

**Audience: All LA Maintained Schools**

**Cascade to: Headteachers and Chairs of Governors**

## **SCHOOL PURCHASING - AUDIT FINDINGS, REQUIRED ACTIONS & GUIDANCE**

Veritau, the local authority internal audit service provider, has recently completed a themed audit on purchasing procedures in North Yorkshire local authority-maintained schools.

The purpose of this audit was to provide assurance that procedures and controls within the schools ensure that:

- Purchases are made using purchase order forms, which have been authorised in accordance with delegated authority.
- School purchasing cards are used appropriately i.e. strictly for school related items, and usage is recorded and independently reconciled.
- VAT is managed and / or recovered correctly against expenditure.
- Purchases made by staff using personal money, for later reimbursement, are restricted and managed appropriately.

### **KEY AUDIT FINDINGS & ACTIONS REQUIRED:**

1. **Purchase Orders** – there is insufficient evidence that purchase orders are being raised before the spend is committed to the transaction, running the risk that schools commit to expenditure before monitoring their budget resulting in an overspend and/or commit to a fraudulent purchase.

**Required action:** Schools are reminded that purchase orders form a key financial control within the budget management process and fraud prevention framework. Purchase orders must be raised and authorised before any expenditure is committed. Schools are reminded of the importance of adhering to the authorisation process for purchase orders, whereby delegated authorities within the school review the appropriateness of the proposed purchase, confirm that sufficient budget is available and ensure best value has been achieved. When used correctly, purchase orders provide prior approval, clear documentation of purchase details and a transparent basis for matching invoices to goods received. This helps prevent overbilling and reduces the risk of paying for goods not received.

Maintaining a clear audit trail makes fraudulent activity targeted at schools easier to detect. Properly issued purchase orders provide schools with a unique reference making review of documentation clear and easy to conduct. In cases where an invoice is received without a corresponding purchase order recorded in the school's system, the validity of the invoice should be immediately questioned. Schools are therefore reminded of the importance of remaining vigilant to potential fraudulent invoices and

ensuring they have a clear system in place which makes checking the legitimacy/validity of an invoice an easy process for all.

For more information on good practice surrounding purchase orders, you may wish to consult the 'Purchase Orders – A Good Practice Guide' listed under the 'Further Guidance on Purchase Orders' section below.

- 2. Use of Purchasing Cards** –there is insufficient evidence to demonstrate that schools are maintaining a record of purchase card transactions, retaining proof of purchases and independently reconciling them. Some inappropriate usage of the school purchase cards was found.

**Required action:** Schools are reminded of the requirement to maintain a transaction log of purchase card usage. Transaction logs should be completed by the card user to enable a check of accuracy on receipt of the monthly bank statement. An independent verification should then follow conducted by a second member of staff. A transaction log template is available under the 'Further Guidance on the Use of Purchasing Cards' section below.

Schools are also reminded of the expectations regarding appropriate use of a purchase card. Purchase cards must only be used for legitimate, work-related goods that benefit the school and supports the educational needs of pupils. They must never be used for personal transactions, nor for the purchase of alcohol or gifts. These requirements are clearly outlined in the 'Purchase Card – Employee Agreement Form' (link provided in the further guidance section below). Purchase cards are also strictly only to be used by the card holder assigned.

Furthermore, before using a purchasing card and recording the transaction, staff are advised to seek prior authorisation from the School Business Manager or Headteacher. This will ensure that expenditure is assessed against the school specific / pupil benefit criteria and that sufficient budget is available before any commitment is made.

As outlined in the 'Purchase Card – Employee Agreement form', misuse of the purchase card will be treated as gross misconduct and may result in disciplinary action and the use of the card can be suspended at any time.

- 3. Timeliness of Payments** – There are instances where schools are not paying for invoiced charges within 30 days, running the risk of reputational damage and relationships with suppliers, incurring additional costs from late payment fees or less favourable quotes.

**Required action:** Schools are reminded of the importance of paying supplier promptly; as failure to do so can lead to the issues identified above. Therefore, schools must adhere to the payment terms stated on the invoice and ensure invoices are paid by the specified due date.

It is advisable that school have an effective system in place to ensure timeliness of payments. For example, the diagram below illustrates the designated roles and responsibilities of staff involved in the authorisation and payment of an invoice:

Process	Member of Staff Responsible in:	
	Large School	Small School
Placing and signing orders	Head of Dept / School Business Manager	Headteacher
Checks on satisfactory goods and services	NOTE - Person receiving goods or services should not be the person who signed	
Checking Invoice	Finance Assistant	School Administrator
Authorisation of Invoices	Headteacher / Deputy	Headteacher / Deputy
Cheque Signatories / BACS authorisation	Any two from: Headteacher, Deputy Head, School Administrator, School Business Manager, School Bursar	

Schools may wish to adopt a similar system to support timely processing and payment of invoices.

For more information on good practice relating to purchase orders, please refer to the 'Purchase Orders – Good Practice Guide' listed under the 'Further Guidance on Purchase Orders' section below.

- 4. Supplier Insurance** – Some schools are not requesting or retaining supplier insurance details. This is problematic if the school hired a contractor who is uninsured as the costs of any damage to property caused by the supplier may have to come from the school budget.

**Required action:** Schools are reminded to request and retain insurance details from suppliers providing services on site to confirm they have their own public liability coverage. For suppliers with longer term contracts, insurance details should be recorded in a schedule and new copies should be requested to confirm the supplier has renewed their coverage when expiration dates are reached. Schools should therefore check to ensure they have the suitable level of supplier insurance in place.

- 5. Expense Claims** – Poor expense management can result in inappropriate claims being approved and financial loss.

**Required action:** Schools are advised to move away from the use of staff reimbursements and petty cash for the purchasing of low-cost goods. The use of formal purchasing routes or school purchasing cards for procurement of low-cost goods is considered best practice. All purchases should have the required approval prior to being made.

## **OTHER RELEVANT GUIDANCE ON PURCHASING PROCESSES & REQUIREMENTS**

### **Further Guidance on the Use of Purchasing Cards:**

The following documents are available on CYPS Info ([CYPS info](#)) to support schools in ensuring that the required purchasing procedures and controls are in place.

## 1. [Purchase Card – Employee Agreement Form](#)

Please note that all cardholders must have a completed employee agreement form in place before they are permitted to use a card. The completed form must be retained by the school.

## 2. [Purchasing Log Template](#)

Please note that a purchasing log must be completed every month for all cards held by the school.

### Requirements of Use:

Purchasing cards must only be used by the individuals that they are issued to in order to maintain accountability, ensure accurate financial tracking, and reduce the risk of misuse or fraud.

Individuals in possession of a purchase card must ensure that expenditure is kept in line with their card limit agreement (this amount was agreed and stated when signing the card user agreement/declaration form).

The form details the credit limit per transaction, per month for the individual and outlines the requirements for cardholders. The declaration states that only the named cardholder may use the card, the individual is personally responsible for the safety and security of the procurement card and pin. The form outlines that the card should not be used for personal transactions or the purchase of alcohol and must only be used for school/educational purposes.

The form also notes the importance of obtaining valid VAT receipts and a transaction log for purchases for check and reconciliation purposes.

North Yorkshire Council would urge individuals in possession of a purchase card to consult their declaration if they have any doubts about spending limits or usage terms.

### A note on Starters and Leavers

Employees being set up with a new purchasing card must sign and adhere to the terms of the Employee Agreement Form and the Card User Agreement Form obtained from CYPS info under the '[Procurement and Best Value](#)' section. If a member of staff leaves the organisation, all purchasing cards issued in their name must be returned and accounted for. Returned cards must be cancelled and destroyed to ensure that they cannot be used inappropriately. Please note a card must not be transferred from one person to another. A new application must be submitted for each individual requiring a card.

### **Further Guidance on Purchase Orders:**

[Purchase Orders - A Good Practice Guide](#)

## **GENERAL UPDATES**

### **Bank Mandates:**

Schools are requested to ensure that bank mandates are up to date and the necessary members of staff have access to the banking platform / website. In the event of sickness, leave and unforeseen circumstances this ensures that invoices can still be paid on time, avoiding late fees and ensuring good relationships with suppliers.

In order to provide resilience in the payments process, it is advisable for schools to have at least three members of staff with set up on the bank mandate to authorise payments. This would normally be the Head Teacher, the Deputy Head Teacher(s) and the School Business Manager or Secretary. In the event that a signatory on the bank mandate leaves the school it is important that the bank mandate is updated, and member of staff removed, whilst ensuring the minimum number of signatories (three) is maintained.

### **Related Party Transactions (RPT):**

Schools must be aware of related party transactions to ensure that any goods, services, or arrangements involving individuals or organisations with a close connection to the school are transparent, properly declared, and subject to appropriate approval and value-for-money checks.

All RPT should follow an appropriate procurement process, for example, where the estimated cumulative expenditure with a single supplier is less than £30,000, a minimum of three quotes should be sought. If this is not possible, for example the product or service is very niche and no other providers can give a quote, then this must be noted, and a Best Value form should be completed. All RPT should also be approved by Governors. For further guidance please see the 'Best Practice Guidance for Related Party Transactions' [LINK](#).