the educational programs of schools and the number, variety and monetary value of these resources make the effectiveness of the library's stock control methods central to the safeguarding of assets and the efficient operation of the library.

Stocktakes of library materials are required to assess the effectiveness of stock control methods in operation in the library. While educational evaluations of libraries such as culling, updating the catalogue and reorganizing records can be conducted at any time, the stocktake provides a good opportunity to carry out these tasks.

A full stocktake of library books and publications is to be carried out annually.

Within the general policies, stocktakes are to be conducted in such a manner and at such times as the Principal, in liaison with the Library Manager, considers will best achieve the aims of effective stock and education management of the library resource with a minimum of interference to the school's educational program.

In many cases, the most desirable method of conducting the stocktake will be to carry out a complete stocktake of all library resources at the one time. The advantage of this is that it provides a comprehensive review of the effectiveness of stock-control methods at a particular time. Other options include:

- a half stocktake annually; or
- a progressive stocktake of the library covering each area at convenient intervals over two years or a shorter period.

Irrespective of the method and frequency of stocktakes, it is recognised that staff involved can normally only effectively perform a stocktake if entry by pupils and other non-involved staff to the stocktaking area is prevented or very strictly controlled. The degree to which access to the library is to be limited or prevented is clearly one which should be clarified by the Principal in discussion with the Library Manager prior to the commencement of the stocktaking exercise.

The teacher-librarian is responsible for the initiation and maintenance of effective stock-control methods within the library, but it is recognised that a small percentage of loss of resources is inevitable.

As a result of stocktake the library's records should accurately show for the area covered:

- accessioned items available for use;
- accessioned items missing;
- accessioned items written off as unsuitable for continued inclusion in the library;
- the total net stock at the end of the period covered by the stocktake.

At the conclusion of the stocktake, whether a full or progressive stocktake, a stocktake statement is to be prepared:

After the stocktake is completed the Library Manager:

- presents the stocktake statement to the Principal and discusses appropriate follow-up action;
- with the approval of the Principal, writes off items that have been culled from the collection or lost, damaged or missing for more than two years and makes appropriate notations in the accession or card register;
- removes the shelf-list cards for written-off items.

Where schools suffer loss or damage to library materials as a result of vandalism, theft, fire, flood, rain etc. the Library Manager is to discuss with the Principal what action is to be taken to assess the loss or damage and whether a full or partial stocktake required.

6.12 Stock/ Inventory Control

Inventory may be divided into two types – trade (canteen stock, school uniforms, stationery and office equipment such as calculators that are sold to pupils and staff) and consumable items used in the day-to-day running of the school.

They are items that need to be monitored and managed for the efficient running of the school and for insurance purposes. Inventory items need to be recorded separately and are not recorded on the asset register.

6.12.1 Hazardous Substances

All chemicals should be considered dangerous. Effective stock control of chemicals is therefore essential. Schools will normally base their control of chemical stocks on the use of secure areas for the storage of dangerous or bulk reserve supplies, and stock cards that note receipt and issue of chemicals.

HOT TIP

For control of hazardous materials refer to OHS Regulations.

Attention must be given to complying with the Dangerous Goods (Storage and Handling) Regulations 2000 and the Occupational Health and Safety (Hazardous Substances) 1999 by maintaining a Chemicals/Hazardous Substances/Dangerous Goods Register together with Material Safety Data Sheets (MSDs) obtained from the supplier. For further information see the DEECD Safety, Health & Wellbeing website.

<http://www.education.vic.gov.au/hr/ohs/hazards/Dangerousgoods.htm>

6.12.2 Class Materials/Library

Effective stock control over class materials is essential.

When textbooks and similar learning materials are issued on loan to students, a record of the issue shall be maintained to facilitate their return. In cases of low-value or short-duration loans, the Principal may implement an alternative system of control. Schools should develop systems appropriate to their circumstances.

For the stocktake of library materials, whether a full or progressive stocktake, a stocktake statement is to be prepared.

After the stocktake is completed the Library Manager:

- Presents the stocktake statement to the Principal and discusses appropriate follow-up action.
- With the approval of the Principal, writes off items that have been culled from the collection or lost, damaged or missing for more than two years and makes appropriate notations in the accession or card register.
- Removes the shelf-list cards for written-off items.

6.13 Loan of Equipment to Community Groups or Individuals

When equipment is lent by the school Principal, a receipt signed by the borrower shall be obtained and a record of the loan shall be maintained so as to facilitate its return. Items borrowed for personal use should be insured by the borrower.

If library materials or textbooks are lent to students, teachers or other school-based staff, a record of the loan shall be maintained to facilitate their return.

A Principal may make loans of specified items of school equipment to individual students. The officer who is designated this authority is responsible for ensuring that records, including the signature of the student borrowing the article, are maintained in the manner necessary to allow for the recovery of the article.

6.14 Transfer of Materials or Equipment

6.14.1 Principals or heads of faculties taking up duty at a school

When materials or equipment are transferred between government schools or to an office of DEECD without a change being made to their value, a transfer advice giving full details, shall be completed in triplicate by the dispatching schools. The original and duplicate shall be sent to the receiver, who shall sign the original and return it to the dispatching school. Asset registers at each school must also be updated accordingly.

6.15 Disposal of Surplus or Unserviceable Assets or Materials

6.15.1 General Policy

All surplus, obsolete or unserviceable stores or assets are to be assessed by a board of survey prior to any decision being made about disposal.

School Councils, under Part 2.3, Division 5, Section 2.3.1.8 of the Education and Training Reform Act 2006, can sell assets/equipment, goods or other personal property acquired for use in the school.

The main purpose of this section of the Act is to enable School Councils to sell obsolete and surplus goods and equipment.

A School Council can retain the proceeds of the sale provided that the amount is less than that determined by the Minister. The Minister has determined this amount to be \$10,000. Where the proceeds exceed \$10,000, the Deputy Secretary may approve the retention of the amount if the School Council requests the approval in writing and before the disposal takes place.

The Deputy Secretary's approval will be delegated to the relevant Regional Director, to whom the letter seeking approval should be addressed.

All money raised by the disposal of goods must be reused to the benefit of the educational program of the school.

6.15.2 Board of Survey

In the normal course of events three people including the Principal and a regional representative constitute a board of survey.

The board's role is to:

- identify the obsolete or unserviceable equipment;
- recommend to School Council a course of disposal action, for example, wreck, convert to a training aid, sell etc.;
- in the case of asset sales, advertise locally that the asset is available for purchase and request bids from any interested person; and
- arrange for any proceeds of sale to be paid to the school or the local regional DEECD finance manager, in accordance with the above.

6.16 Hire/Leasing of Equipment

School Councils possess the necessary authority to enter into hire/lease of equipment agreements provided the conditions stipulated in *Part 2.3 Division 3 Section 2.3.6 (3) of the Education and Training Reform Acts 2006* are strictly adhered to.

HOT TIP

Schools can enter into an Operating Lease, **not** a Finance Lease.

School Councils do not have the authority to borrow money so therefore are unable to enter into finance leases (as opposed to operating leases).

A **finance lease** effectively transfers ownership of the leased property from the company to the school at the end of the lease term, usually at a cost to the school (residual).

Australian Accounting Standard 17 outlines the following indications of a finance lease:

- the lease is not able to be cancelled, or cancelled without the imposition of a large penalty ownership of the object leased is transferred at the end of the lease
- the lease contains a nominal purchase option
- the lease term is for 75 per cent or more than the useful life of the leased item
- the present value of the minimum lease payments is equal or greater than 90 per cent of the fair value of the leased item.

An **operating lease** is similar to a rental agreement where the goods are eventually returned to the lessor (company). For example: A school leases a photocopier for a period of three years. At the end of the three years the school returns the photocopier to the company without further obligation.

Equipment leased via an operating lease must be included in the CASES21 Asset Management System at a zero value. Leased assets are not covered under SEIS for insurance and schools must obtain their own insurance for leased items.

7. School Financial Audit

All Victorian government School Councils undergo an independent financial audit at least once every three years. Contract auditors are appointed and paid for by the Corporate Planning, Strategy and Audit Division, Office of Planning, Strategy and Co-ordination.

The audit contracts cover all School Council accounts but do not extend to the audits of the separate accounts of bodies such as co-operatives and parents' clubs, which are subject to locally arranged audits.

Full details regarding school audits can be obtained from the Victorian Government Schools Reference Guide Section 5.7 Audits which outlines current policy and further information in this area.

7.1 Audit Requirements

Schools should have their 31 December financial statements completed and available for audit as early as possible in the following year as audits are scheduled to begin in January. Schools will need to negotiate with the audit firm to arrange a suitable time that benefits both parties.

Auditors will complete a report which is addressed directly to the School Council President, with a copy sent to the Principal.

7.2 Audit Certificate on the Financial Statements and Related Management Letter

The Auditor is required to form a view on the school's annual financial statements. If the statements present fairly the financial transactions of the school, the Auditor will report accordingly. The Auditor may present a qualified report when he or she considers that the absence of an accounting control, some irregular accounting practice or misstatement of details is or are of sufficient importance to warrant the issue of a qualification.

The Auditor is also required to prepare a management letter for the information of the Principal and School Council. This letter will identify specific matters that require further attention.

Principals are required to provide a management response to any audit recommendations. Where an audit recommendation requires the school to undertake agreed actions, these should be completed within a reasonable period of time. Auditors are expected during the following year's audit, to verify that action has been taken regarding such recommendations.

The original audit report is sent to the President of the School Council at their private address and a copy of the report is sent to the Principal. The Principal should ensure that the audit report (i.e. the Audit Certification and

Management letter) is tabled and minuted at School Council.

The purpose of the Management Letter is to bring School Council's attention to:

- areas of control weaknesses;
- departure from legislative responsibilities; and
- improvements to practices.

7.3 Timing of Audits

Under new contract arrangements, audits of schools now have to be completed by 30 April.

Audits are increasingly being undertaken during January before students return to school. Schools may be able to arrange an early audit date by negotiation with their audit firm. The date of the visit will generally be confirmed in writing a minimum of fourteen days before the audit is undertaken.

7.4 End of Year Preparation for a Financial Audit

Schools should ensure that all corrections or adjustments are made, all accounts are reconciled and final reports printed prior to undertaking End of Year Procedures.

End of Year Procedures as outlined in the CASES21 Finance Process Guide will assist to ensure all required reports are printed and the correct processes are followed.

7.5 Reporting of Losses, Theft and Fraud

School Councils are required to report all cases of suspected or actual theft, wilful damage, arson, irregularity or fraud in connection with the receipt or disposal of money or other property of any kind. Other losses and deficiencies not suspected of being the result of theft, robbery or fraud are to be judged on individual merits and where appropriate, advice sought from the regional office.

Refer to the *Victorian Government Schools Reference Guide*, Section 7.20 for full details.

8. School Level Payroll

HRMS processes personnel and payroll records of staff working in schools and other DEECD locations. HRMS software provides direct, on-line access to personnel and payroll information for teachers and non-teachers, who are centrally-paid.

School Councils are empowered to employ casual relief teachers and a variety of non-teaching staff to maintain educational and operational duties within the school. Financial management of the school level payroll for processing and reporting of details, and legislative compliance in the areas of Taxation, WorkCover and Superannuation must be strictly followed.

To assist schools in this area, the following resources are available:

For detailed information about school level payroll processes refer to the following publications

School Level Payroll Requirements, which is located at <http://www.education.vic.gov.au/management/financial/cases21.htm>

CASES21 Finance Process Guide
Section 7 Payroll Processing,

CASES21 Finance Process Guide
Section 9 Payroll End of Financial Year

For HR policy information regarding recording of attendance, leave records, salaries and Workcover, refer to the *Human Resource Website* at <http://www.education.vic.gov.au/hr>

The Victorian Government Schools Reference Guide contains DEECD policy requirements for employment of staff in Section 6.1 Employment Framework.

9. Contracts

School Councils can enter into contracts for the provision of certain types of services to its school as stated in the *Education and Training Reform Act 2006* and Ministerial Order No 7. The other party to such a contract could be another School Council, a private firm or a government department.

School Councils that are considering entering into a contract are advised to contact the DEECD Legal Office and the Tax Compliance Unit for advice.

10. Canteens

Under Section 2.3.5, Division 3, of Part 2.3 of the *Education and Training Act 2006*, a School Council has the authority to provide meals or refreshment for the staff or students of the school or group of schools in relation to which it is constituted.

The following acts and codes of practice are also relevant to the operation of school canteens:

- Food (Amendment) Act 2001 – Act No. 14;
- National Food Safety Standard.

Canteen services can be provided in two ways:

- a School Council operated canteen; or
- a School Council leased canteen.

The choice between the two methods is a matter for decision by the School Council.

10.1 School Council Leased Canteen

If School Council makes the decision to lease the canteen operations to an external contractor the School Council should adhere to the contract and tendering guidelines outlined in section 3.8.1.

Under this option, revenue to the school should be receipted as a hire of school's facilities. Staff issues will need to be considered as part of the leasing arrangements negotiated between the contractor and School Council.

10.2 School Council Operated Canteen

A School Council operated canteen has the following features:

- The School Council is responsible for the canteen and its policies.
- The School Council is responsible for the employment and dismissal of staff and the ordering and sale of goods for the canteen.
- A delegated officer is regularly responsible for the actual counting of the daily takings.
- Under GST legislation the canteen may be operated as 'input taxed' (see section 3.8.3 for tax implications in relation to a School Council operated canteen).
- Profits are transferred to the School Council.

In this method of operation, the Principal exercises supervision of the canteen and the day-to-day operations are carried out by paid/voluntary workers. A canteen profit and loss statement, prepared at a minimum once per year, will assess that the income from a school operated canteen is sufficient to meet the full costs of maintaining and operating the canteen, including provisions for annual leave, long service leave and any other related costs (see section 3.6 Trading Operations and 10.2.3 Trading Profit and loss statement).

The maximum contributions that could be made to the school for the year from canteen operations would be equivalent to:

- the net profit for the year less any increase in working capital required to operate the canteen;
- the cost of any services met by the school.

10.2.1 Stores

The policies and procedures in section 3.8 (Purchasing) and section 6 (Asset management and stocktake) are also to be adopted for School Council operated canteens, with the exception of the variations and special procedures mentioned below.

Written orders are not necessary for canteen purchases except for those items purchased infrequently such as cleaning materials, wrapping paper, equipment etc. Routine purchases are those required daily (on a seasonal basis) or at short, regular intervals, for example purchases coming under the general heading of cost of goods sold, such as bread, pies, sausage rolls, pasties, fruit, and drinks,

All orders, apart from those covering the type of supplies mentioned above, are to be covered by a written purchase order. It is preferable to have one person responsible for ordering goods to avoid duplication and wastage.

10.2.1.1 Receipt of stores

Where no orders are issued, the person accepting delivery should check the quantity and quality of the goods against the accompanying delivery document (the delivery docket or invoice) and sign the document certifying that the goods have been received.

In the case of deliveries for standing orders, for example milk, the quantity delivered must be checked against the standing order. Any variation from the standing order should be noted and the account, when received, endorsed accordingly.

10.2.1.2 Stock Control

Care and control of canteen stock is essential if the operation is to be efficient and achieve its objectives. Adequate internal controls should be in place to safeguard canteen stock (see section 2 and Internal Controls for Schools, v2, available at: <http://www.education.vic.gov.au/management/financial>)

A minimum system should ensure that:

- All stock listed on invoices or accounts as being delivered was actually received by the canteen.
- Reserve stock is kept to a minimum and kept in a securely locked room under the direct responsibility of the supervisor.

Where the school considers it advantageous, a more detailed system of stock control may be introduced.

10.2.1.3. Stocktaking

Stocktaking is an essential step towards the preparation of the canteen profit and loss statements. It should be performed twice yearly and prior to the preparation of a profit and loss statement (see section 10.2.3 Trading profit and loss statement).

Stocktaking is to be carried out in accordance with the procedures outlined in section 6.10.

A stocktake worksheet should list each item of stock, the quantity on hand and current replacement cost calculated by using the current cost price shown on suppliers' invoices.

The stock on hand as listed on the completed stocktake worksheet is to be used for the preparation of the trading gross profit (stock at beginning and stock at end).

10.2.2 Collections

Sound procedures for the receipt, control and banking of canteen moneys are essential to protect the school and the personnel involved.

10.2.2.1 Cash float

Schools operating a cash float within the canteen for change purposes should adopt the following procedures:

- The amount of the float is to be determined by the School Council and is to be adequate in terms of the size of canteen operation.
- The amount of the float is to remain constant from day-to-day.

The float must be secured overnight and during weekends.

The float should always be clearly recorded on the schedule of daily canteen takings.

At the end of the day's trading, all collections, including the cash change float, are to be counted by two people, wherever practicable. The set change float for the following day is then to be extracted and the remaining cash on hand is to be processed as follows:

- The amount is to be entered in a daily sales book or register, which is to be maintained to record canteen collections, and is to be signed by two people.
- The amount is to be recorded on the bank deposit slip.
- The bank deposit slip and collections are to be forwarded to the administration office for banking.
- The Business Manager is to issue a receipt for the collections and the original is to be affixed to the back of the daily sales book.
- The amount collected is to be banked, and entered on CASES21.

10.2.2.2 Safeguarding collections

Appropriate measures should be adopted to safeguard the daily takings. Where cash drawers are used, the safeguards may include:

- Lockable cash drawers.
- Reserve sets of keys held by the Principal and canteen supervisor.
- A procedure whereby the supervisor locks and unlocks the drawers.
- The issue of a key on a daily basis by the supervisor to the person in charge of the specified drawer.

Where cash registers are used the following procedures are to be used:

- Counting of money is to be completed, one machine at a time, by the canteen supervisor and one other person.
- Checks are to be made to ensure that the takings agree with the cash

register tapes. Where differences appear, they are to be investigated and recorded in a book for the information of the Principal for appropriate corrective action.

- The daily cash register tape is to be retained in the school general office for future reference (for example, a school financial audit).
- After counting the takings, the canteen supervisor and one other person are to sign the cash register tape and the daily sales book.

It is not permissible to cash cheques from collections.

10.2.3 Trading profit and loss statement

A trading profit and loss statement should be prepared for the previous calendar year or more regularly if desired. The steps involved in preparing such a statement are outlined below.

Step 1: Calculate annual sales.

Step 2: Calculate the cost of goods sold for the year as follows:

- Opening stock value at the beginning of the year (shown as closing stock in the previous year's trading profit and loss statement).
- Plus value of purchases of trading stock during the year.
- Less value of closing stock at the end of term 4, as per stocktake worksheet.

Step 3: Calculate the gross profit for the whole year

Step 4: Determine the selling and administrative expenses for the year in the following manner:

- Wages, including holiday pay and holiday loading, paid during year as recorded in the cash book.
- Depreciation and long service leave expenses (if any).
- Other selling and administrative expenses.

Step 5: Obtain the remaining figures in the following manner:

- Contribution for costs not met by canteen. This is the payments, if any, or estimate, of the electricity, gas telephone etc.
- Other income (profit on sale of equipment), amount of profit earned on the sale of equipment (interest), interest earned on canteen reserve investments.

Step 6: Complete a trading profit and loss statement

A sample profit and loss proforma can be found on the Financial Management in Schools website at <http://www.education.vic.gov.au/management/financial/cases21.htm>

11. Other:

11.1 Cooperative Accounts

Under the *Education and Training Reform Act 2006* a school does not have the authority to borrow money.

However, school communities can choose to raise funds through the use of a Cooperative Loan.

A Cooperative is an incorporated body with limited liability registered under the *Cooperatives Act 1996* (the Act). The Act provides for the formation, registration and management of cooperatives of various kinds.

A non-trading government guarantee cooperative may be formed with the objects of providing community services or benefits or for providing amenities or improvements to schools. The Cooperative structure allows groups with a common goal to achieve their aims in a co-operative fashion with a one member, one vote philosophy.

The Act provides that a cooperative may be formed by any five or more adult persons eligible to become members of the cooperative. A registered cooperative has a legal existence which is separate from the individuals who are its members.

A school may not have sufficient funds available to finance improvements it wishes to undertake, such as to buildings, fixtures or grounds or to provide curriculum-related equipment for new projects. While the School Council does not have the authority to engage in any form of borrowing, the school community is able to form a cooperative.

As examples, guarantees have been given by the Treasurer on behalf of a number of cooperatives formed to provide amenities at schools including assembly halls, swimming pools, gymnasiums, tennis courts, ground developments, canteens, etc. Curriculum related equipment could include such things as computers, file servers, networks etc. However, it should be noted that a cooperative loan would not be approved for the purchase of non-durable items such as art & craft materials, stationery etc.

A cooperative loan may be taken out for a maximum of fifteen years. Generally the term of the loan coincides with the useful life of the asset to be purchased e.g. loan for machinery such as computer equipment would be limited to a term of 3 years.

Detailed information and assistance can be obtained from:

CONSUMER & BUSINESS AFFAIRS VICTORIA

Business Services Division,
(Cooperatives)

121 Exhibition St
Melbourne 3000
www.consumer.vic.gov.au
Telephone: 1300 55 8181

Press 1 and then Press 6 for advice on Cooperative loans.

Guidelines and useful documents available from this division include:

1. "Non-Trading Government Guarantee Co-operatives on Education Department Land", March 2001
2. "Application for Government Guarantee of Education Department Land"
3. "Government Guaranteed Loans to Co-operatives: Guidelines for Banks", May 1995

Schools are to record the cooperative loan as a non-current liability on CASES21 and must also record the cooperative bank account associated with the loan providing the cooperative does not have a separate ABN or if the appropriate authority has been received from the ATO to allow for the grouping of ABNs. Forms for Grouping ABN's can be obtained from the Tax Compliance Unit.

Schools must also ensure that cooperative accounts are independently audited on an annual basis as they are not covered as part of the schools' annual external audit.

HOT TIP

Cooperatives are an optional way for schools to raise funds.

11.2 Handover of Financial Information (Change of Principal)

A Principal who is leaving a school for longer than two terms is required to prepare a financial handover statement (refer sample below) as near as practical to the last day of duty. In the event that the outgoing Principal and the School Council President have signed the year's financial statements, the financial statements may suffice as the hand over statement. The books of account are to be balanced as at the date of the handover statement and as near as practical to the last day of duty. The Principal is to ensure that a stocktake has been undertaken of all accountable items and a copy filed in the school's administrative office. This is in order that both officers have a clear understanding of the financial standing of the school at the time of handover.

The procedures for the transfer and promotion of teachers may make it difficult for a direct handover to be effected. However, this problem may be overcome by having the handover statement witnessed by an office bearer of the School Council.

Upon assuming duty the incoming Principal is to:

- verify the correctness of the items in the financial handover statement;
- carry out a stocktake of the major accountable items as soon as practicable, to test the accuracy of the stocktake record prepared by the departing principal;
- file the financial handover statement.

11.3 School Closure/ Merger Financial Arrangements

Schools may close as a result of a Ministerial decision for one of three reasons:

- (a) a quality provision proposal such as reorganisation, merger or closure;
- (b) enrolments declining to less than the minimum allowable for school type;
- (c) a school having been unstaffed for a period of 12 months.

Closure of a school is a process of closing a school permanently and of disposing of the premises, equipment and resources. By definition closure includes unstaffing.

Unstaffing of a school is a process of temporarily closing a school with a net enrolment of less than seven students and arranging for the custody of equipment and care of the site, pending clarification of future enrolments, which will justify either closure or re-opening.

The Regional Director has the responsibility to recommend that the school be unstaffed or closed and that the necessary procedures are carried out. The Regional Director shall see that the appropriate procedures for either unstaffing or closure are affected.

Where the enrolment in a school falls below seven students, or it is obvious that it will do so in the near future, the

head teacher will report the matter to the Regional Director immediately.

If there is a proposal to close a school where there will be more than the minimum enrolment allowable, a quality provision proposal shall be lodged with the regional office.

The ownership of all buildings, furniture and equipment purchased by a school, whether from DEECD funds or locally raised funds, is vested in the Minister, who has authority under the *Education and Training Reform Act 2006 Part 5.2, Section 5.2.6* to sell or lease that property.

Relocation of buildings, furniture and equipment to another school or DEECD location is the responsibility of the Regional Director, acting on behalf of the Minister and Deputy Secretary (OGSE.)

Any sale, loan or disposal of buildings, furniture and equipment by schools must comply with Government directives. A Board of Survey is to be established to inspect furniture and equipment considered to be obsolete, unserviceable or surplus and to make recommendations to the Regional Director concerning the disposal of such stores.

11.3.1 Procedures for Unstaffing of Schools

The Regional Director, after consideration of a report from a head teacher that a school enrolment will fall below seven, may recommend to the Deputy Secretary (OGSE) that the school be unstaffed.

Change of Principal: Financial Handover Statement

School _____

Date of Handover _____

This is a statement of the financial position at the date of handover by

_____ to _____
(Departing Principal's Name) (Newly Appointed Principal's Name)**For All Accounts**

<i>Details of Collections on Hand:</i>	Program	Receipt No's:	Total
_____	_____	_____	_____
_____	_____	_____	_____

<i>Cash book Balances of Accounts:</i>	Account	Balance	Last Chq No.
_____	_____	_____	_____
_____	_____	_____	_____

<i>Details of Investments:</i>	Type of Investment	Amount	Where Held
_____	_____	_____	_____

<i>Details of Commitments Outstanding:</i>	Order No(s)	Total Amount	Programs
_____	_____	_____	_____

Orders issued but as yet not filled: _____*Orders issued, goods supplied but accounts not paid:* _____*Assets:* _____

To the best of my knowledge, the asset registers constitute a true record of accountable items on hand at the school at the date of handover. A stocktake was undertaken on _____ and a copy of the stocktake statement is attached.
(date)

Details of Advances Outstanding, if any:

(All advances must be adjusted and repaid to funds at the end of each school year).

	Amount	Where Held & Custodian
<i>Petty Cash</i>	_____	_____
<i>Canteen Float</i>	_____	_____
<i>Postage Stamps</i>	_____	_____
<i>Other (Specify)</i>	_____	_____

(Signature of the Departing Principal's) (Date)_____
(Signature of Witness) (Date)

The above statement agrees with the financial records of the school at the date of handover.

Assets will be verified by a stocktake as soon as practicable.

(Signature of the Newly appointed Principal or Council office bearer) (Date)_____
(Signature of Witness) (Date)

If necessary or desirable the Regional Director may propose the immediate closure of the school. Where immediate closure is proposed the procedures outlined for closure should be followed.

To facilitate transfer of staff, proposals to unstaff a school should be initiated by the Regional Director as early as possible, but no later than September in the year preceding unstaffing.

Where unstaffing is approved, the Deputy Secretary (OGSE) shall require the Regional Director to temporarily close the school and to implement the following procedures:

- Arrange for the completion of an inventory of all assets including equipment, furniture and fittings and bank accounts. This inventory should include all items on the school asset register and all other equipment. This should be retained in the regional office and must be completed prior to the head teacher being relocated, and prior to the last meeting of the School Council. This inventory should be prepared by a working party composed of an officer from the region, the head teacher or his/her nominee, and the School Council President or his/her nominee. The inventory shall include three lists:
 - for individual items as per the school's Asset Register;
 - for other individual items of value;
 - items of historic or sentimental value.
- Arrange for equipment and furniture to be clearly marked and used in a nearby government school which

has a need, on the understanding that the equipment and furniture will be returned if the donor school re-opens. As far as possible equipment and furniture should be relocated to the government schools receiving the students. The assigned destination for all items should be recorded on the inventory lists.

- Items of historic or sentimental value are to be placed in safe custody or may be relocated after a decision of the School Council endorsed by the Regional Director.
- Inventory lists shall become a part of the school records of the unstaffed school.
- Arrange for the keeping of all school records in the regional office.
- Ensure payment of outstanding accounts, preparation of school financial statements as near as possible to the closure date/last council meeting, arrange with the Corporate Planning, Strategy and Audit Division for the audit of the financial statements, safekeeping of all account books, cheque books and bank statements, and ensure that all excess money is retained in the existing accounts, which shall remain open during the period of unstaffing.
- Ensure that the head teacher arranges for the telephone and power to be disconnected and for the keys of the school to be handed over for safe keeping to the regional facilities unit.
- Ensure the security of the school as far as possible.

- Ensure that appropriate enrolment, transport and other arrangements are made for the students of the school.

- Inform divisional General Managers, Executive Services and the Corporate Planning, Strategy and Audit Division so that records can be adjusted.

- Teachers and ancillary staff shall be given priority for administrative transfer to an existing vacancy, in a school of their choice within the region.

- The Regional Director shall place the notification of the unstaffing of the school in the DEECD monthly magazine – Shine.

- The School Council ceases to function during the period of unstaffing but the membership may be re-established if the school is restaffed.

A school should not remain unstaffed for a period longer than twelve months. Within this time the Regional Director shall make a recommendation to either:

- re-open the school; or
- close the school.

11.3.2 Procedures for School Closure

The Regional Director's recommendation to the Deputy Secretary (OGSE) to close a school may arise as the result of:

- a quality provision proposal;
- enrolments declining to less than the minimum allowable for school type;
- a school having been unstaffed for a period of 12 months.

On receipt of the Regional Director's recommendation, the Deputy Secretary (OGSE) shall seek the Minister's approval.

Where the Minister approves closure, he/she shall revoke the School Council's constituting order and instruct the Regional Director through the Deputy Secretary (OGSE) to implement the following procedures and close the school.

- The Regional Director, in consultation with the Principal/head teacher and School Council, shall set a specified date for closure of the school. The date set should take into account the needs of all interested groups.
- Immediately the decision has been confirmed to close a school, an audit of all financial matters and the asset register shall be completed. A total inventory of all school assets shall be prepared by a working party composed of an officer from the region, the Principal/head teacher or his/her nominee and the School Council president or his/her nominee. The inventory shall include three lists:
 - for individual items as per the school's asset register;
 - for other individual items of value;
 - items of historic or sentimental value.
- All welfare clubs shall be dissolved according to the procedures outlined in *Part 4, Division 1, Regulations 46 and 47 Education and Training reform Regulations 2007*.

- All sections of DEECD shall be notified by the Regional Director of the date of closure and he/she shall also place a notice in the DEECD monthly magazine – Shine.
- Upon notification of closure all sections of DEECD shall remove the school from all computer listings and databases.
- Where the school to be closed has been previously unstaffed, the Regional Director shall notify any government school which is in temporary receipt of equipment and furniture; that this equipment and furniture should now formally be added to that school's inventory, and disperse any other remaining furniture and equipment of the school to a nearby government school which has expressed a need. The original inventory drawn up on unstaffing must clearly show the destination of all items. (Note the special requirements in the introduction for the sale, loan or lease of property outside DEECD.)
- The Regional Director, in conjunction with the Principal (if applicable), shall arrange for the telephone and power to be disconnected and also for the security of the school's records until they are prepared for relocation into DEECD's secondary storage unit. The Regional Director shall be responsible for the maintenance and security of the buildings up to the date of disposal.
- The Regional Director shall prepare and deliver, prior to the date of closure, a submission to

DEECD addressing the future of the buildings and property. The submission shall recommend:

- that the property be retained by the region for a specific regional educational purpose; or
 - that the property be retained for a specific state-wide responsibility; or
 - that the property be disposed of by DEECD. It is the responsibility of the Regional Director to prepare a disposal case for the Facilities Division Property Unit within DEECD.
- As soon as possible after the date set for closure, the Regional Director shall arrange for the disposal of all furniture and equipment, wherever possible, to neighbouring government schools that will be taking the students or, in the case of reorganisation, as required by the Memorandum of Understanding. The destination of all items shall be recorded on the inventory lists, which shall become a part of the school records.
 - Teaching and non-teaching staff shall be given priority for transfer to an existing vacancy in a school of their choice within the region. In the case of closure through reorganisation, staff transfers will be in accordance with current Ministerial Agreements. Staff on leave shall be informed of the closure of the school and shall have the same rights as existing members of staff.
 - The Regional Director, in conjunction with the Principal/head teacher, shall

ensure the payment of all outstanding accounts, including any relevant SRP salary deficits and the banking of all moneys due prior to the date of closure.

All funds unexpended after the payment of outstanding accounts shall be dispersed by the Regional Director in the following priority:

1. To DEECD for the repayment of any SRP salary deficit that may exist; and
 2. To government schools receiving the students from the closed school.
- Where a closing school has a SRP salary surplus that the region wishes to use to pay outstanding accounts or to disburse to government schools receiving the students from the closed school, a submission should be made to this effect to the School Resource Allocation Branch for consideration.

Responsibility for the reconciliation of a closed school's SRP surplus or deficit lies with the Regional Director in discussion with the School Resource Allocation Branch.

As soon as all accounts are finalised all school accounts shall be closed and a final audit of the school accounts shall be completed.

It is the responsibility of both the Principal and school closure coordinator to follow revised procedures in the *Victorian Government Schools Reference Guide* Section 6.29.1.6, the *General Disposal Schedule for School Records* PROS 01/01 and the *General Retention and Disposal Authority for Records of Common Administrative Functions* PROS 07/01.

11.3.3 Historic Artefacts

Historic artifacts may take many forms, including honour boards, textbooks, furniture, pictures etc. All school resources are the property of DEECD and the disposal location of all of these items must be shown in the appropriate inventory lists. Contact the Regional Office for advice.

Prior to the relocation or disposal of any Historical Records, refer to *General Disposal Schedule for School Records* PROS 01/01 section 7.0.0 "Historical Records."

