



FINANCIAL MANAGEMENT

Purchasing and Procurement

SEPTEMBER 19

London Borough of Haringey
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Haringey
LONDON

Purchasing and Procurement in Schools

“Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives”

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Notes:

ESFA – Education & Skills funding Agency

DfE – Department for Education

LA – Local Authority

VFM – Value for money

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Issue No.: July 2019 v1.1
Next Review: August 2020

INTRODUCTION

Schools Financial Regulations set out the internal controls and procedures to be followed by schools when placing orders for works, supplies, goods and services.

The manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

In any case where conflict is perceived between this manual and the schools' financial regulations then the regulations will apply.

If a school has difficulty in interpreting the regulations or this corresponding financial manual, they should contact Haringey Schools Finance Team. Sections 45-53 of the School Standards and Framework Act 1998, the annual School Finance (England) Regulations and elements of the Haringey Scheme for Financing Schools also contain regulations supporting this section of the Schools Finance manual

It is best practice to:

- Introduce and review procedures relevant to type and value of purchases
- Maintain a list of approved major and regular suppliers which should be reviewed regularly
- School Governors to establish a policy for tendering

Integrity and Control

Schools will issue orders for the purchase of goods and services which will be paid for with public funds. Governing Bodies therefore need to maintain the integrity of public money through the maintenance of strong systems of control and must also be seen to do so. This entails the following four aspects:

- Probity
- Accountability
- Value for money
- Transparency

The procurement decision and placing of orders is at the very start of such control arrangements and if not fit for purpose can easily result in waste, loss or even

fraud. The Local Authority's Procurement Service is available to assist schools with any aspect of their procurement procedures and supply a Procurement Manual.

Conflicts of Interest

There should be no personal conflicts of interest in the whole procurement procedure. Should a conflict of interest become apparent it should be declared to the Governing Body, who must decide what action to take.

If an individual has an interest in a purchasing decision, then they should take no part in the decision itself or the resulting transaction.

School Official Orders must not be used to obtain goods or services for private/personal use.

Value for Money

The Purchasing Officer must seek to obtain value for money in all purchasing decisions. The Procurement Manual gives guidance in this area.

Obtaining value for money means taking steps to ensure that purchases are economical, efficient and effective for as long as they are needed to last.

Value for money does not necessarily translate into the cheapest purchase price. Other dimensions of a potential purchase should be considered such as appropriate quality, time utilised in pursuing cost savings, suitability, delivery date, credit terms, reliability of supplier, financial position of supplier and supplier relationships.

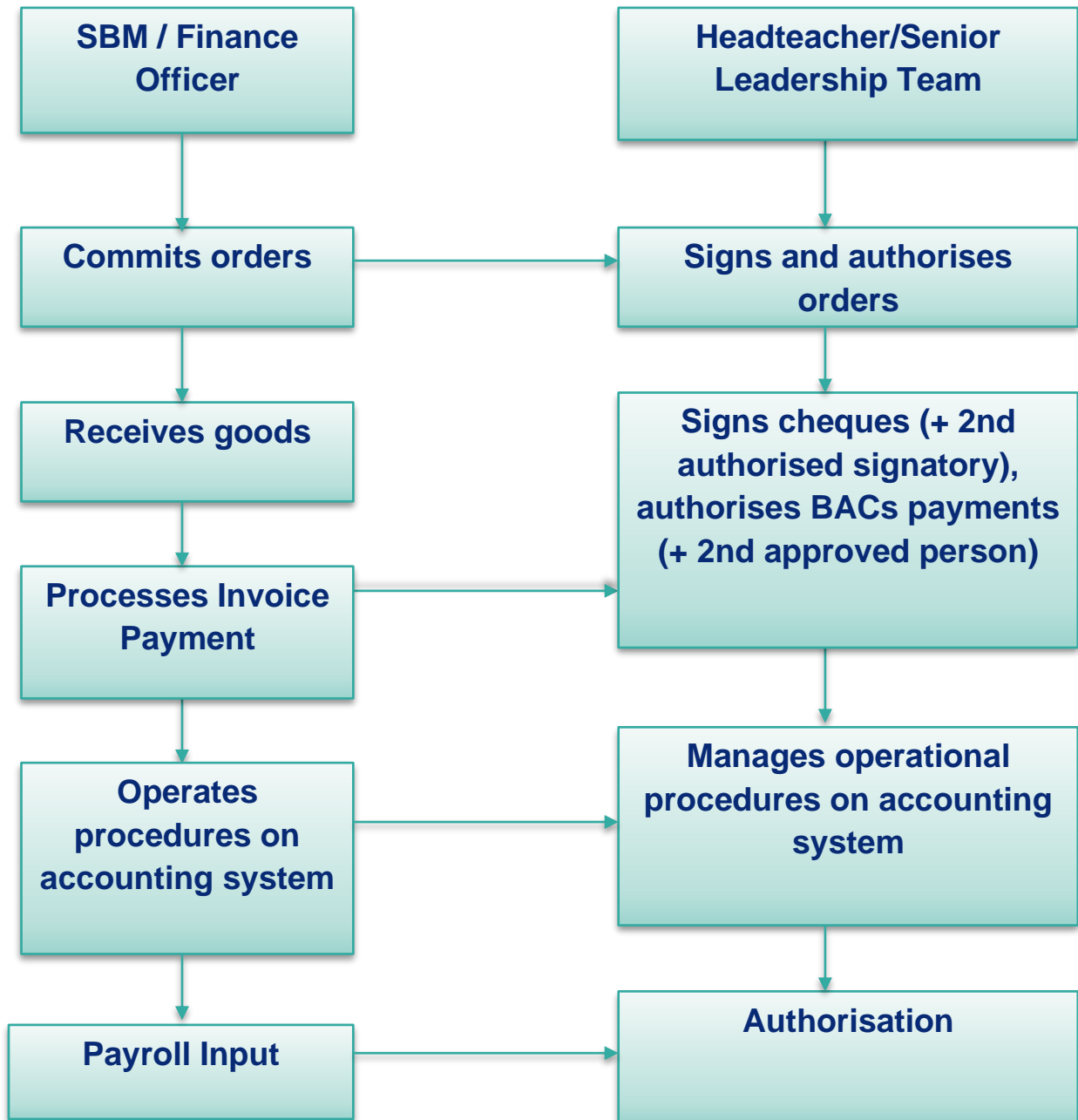
Security of Ordering System

- Only system generate purchase orders number to be send to the supplier either by post of by email.
- Only authorised officials can download or print the purchase orders from the accounting system.
- Limit levels of access to finance software as relevant to the responsibilities of the authorised staff.
- Ensure segregation of duties is in place and complied with.

SEGREGATION OF DUTIES

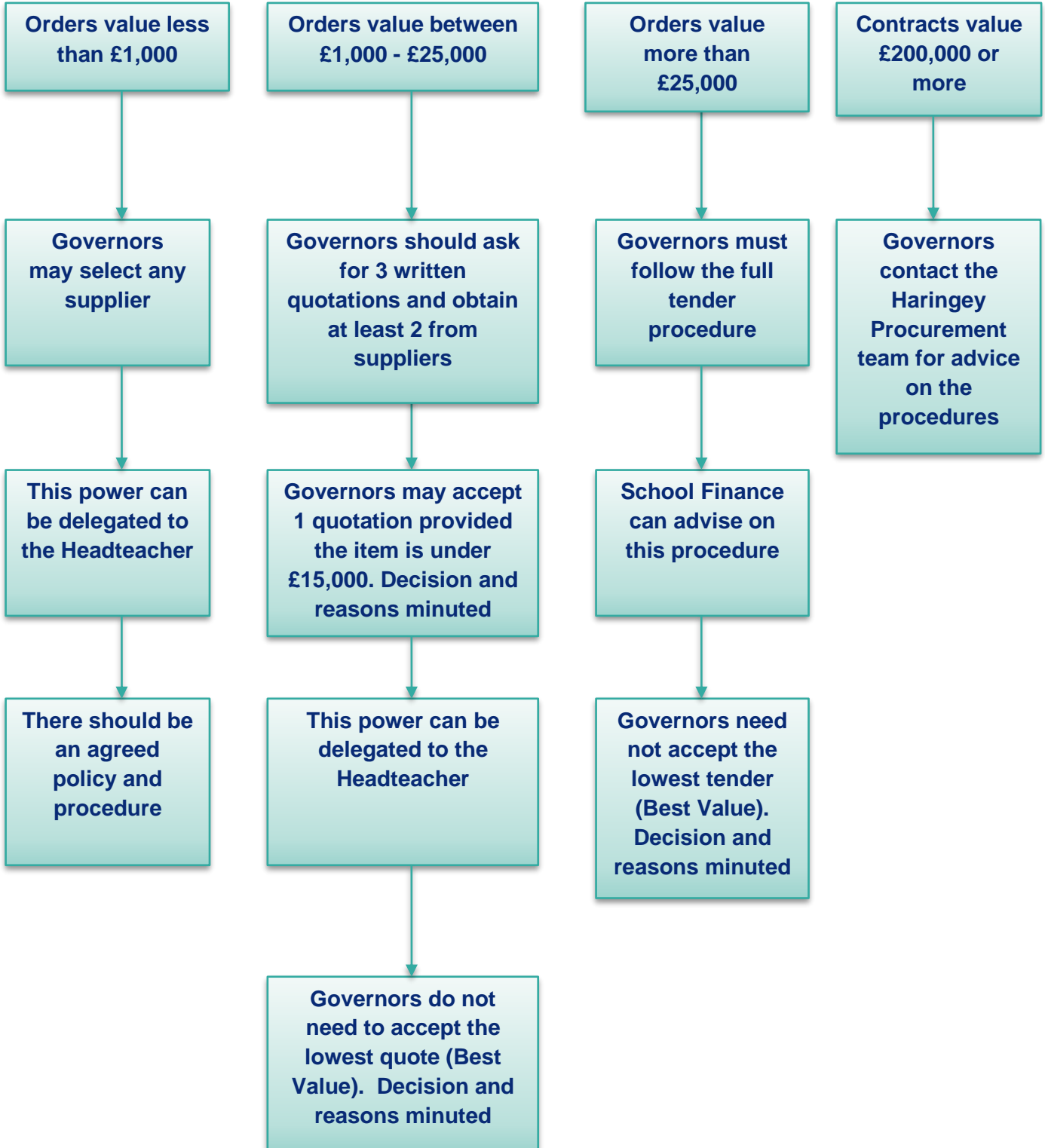
- The size of school and staffing arrangements will affect the segregation of duties
- One person should process and record various functions (they may have no authority to authorise these processes)
- Other person/persons authorise the processes

Possible scenario for segregation of duties

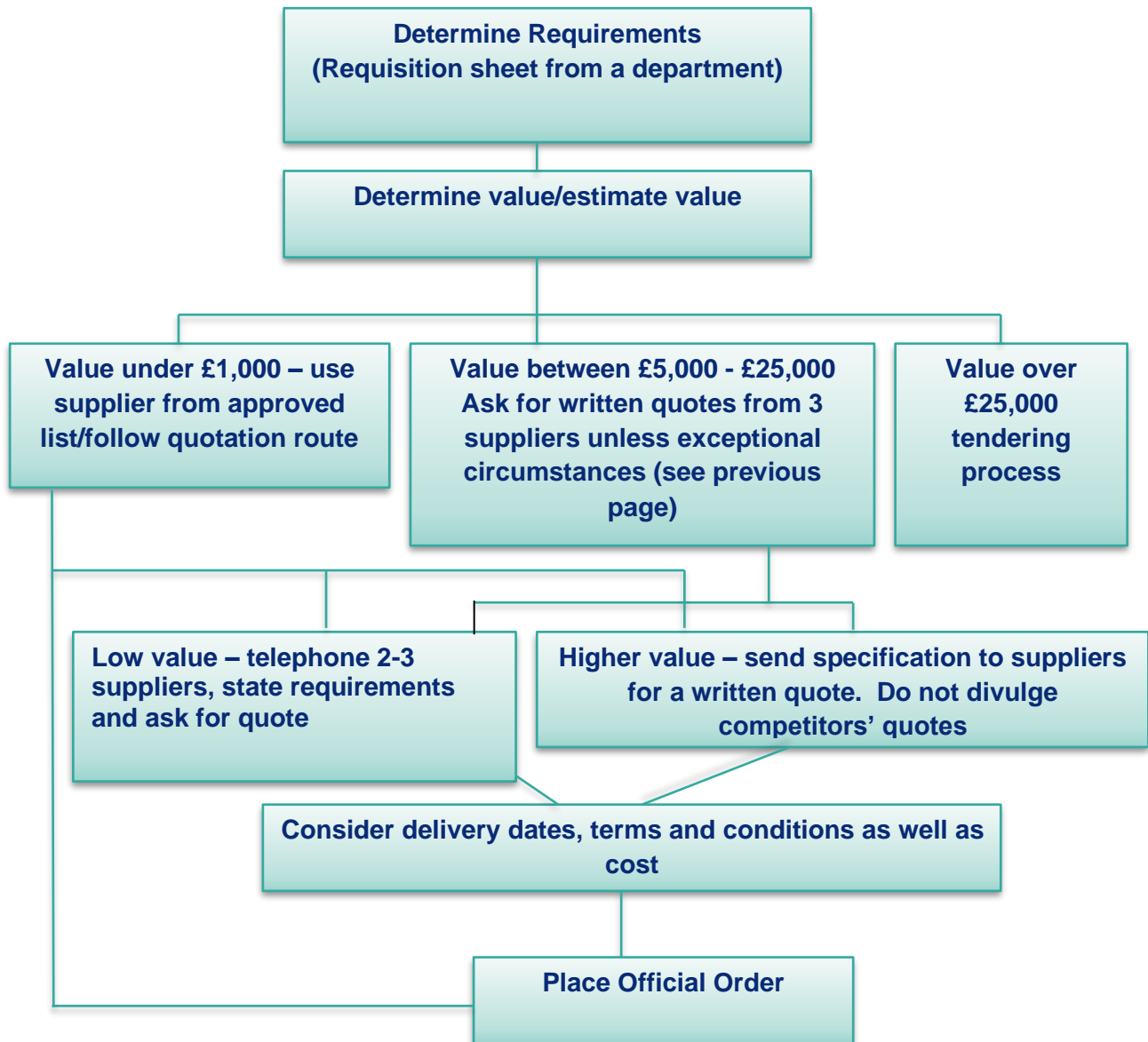


PURCHASING AND TENDERING PROCEDURES

The value of the order dictates the purchasing route that the school needs to take to comply with legislation.



Various costing routes



Outsourcing

Outsourcing is contracting out of non-core functions of schools to a specialist provider to achieve value for money and effectiveness of the function.

As schools search for cost-effective and cheaper ways of working, handing over their non-core functions to lower their overall cost of function, they should also consider the risks associated with the contract.

Any contract involves the transfer of people, processes and assets, schools must contact their HR support and Haringey's Schools Finance for operational and financial implications of such function before the contract is awarded to the third-party provider.

PROCEDURES FOR ORDERING RESOURCES

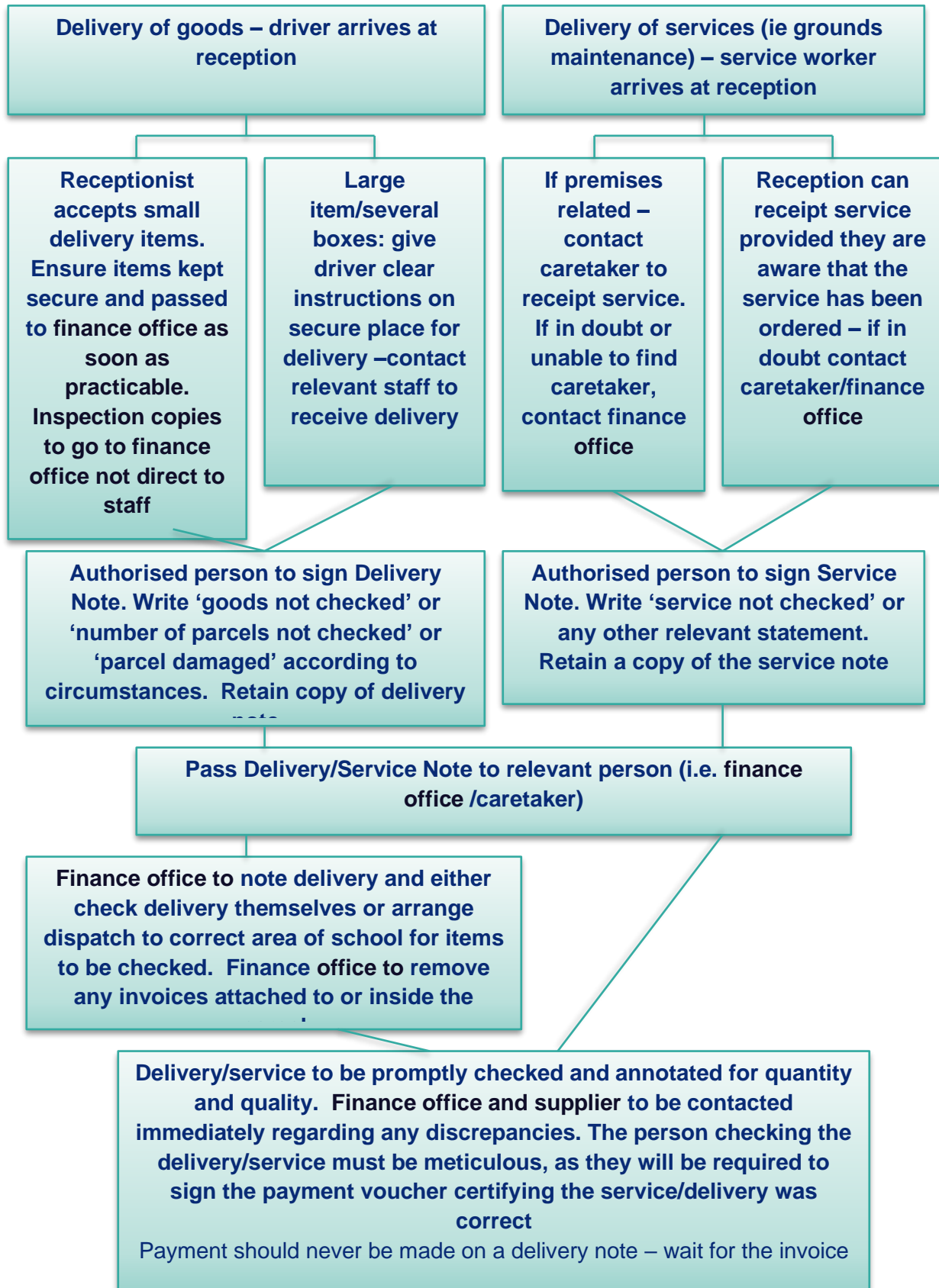


Procedure

- Requisition and Purchase order (PO) numbers are system generated. PO number can only be available once all authorised personnel have approved the requisition.
- Staff to complete a purchase order request form, including supplier's name, address, code, and description of product, cost and number of items required. If you are unsure of which suppliers to use, please contact finance team for assistance.
- Orders must be in line with the agreed school budget and there must be sufficient money in the relevant budget to cover the cost of the proposed purchase.

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- The school will only order items for school use, all items officially ordered belong to the school.
 - The member of staff responsible for authorising expenditure from the relevant department/budget must approve and sign the requisition form by email or on paper.
 - Approved requisition forms to be passed to the finance team for processing.
 - The School Business Manager will check prices, terms and conditions and delivery date. It is the duty of SBM to ensure that best prices are obtained.
 - The school administration office will commit the order to the finance system and produce a printed order, with an official order number.
 - Only an authorised person can sign the order (please remember segregation of duties).
 - The School Business Manager may make telephone, fax or internet orders, provided step 6 has been taken. Where practicable a telephone order should be confirmed by a written order.
 - The requisition form will be returned to staff, indicating the date the order was sent and its official order number.
 - Other than exceptional circumstances and with prior agreement from the Headteacher staff cannot order or purchase items without an official order number.
 - Request for inspection copies must be made via the School Business Manager to avoid problems incurred when the school is invoiced and there is no record of an inspection copy having been requested or received.
 - Please be aware when ordering inspection copies that suppliers may charge handling costs which will be credited against the department budget. It is usually possible to negotiate the removal of the handling costs prior to ordering the inspection copies. This would be a task for the finance office.

Receipt of Goods and Services



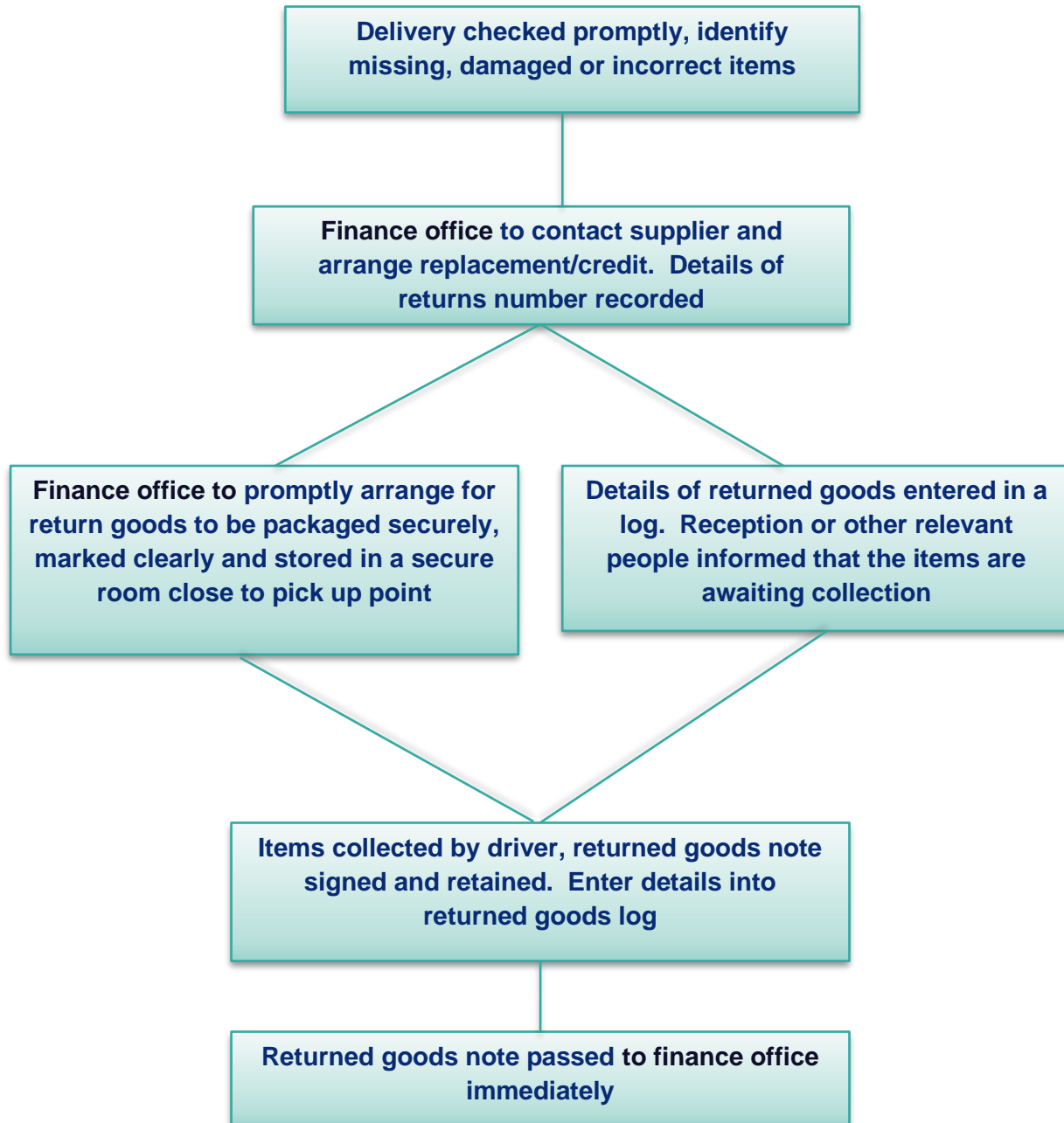
Receipt of Goods

- Delivery notes for items accepted at reception must be signed by the authorised person receiving the goods and a copy retained. Please annotate whether the items were checked, not checked, parcel damaged etc.
- The delivery note and goods must be kept secure and passed to the school administrator as soon as practicable.
- All inspection copies must go the school administrator for their records; the school administrator will distribute the inspection copies to staff.
- School Business Manager to note the delivery.
- School Business Manager to check for any invoices that are in or attached to parcels.
- School Business Manager to check the delivery is correct or dispatch the delivery to the relevant department for checking.
- Deliveries must be checked promptly by the relevant person and the delivery note annotated regarding quantity and quality of goods. The person checking the delivery must be meticulous.
- Any discrepancies, damaged items or incorrect items must be notified to the school administrator immediately.
- Payment should never be made on a delivery note – wait for the invoice.

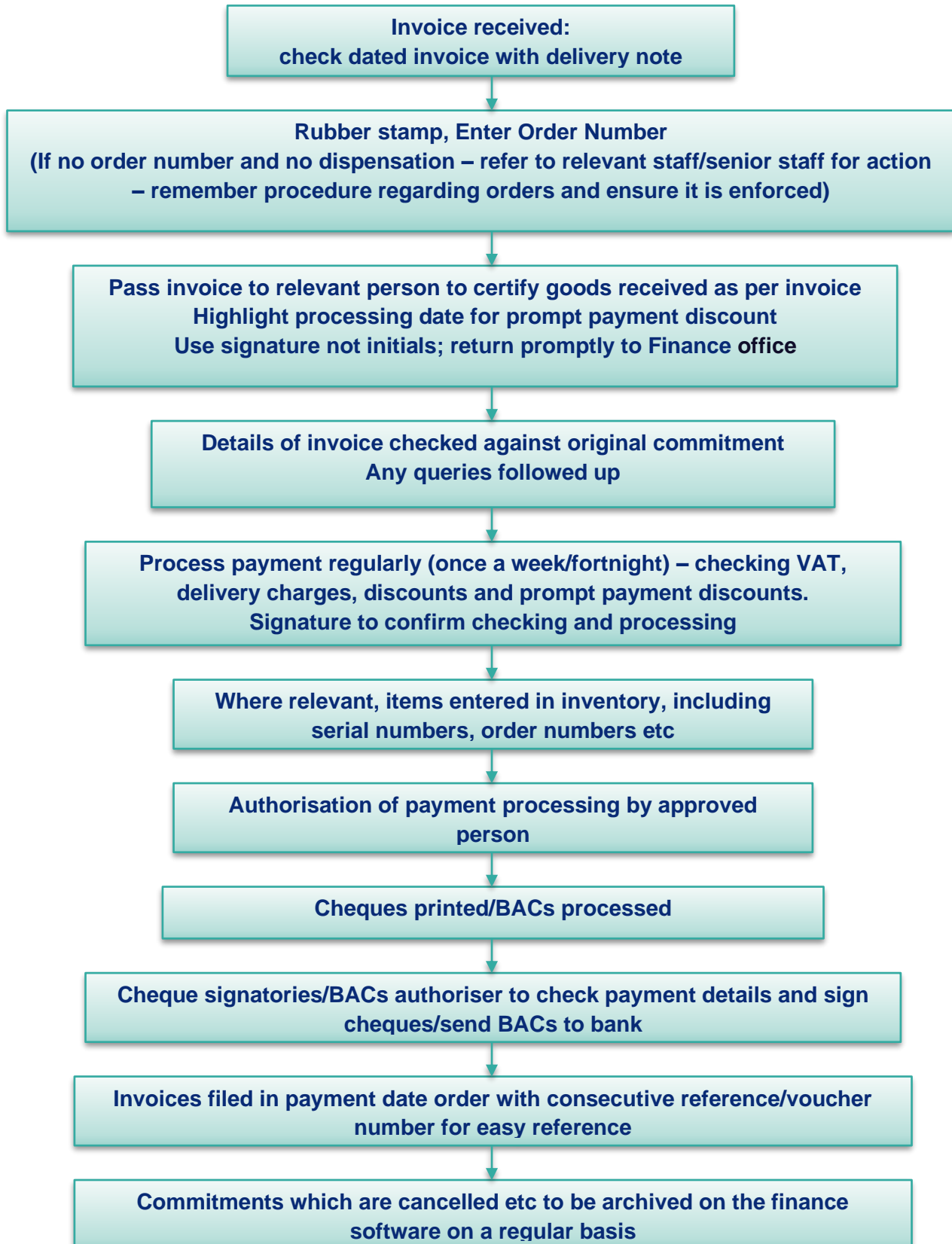
Receipt of Services

- Service notes should be signed by the relevant authorised person. In the absence of the relevant person, any of the above in item 1 may sign the service note provided they are aware that the service has been contracted by the school. Please annotate that the contractor was on site, but the service has not been checked.
- Pass the service note to the School Business Manager.
- Services must be checked promptly by the relevant person and the service note annotated regarding quantity and quality of service. The person checking the service must be meticulous.

Returned Goods



PURCHASE INVOICE PROCESSING



Invoice Processing

- Purchase invoices should be matched against a delivery note
- Invoices must be checked for accuracy
- Segregation of duties must be maintained
- Only authorised staff should carry out the payment process
- Suppliers' statements should be regularly reconciled to outstanding invoices
- Invoices must relate to official orders. If this is not the case, they should not be paid unless dispensation has been made to the staff who ordered the items
- VAT regulations must be complied with (where applicable)
- Schools must be aware of the Construction Industry Tax Deduction Scheme
- Schools must be aware of Inland Revenue Tax requirements

Checking Invoices

- Segregation of duties must be adhered to
- A voucher providing a checklist for invoice approval and payment should be attached to the invoice (this can be a slip of paper or a rubber stamp)
- Only authorised staff can sign the voucher
- Initials are not sufficient; a full signature should be required
- Details of invoice must be checked against order commitment
- Check VAT details
- Check delivery charges
- Check prompt payment facilities or discounts, note date by which payment must be processed to be able to claim the discount

Paying Invoices

Provided all the above checks are correct:

- Enter details of invoice against original order commitment
- Check payment due is the same as that shown on the software
- Only authorised person to approve payments
- Print/write out cheques or progress BACs payments
- Authorised cheque signatories or BACs approvals to check payment details before signing cheques or authorising payments
- File invoices in date payment order (with consecutive reference/voucher no)

Processing of invoice

- Payments must only be made on invoices. Delivery notes and hand written notes are not acceptable. If the original invoice has been lost, the copy invoice must be clearly marked 'copy'.
- Payments will only be made on invoices which relate to official orders. Staff, who have purchased items without an official order, unless they have obtained prior dispensations as described in order procedures, may be responsible for payment for such items.
- VAT can only be claimed on VAT invoices.
- VAT can be claimed on credit card purchases provided a valid VAT invoice has been obtained which identifies the school as the customer. VAT cannot be claimed where the employee is shown as the customer.
- Payments must comply with the Construction Industry Tax Deduction Scheme.
- Payments to personnel must go through payroll to ensure the HMRC legislation is complied with. Self-employed people who can prove that they are registered with the Inland Revenue are excluded and can be paid direct. Self-employed people must sign a statement agreeing that they will declare all payments from the school to the HMRC.
- All invoices to go to the School Business Manager in the first instance

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- School Business Manager to cross reference invoice with commitment and rubber stamp the invoice with details of official order number etc completed
 - If no official order and no prior dispensation for purchasing without an order number, finance office to return invoice to relevant member of staff. A senior member of staff may be required to be informed and to deal with the issue.
 - Invoice, with rubber stamp to be passed to relevant person to certify goods received as per the invoice. Certification must be by signature, not initialled. Invoice returned to School Business Manager.
 - The School Business Manager to check prices of invoice with original commitment, queries to be made to the supplier as soon as possible.
 - Enter relevant items into inventory.
 - Invoices to be processed on a regular basis by authorised person, with careful account made to VAT, delivery costs, prompt payment discounts and other discounts. Rubber stamp to be certified by a signature certifying the process has been completed.
 - Separate approved person to authorise payments, signature to certify action.
 - Cheque signatories/BACs authorisers to check invoices before signing cheques/authorising BACs payments. Signature to certify action.
 - Paid invoices to be filed in payment date order with consecutive reference/voucher number.
 - For detailed information on VAT refer to VAT procedures

Credit Notes

- Credit notes should be processed like negative invoices, their value being set off against an invoice