

SECTION : 9 INCOME

9.1 INTRODUCTION

Even moderate sized schools will handle significant sums of cash and this section is concerned with the principles to be applied to ensure that all income due is collected and accounted for. Ensuring money due is collected promptly is just as important as controlling expenditure.

9.2 MANAGEMENT CONTROL

Cash represents an area of high audit risk. It is most important that the internal controls establish appropriate levels of:

- ⊖ separation of duties
- ⊖ internal check
- ⊖ reporting
- ⊖ strict separation of private funds from official transactions.

9.3 POLICY

Governors should have in place a policy, which addresses credit management and cash collection. The policy should deal with:-

- ⊖ Terms of business.
- ⊖ Extension of credit.
- ⊖ Debt Recovery.
- ⊖ Administration of the income collection process.
- ⊖ Setting and review of charges.

9.4 Income systems should achieve the following objectives:

- ⊖ Approved charges are correctly applied.
- ⊖ Charges are notified promptly.
- ⊖ All income due is properly recorded, collected and controlled.
- ⊖ All income collected is promptly banked in full.
- ⊖ Any invoices raised are issued promptly, payments monitored and reminders issued; (local payments schools) for unpaid invoices after a suitable period.
- ⊖ Procedures are in place to recover outstanding debt.
- ⊖ Adequate separation of duties to ensure that no one person is totally responsible for the whole of any process.
- ⊖ VAT is correctly accounted for.
- ⊖ Separation of private and official funds.
- ⊖ Un-banked cash is kept to a realistic minimum and is adequately secured.
- ⊖ Fully comply with good practice and statutory regulations.
- ⊖ Prevent fraud.
- ⊖ Official moneys are not used for cashing personal cheques.

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9.5 COLLECTION OF INCOME:

This divides into 2 main areas:

- 1) Credit
- 2) Cash

9.6 CREDIT INCOME:

Where the recipient of service (the debtor) is to be given time to pay then an invoice is to be raised in line with the following principles:

9.6.1 Invoicing:

- ⊖ Must only be used where credit terms are appropriate (refer to Governors Policy).
- ⊖ Must be done on the official form and forwarded to the County Director of Resources (LPS schools use an approved alternative):and must meet the following criteria.
 - ♣ Must correctly describe the goods or services provided.
 - ♣ Must correctly account for VAT.
 - ♣ Must correctly identify the debtor.
 - ♣ Must be rendered promptly.
 - ♣ Should not be for small amounts (where ever possible obtain payment in advance)
 - ♣ Set out any special terms.
 - ♣ Comply with the Consumer Credit Act 1974

9.6.2 Credit Control:

- ⊖ Payment **in advance** is the preferred method of payment for all goods and services.
- ⊖ Credit facilities should only be granted to creditworthy debtors.
- ⊖ Low value debt is often difficult to recover so where ever possible obtain payment in advance
- ⊖ A system must be in place to monitor debt and its recovery.
- ⊖ Debt may not be written off without suitable approval.

9.6.3 Cash

Cash income (including cheques or credit card transaction) is normally receipted **whenever** cash changes hands.

9.6.4 Receipts

- ⊖ Must use the designated official receipt.
- ⊖ Must be issued at the time money changes hands.
- ⊖ Must be correctly completed to identify cash, cards and cheques separately.
- ⊖ Must be correctly completed to show VAT where appropriate.
- ⊖ Cheques should be supported by a guarantee card.

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There are exceptions to this rule but these are conditional upon adequate subsidiary records being kept. Specific exemptions to receipting of income where approved subsidiary records exist include

- ⊖ Payment of debtors invoices by cheque (but a remittance record must be kept).
- ⊖ School Meals.
- ⊖ Private Telephone Calls.
- ⊖ Coin operated telephone boxes.
- ⊖ Classroom Sales (where Class Collection lists are in use).
- ⊖ Photocopying & Fax Sales.

9.6.4.1 Banking

There is a balance to be struck between incurring banking & cash collection charges and not holding large sums on school premises. Administrative guidelines are issued from time to time.

9.6.4.1.1 Principles:-

- ⊖ Avoid cash accumulating over recommended limits
- ⊖ Do not keep cash in classrooms.
- ⊖ Keep cash (including cheques) in a safe whenever possible (see Section 10 Security and Insurance).
- ⊖ Bank in accordance with the administrative guidelines.
- ⊖ Use cash collection services where available, otherwise;
 - bank at different times,
 - use different routes,
 - escort large sums.
- ⊖ use only the official banking slips,
- ⊖ identify cash and cheques separately,
- ⊖ stamp cheques on reverse with school stamp and/or number code clearly,
- ⊖ identify payment for debtor's invoices separately.

9.6.4.2 Income for Goods and Services

School income is derived from a number of sources; Governors should have policies in respect of the following areas;

- ⊖ Lettings
- ⊖ Music Tuition
- ⊖ Camps and courses
- ⊖ Materials used in lessons & activities

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⊖ Other activities which may include;

- ♣ secondments,
- ♣ advertising ,
- ♣ sponsorship,
- ♣ external funding e.g. National Lottery

In all cases Governors should set and publish their scale of charges including the applicability of VAT. The clarity of Governors' published policies and scales of charges will play an important part in ensuring that charges are correctly raised and collected promptly.

9.6.4.3 Additional Information

More information may be found in the following references:-

- ⊖ The Scheme for Financing of Schools
- ⊖ Financial Regulations.
- ⊖ Education Lettings Policy Document (BR11).
- ⊖ Guidelines for Governors and Headteachers on charges for school activities.
- ⊖ Other Sections of this manual.
- ⊖ Revenue Section guide to Best Practice Guide for Income & Debt recovery