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CASH HANDLING POLICY

Overview

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.

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Schools should ensure that they comply with the Centralised Treasury and Investment Policy. This policy centralises the borrowing and investment powers of state entities with the State's central finance agencies, Treasury Corporation of Victoria (TCV) and Victoria Financial Management Corporation (VFMC). The policy and associated frequently asked questions can be accessed on the [Department of Treasury and Finance](#) website.

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 on the [Financial Management](#) website:

- Summary of Financial Commitments Statement resulting from accumulated funds and budgetary considerations in line with school strategic plan priorities
- School Cash Reserve Benchmark which reflects an average of two months of actual school expenditure for the calendar year adjusted for asset write-downs and buildings and grounds expenditure, or \$10,000, whichever is greater. The benchmark figure is calculated automatically in the Financial Commitment Summary worksheet.

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.

Bank Accounts

All school council bank accounts, except the High Yield Investment Account, 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 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.

All school council bank accounts are to be maintained on CASES21 Finance and regular (monthly) financial reports provided to school council. Each bank account must be reconciled each month and audited in accordance with Department policy.

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.

Official Account

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

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

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.



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

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High Yield Investment Account (HYIA)

The HYIA was established by the Department 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.

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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.

All Department 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 maximise interest revenue.
- All payments for goods and services must be made from the Official Account.
- 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.

Other Accounts

Schools may operate other accounts such as Deductible Gift Recipient funds (DGR) approved tax deductible funds, e.g. building funds, library funds

Investment of excess funds in other Investment Accounts

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>

- Treasury Corporation of Victoria (TCV)
- Victorian Funds Management Corporation (VFMC)

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



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- Negotiable, convertible or transferrable certificates of deposit

The investment of school funds in shares or other financial products, or with other financial institutions not specified above, 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.

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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.

(a) School Council approved investment policy

- 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.

(b) Treatment of investments

- 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
 - recorded in an Investment Register.
- 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.

(c) Investment register

- 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 (name and number)
 - Bank title
 - Account type
 - Interest rate %
 - Investment date
 - Maturity date
 - Account balance



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- Deposits
- Withdrawals

- The Investment Register must be updated with any changes to invested monies and regularly reconciled with bank statements and certificates.

- Keep the register up-to-date to facilitate end of year reporting requirements.

(d) Information to be retained by schools

- 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