

## **EARLY EDUCATION**

### Financial Good Practice for Early Years Providers

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#### **Statement of Accounts**

To enable Committee members to make sound financial decisions;

- Present audited accounts to the committee annually
- Record this in the minutes of the meeting
- If a Charity, return a copy of the accounts to the Charity Commission.

These practices, along with robust financial controls such as separation of duties, will help to ensure a sound financial system is being maintained.

#### **Supporting documentation**

To ensure that accounting records are complete and accurate;

- Your audited accounts should include full statements with details of income and expenditure and bank balances
- Supporting documents i.e. invoices, bank statements should be kept in a secure environment and retained for 6 years
- Cash book formulae should be regularly reviewed for accuracy.

#### **Committee minutes**

To enable Committee members to make sound financial decisions;

- Financial reporting content/format and frequency should be agreed and minuted by the committee members
- Reports should be up to date, reconciled to bank balances and supported by bank statements.

#### **Accounts**

To enable completeness and accuracy of accounts;

- The year end balance in audited accounts should be used as the carry forward figure for the statement of accounts for the following year
- Adequate information should be included to support the figures in the income & expenditure account.

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#### **Income**

To enable discrepancies to be traced, reduce the risk of fraud and to ensure income can be easily traced to banking;

- The cash book should be checked and reconciled to the bank statement regularly
- Prime income records should provide adequate details
- Income should be banked promptly & intact
- Bank paying in books should be completed fully with details of income
- Receipts should be given for all income.

#### **Expenditure**

To reduce the risk of errors or omissions which may increase the risk of fraud;

- All expenditure should be properly authorised by someone in a position to check and confirm payment is due
- All expenditure should be supported by invoice/receipt to enable checking against order, delivery and payment
- All cheque expenditure, and cash withdrawals, should be recorded in the cashbook and cross-referenced to the cheque number
- A system should be agreed by the Committee for one off expenditure of expenditure above a set limit.

#### **HMRC**

To enable the Committee to ensure the HMRC requirements are met and to avoid tax penalties;

- Employees should have a proper contract of employment
- Details of the setting need to be registered with Inland Revenue before salaries can be calculated and paid
- Deductions of income tax, national insurance etc should be taken from employee's gross salary and paid to the Collector of Taxes accurately and on time
- All official Inland Revenue documentation such as P45S, P60S and P11ds must be issued at the appropriate time.

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#### **Petty Cash**

To reduce the risk of errors which may increase the risk of fraud;

Petty cash procedures should be in place as follows:-

- A maximum cash balance of £50
- Only authorised staff have access to petty cash
- All expenditure should be properly authorised with supporting documentation (i.e. invoice or receipt) for all expenditure. A petty cash receipt book should be used to record all cash payments and cash put into the petty cash tin
- An independent, authorised person should make regular spot checks of the petty cash float
- The petty cash should be regularly reconciled to ensure the cash float held is the same amount as shown in the petty cash records
- The petty cash tin should be stored in a secure place, with limited access to the keys.

#### **Bank Reconciliations**

To ensure accounts are complete and accurate and to reduce the risk of fraud as a result of undetected errors;

- The bank reconciliations should be carried out on a monthly basis
- Providers must arrange to obtain bank statements every month and check these against cheques paid and income received. Any discrepancies must be investigated.

#### **Assets**

To ensure the detection of unauthorised disposal of assets or loss of equipment;

- An asset register should be maintained detailing significant equipment and capital items. The detail should include:-
  - Date of acquisition
  - Description, including unique identification mark such as serial number
  - Cost
  - Location of asset
  - Details of disposal or write-off.

This register should be kept up-to-date.

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#### **Parent/Carer Claim forms**

- Parent/Carer claim forms are mandatory and should be completed and signed for each claim period
- The form should be retained to avoid future disputes.

#### **Guidance documentation**

Providers should retain a copy of the Statutory Guidance for reference.

**Should you require any further assistance please contact:**

#### **Early Years Finance Team**

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