



# Diverse Academies *Learning Partnership*

## Financial Regulations Manual

### February 2015

<b>Published:</b> February 2015	<b>Next Review:</b> December 2016	<b>Last Review:</b> February 2015	<b>Statutory/Non Statutory:</b>	<b>DALP Board Adopted this policy:</b>	<b>Lead:</b> Jon Fearon Director of Finance and Resources
<b>Associated Documents:</b>					
<b>Links to:</b> <ul style="list-style-type: none"> <li>▪ Education Funding Agency (EFA) in the Academies Financial Handbook (2012)</li> <li>▪ Funding Agreement Education Secretary</li> <li>▪ Companies Act</li> <li>▪ Procedures issued by the HMRC (Her Majesty's Revenue &amp; Customs) in connection with VAT.</li> </ul>					



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# 1. Executive Summary



## 2. **Policy Statement and Introduction**

The purpose of this manual is to ensure that the academy Trust maintains and develops systems of financial control which comply with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Education Secretary.

## 3. **Scope and Purpose**

The Manual is the primary source of Policy and practice on financial issues for the Trust.

The Trust must comply with the principles of financial control outlined in the guidance published by the Education Funding Agency (EFA) in the Academies Financial Handbook (2012). This manual expands on that and provides detailed information on the academy's accounting procedures. The manual should be read by all staff involved with financial systems.

## 4. **Roles and Responsibility**

### **Introduction**

The trust has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff.

### 4.1 **Proper and regular use of public funds**

In accordance with the academies financial handbook, the Trust must ensure that:

- a) Spending has been for the purpose intended.
- b) Funds are used to support the educational priorities of academies.
- c) No trustee, governor, employee or related party has benefited personally from the use of funds.
- d) All trustees and members of individual academy governing bodies have completed the register of business interests and there are measures in place to manage any conflicts of interest.
- e) There are no payments to any trustee and members of individual academy governing bodies unless such payment is permitted by the articles and, where applicable, comply with the terms of any relevant agreement entered into with the Education Secretary.
- f) Their senior officers' payroll arrangements fully meet their tax obligations and comply with the Treasury's directions regarding the employment and contract arrangements of individuals on the avoidance of tax.
- g) There is probity in the use of public funds.
- h) A competitive tendering policy is in place and applied.
- i) There is no disposal of publicly funded assets without the Education Secretary's consent, where such consent is required.

### 4.2 **The Board of Directors**

The Board of Directors has responsibility for ensuring that the Trust's funds are used only in accordance with:

- a) The law.
- b) Their powers under the funding agreement, including the articles of association which set out the powers of the academy and its governance arrangements.
- c) The academies financial handbook.

The Board of Directors is responsible for the proper stewardship of the academy's funds and for ensuring economy, efficiency and effectiveness in their use. It must also ensure that it uses its discretion reasonably, and take into account relevant guidance on accountability or propriety.



The members of the Board of Directors are charity trustees and company directors.

As charity trustees they are required to:

- a) Ensure compliance with legal obligations.
- b) Report on the academy's activities.
- c) Fulfil the charitable object of the charity as set out in the articles of association.
- d) Comply with the rules of the charity, as set out in the articles of association.
- e) Act with integrity and avoid any personal conflicts of interest.
- f) Not to misuse charity funds or assets.
- g) Act prudently in the financial management of the charity, avoiding putting the assets, funds or reputation of the charity at risk.
- h) Exercise reasonable care and skill, using personal knowledge and experience to ensure the charity is well run and efficient.
- i) Act responsibly, obtaining advice from others, including professional advisers, where appropriate.

As company directors, they are required to:

- a) Exercise their powers only for a proper purpose of the company.
- b) Promote the company's success.
- c) Exercise independent judgement.
- d) Exercise care and skill.
- e) Avoid conflicts of interest.
- f) Approve the trust's total budget and minute their approval.
- g) Submit the budget to the EFA in the form they require by the specified date.
- h) Notify the EFA of significant changes to the budget.
- i) Monitor the overall budget position of the trust.
- j) Comply with the EFA's requirement to obtain its permission before entering into certain transactions.
- k) Manage the academy's tax affairs in accordance with legislation and avoid any penalties.
- l) Have in place sound internal control procedures; risk management procedures; adequate insurance cover; a business continuity plan.
- m) Approve the academy's accounting policies, which form part of the annual accounts
- n) Maintain proper accounts.
- o) Appoint a registered auditor, avoiding conflicts of interest.
- p) Prepare annual financial statements.

**4.3 Governing body, the Trust has delegated the following to Academy Governing Bodies:**

- a) Approve the academy's budget and minute their approval.
- b) Set and monitor the educational targets of the academy.
- c) Monitor expenditure and agree variations to the budget.
- d) Provide minutes of all meetings to the Board of Directors.
- e) Provide regular updates on educational performance and targets.

**4.4 DALP Board**

- a) The Trust has delegated an annually agreed sum to the DALP board to operate partnership and improvement activities.
- b) The DALP board will monitor the budget and make recommendation to the Trust on additional and future charges.
- c) The DALP board can agree additional expenditure from income generated from the sale of services for 'DALP Staff' and additional grants.



#### 4.5 **Finance committee of each academy**

The governing body has established a finance committee, which meets once a term, or more frequently if necessary. This committee is responsible for monitoring and making recommendations to the governing body on matters related to finance. The governing body has:

- a) Defined its terms of reference.
- b) Prescribed the extent of its delegated authority, with the terms of these procedures.
- c) Ensured it receives minutes of the committee's meetings.
- d) Provides minutes of

The governing body reviews the finance committee's remit and membership annually.

#### 4.6 **Audit committee**

The Board of Directors has established an audit committee, which meets once a term, or more frequently if necessary. This committee is responsible for monitoring and making recommendations to the Board of Directors on matters related to audit. The Board has:

- a) Defined its terms of reference.
- b) Prescribed the extent of its delegated authority with the terms of these procedures.
- c) Ensured it receives minutes of the committee's meetings.
- d) Provides minutes of meetings.

The Board reviews the audit committee's remit and membership annually.

#### 4.7 **Responsible officer (RO)**

The Board of Directors has appointed a responsible officer in accordance with the guidance provided in the academies financial handbook.

The Principal role of the RO is to provide assurance to the Board of Directors and academy governing body on the following issues:

- a) The discharge of its financial responsibilities according to the requirements of the EFA.
- b) The efficient, economical and effective management of resources and expenditure, including funds, capital assets and equipment, and staff.
- c) The introduction and maintenance of sound internal financial controls.
- d) That financial considerations are taken fully into account in reaching decisions and in their execution.

The programme of checks carried out is agreed with the Board of Directors, via the Audit Committee. After each quarterly checking session, the RO provides the governing body with a written report explaining any material control issues and remedial action required.

#### 4.8 **Accounting officer**

The accounting officer is the executive Principal who has personal responsibility to the Board of Directors, Parliament and the accounting officer of the EFA for the resources under their control. The essence of the role is:

- a) Personal responsibility for the propriety and regularity of the Trust and academy's funds.
- b) Keeping proper accounts.
- c) Ensuring that financial reports are produced for the Directors, EFA and Companies House.
- d) Prudent and economical administration.
- e) The avoidance of waste and extravagance.
- f) Ensuring value for money.
- g) The efficient and effective use of all of the resources in their charge.
- h) The day-to-day organisation, staffing and management of the academy.
- i) The accounting officer must advise the board and academy governing bodies in writing if, at any time, in his or her opinion:
- j) Any action or policy under consideration by the Board or an academy is incompatible with the terms of the academies financial handbook or the funding agreement.
- k) The board appears to be failing to act where required to do so by the terms and conditions of the academies financial handbook or the funding agreement.

If the board proceeds, contrary to the advice of the accounting officer, and the accounting officer believe that they are in breach of the academies financial handbook or the funding agreement, the accounting officer must advise the EFA's accounting officer of the position in writing.



#### 4.9 **Specific financial tasks delegated to the Academy Principal**

The Principal has delegated responsibility for:

- a) Leading and managing the academy development plan which is underpinned by sound resource planning, and identifies priorities and targets for ensuring that pupils achieve high standards and make progress, increase teachers' effectiveness and secure improvement of the academy's performance.
- b) Ensuring that all relevant EFA financial requirements are implemented.
- c) Establishing and maintaining sound internal financial controls which are managed on a daily basis by the Principal and business/finance manager.
- d) Ensuring the effective implementation of current financial systems and procedures described in the financial procedures manual.
- e) Ensuring that the funds delegated to the academy are in accordance with their legal entitlement.
- f) Ensuring draft budgets are compiled for the governing body and appropriate committees.
- g) Ensuring the efficient and effective deployment of the academy's resources.
- h) Ensuring that financial reports are produced for the governing body.

#### 4.10 **Finance Director**

The Finance Director is the Principal finance officer and is responsible for the day-to-day management of financial issues and the following financial duties:

- a) The maintenance of effective systems of internal control.
- b) The maintenance of the Trust's accounting records.
- c) Maintaining a schedule of authorised budget holders, and then approval delegated spend limits.
- d) Maintaining a schedule of authorised signatories.
- e) Preparing and monitoring the budget.
- f) Reporting the academy's results to the Principal and governing body.
- g) Providing financial advice to the executive Principal and directors.
- h) Ensuring that the annual financial statements are properly presented and adequately supported by the underlying books and records of the Trust.
- i) Ensuring that academies receive all of the income to which they are entitled.
- j) Ensuring the accuracy and integrity of the Trust's payroll.
- k) Making purchases in accordance with the Trust's procurement policy.
- l) Managing specific projects, e.g. capital projects.
- m) Obtaining legal advice when appropriate.
- n) Ensuring regular communication with the responsible officer and auditors.
- o) Lead officer for the finance committee.

#### 4.11 **Business/ Finance / Budget manager**

The business/finance manager is responsible for:

- a) Maintaining the academy's accounting records.
- b) Liaising with budget holders and providing regular reports.
- c) Ensuring financial procedures are adhered to at all times.
- d) Preparation of monthly payroll information.
- e) Prepare monthly accounts information in accordance with the timetable.
- f) Managing petty cash.
- g) Maintaining sample signature lists.
- h) Ensuring the register of business interests is updated.

#### 4.12 **Budget Holders are responsible for**

- a) Understanding financial procedures
- b) Only placing orders within their authorised limits.

### 5. **Register of business interests policy**

5.1 The Directors, governing body and members of staff who can influence buying decisions recognise their responsibility to avoid any conflict between their business and personal interests and those of the academy. The academy therefore maintains a register of the business interests of each governor, director and member of staff with significant financial responsibilities, their relatives and other individuals who may exert influence. The register includes:

- a) Interests with suppliers from which the academy may wish to buy goods or services.
- b) Interests in the salary, promotion or conditions of service of members of staff.





- 5.2 c) Note applicants for roles within the Trust are asked to declare any link with Governors, Directors or Senior Staff.

The information in the register is taken into account whenever buying or staffing decisions are made. Any governor or member of staff who has an interest in a business tendering for a contract does not form part of the committee awarding the contract. Any governor or member of staff who has an interest in the appointment, salary, promotion or conditions of service of a member of staff does not form part of the committee recommending or deciding these.

- 5.3 Governors and members of staff are required to inform the academy of any changes in their interests as these arise so that they can be entered in the register. The register is also updated annually. Nil returns are obtained as appropriate. Any governor or member of staff who is unwilling to declare their interests or complete a nil return is not permitted to influence a buying or staffing decision.

- 5.4 The minutes of the full governing body, finance committee, or any other committee which can influence a buying decision record a standard agenda point seeking updates to governors' business interests.

- 5.5 The only exception to the requirement to disclose a business interest is that if the interest is so distant or small that no ordinary right-thinking person would expect it to influence a person who might have dealings with the firm concerned. In such cases, it need not be disclosed. An example is a modest shareholding in a large public company even if the academy has or may have dealings with the company. The Clerk to the Board of Directors, Clerk to governing bodies maintains the records. The register is freely available for inspection by Directors, governors, staff and parents. The Register is also publicly available on the Trust and Academy websites.

## 6. **Gifts, hospitality, entertainment, favours and other services**

- 6.1 Governors and members of staff involved in making buying decisions do not accept excessive, frequent or regular gifts, hospitality, entertainment or other services from existing or prospective suppliers. When considering whether to accept such offers, they consider whether they could affect their independence or cause concern that they might affect their independence. The academy maintains a register of gifts and favours offered (above £25) and whether these were accepted or rejected. Directors, Governors and members of staff are required to inform the academy of such offers as they arise. This register is maintained in each academy.

- 6.2 Further detail on hospitality is to be found in the Gifts, Hospitality and Bribery Policy.

- 6.3 The full governing body of an academy approves any expenditure on gifts, hospitality, ex-gratia payments and losses to be written off; above £25 or outside the DALP expenses policy. Note this excludes day to day lunches / out of hours meetings where hospitality is below £15.00 per head. This expenditure is not required to be recorded.

- 6.4 The academy maintains a log of these. Such expenditure is only authorised if the governing body can demonstrate that they have taken into account the principles of probity, accountability and value for money. Expenditure on hospitality from public funds is only incurred in the provision of education. Hospitality is generally only provided in the workplace and usually restricted to tea/coffee, biscuits, soft drinks or sandwiches. Modest hospitality is occasionally provided outside the workplace. The Principal maintains a register of the occasions when hospitality is provided, the number of people involved and the costs incurred.

Note the DALP staff travel expense policy provides limits on meals, hotel costs. Expenditure within the limits set does not need to be reported. Fraud and Bribery

## 7. **Fraud and Bribery**

- 7.1 The Trust has a Gifts, Hospitality Anti-Fraud and Bribery Policy. All staff engaged spending or administering funds must be aware of this, and broader communication of the process of reporting fraud should be shared with staff.

- 7.2 The Trust requires and encourages staff, governors and trustees to raise any concerns they have regarding potential fraud and irregularities at the earliest opportunity.



7.3 In the first instance a concern should be raised with the Academy Principal or the Director of Finance. Examples of what could constitute fraud and bribery are –

- a) Substitution of personal cheques for cash;
- b) Travelling and subsistence claims for non-existent journeys/events;
- c) Travelling and subsistence claims inflated;
- d) Manipulating documentation to increase salaries/wages received, e.g. false overtime claims;
- e) Payment of invoices for goods received by an individual rather than the Academy;
- f) Failure to declare a direct pecuniary or otherwise conflicting interest;
- g) Concealing a generous gift or reward;
- h) Unfairly influencing the award of a contract;
- i) Creation of false documents’
- j) Deception;
- k) Using position for personal reward.

The above list is not exhaustive and fraud and bribery can take many different paths. If in any doubt about whether a matter is an irregularity or not, clarification must be sought from the Finance Director.

#### 8. **Private use**

The academy does not obtain goods or services for the private use of governors and members of staff. Governors and members of staff may not:

- a) Hold any interest in any equipment or property held or used for the academy.
- b) Acquire any interest in the disposal of academy equipment or property at the end of any contract between the academy and any third party.
- c)

#### 9. **Audit**

The Trust has appointed statutory auditors, who are registered under the requirements of the Companies Act, to carry out an audit and certify that the accounts are ‘true and fair’.

The auditors’ engagement letter explains the external audit service. Additional services will be subject to a separate letter of engagement.

The letter of engagement:

- a) Provides for the removal of the auditors before the expiry of their term of office in exceptional circumstances. Proposals to remove the auditors require a majority vote of the members of the trust board.
- b) Requires the auditors to state their reasons if they resign from office.
- c) The board must notify the EFA immediately of the removal or resignation of the auditors:
- d) In the case of removal, the trust board must notify the EFA of the reasons for the removal.
- e) In the case of resignation, the auditors must copy to the EFA a statement of their reasons.

The accounting officer also has a responsibility to advise the governing body and the EFA of any instances of irregularity or impropriety, or non-compliance with the terms of the academy’s funding agreement. An accounting officer’s statement on governance, regularity, propriety and compliance is included in the academy’s annual report. A review of this statement is included within the external auditors’ remit and their opinion on this is addressed jointly to the academy and the EFA.

#### 10. **Insurance**

Funds for insurance are delegated to the Trust and it must demonstrate it can cover insurable interests under a policy arranged by the Trust. The Director of Finance reviews insurance arrangements annually and confirms renewals. They ensure that the sums insured are commensurate with risks and include cover for academy property when off the premises.

The main types of insurance cover which are in place are:

- a) Premises and contents. These should be insured at replacement cost against damage by subsidence, fire, lightning, explosion, storm, flood, riot, malicious damage, terrorism and similar risks.
- b) Business interruption.
- c) Trust and employer liability. The currently recommended minimum level of cover for academies is £10m for each academy.



- d) Any statutory motor transport insurance.
- e) Loss of assets through fraud or dishonesty on the part of employees.
- f) Personal accident.
- g) Fidelity insurance.
- h) Engineering inspections

Details of all insurance policies held by the academy are kept in the office of the academy Business Manager. The insurers are notified of all new risks, property and equipment and vehicles which require insurance or any other alteration affecting existing insurance on a timely basis.

The Trust does not give any indemnity to a third party without the written consent of their insurers. The Trust immediately informs its insurers of all accidents, losses and other incidents, which may give rise to an insurance claim.

Claims under an insurance policy are authorised by the business / finance / budget manager prior to submission to the insurance company.

Any member of staff using their car for Trust purposes amends their personal insurance for this. The Trust asks individuals to confirm they have insurance cover on expense claims.

## 11. **Taxation**

The academy abides by the procedures issued by the HMRC (Her Majesty's Revenue & Customs) in connection with VAT.

The academy keeps potential 'trading' activities under review and commercial activities are operational through DALP Trading Ltd.

## 12. **The appointment of staff**

The Directors appoint senior post holders, they are supported by governor and staff appointment panels.

The governing body formally approves all other appointments, terminations and salary levels. For posts below Senior Leadership the Academy Principal has delegated powers to appoint staff and set salary levels within an annual budget.

## 13. **Academy development plan and budgeting**

### 13.1 **Budgeting**

The Trust maintains a budget for central cost's, this is monitored via the DALP board.

The governing body of each Academy has a three-year academy development plan, which explains how it intends to use its resources to achieve its aims and objectives. The three year budget derives from this plan.

The plan takes account of:

- a) The educational priorities for the academy.
- b) Likely demographic changes affecting pupils and staff.
- c) The building and repair maintenance programme.
- d) Repair and renewal programmes for furniture, fittings and equipment.

The plan is reviewed on an annual basis and updated in the light of new information and changed priorities.

### 13.2 **The budget is constructed using the following processes:**

- a) An estimation of income, including grant and other income such as income from lettings, catering and the school shop.
- b) An estimation of staffing costs, based on a staff salary calculator and taking into account known appointments, retirements and rates of pay.
- c) An estimation of other expenditure based on service level agreements and likely cost trends.
- d) The identification of potential savings.
- e) The allocation of curriculum budgets to departments, using a transparent formula to allocate funds equitably in line with need and academy priorities.
- f) Managing planned levels of unspent balances – ensuring that the resulting annual surplus or deficit is in line with plans to recover from an overall deficit position, or build up unspent balances to fund future development plans.

### 13.3 **The budgeting process starts at the beginning of the spring term each year. The academy business /**



budget / finance manager draws up a draft budget for the following financial year. This is submitted to the Academy finance committee for their review, discussion and amendment if appropriate. The budget is then submitted to the full governing body for formal review and approval, before consolidation into the Trusts budget submission to the EFA by their specified deadline.

- 13.4 The governing body may not set a deficit budget. If an unplanned deficit occurs during the financial year, the academy must notify the Trust as soon as it is aware of this, the Trust will consider how deficits will be financed and whether the EFA need to be made aware.
- 13.5 The budget can only be amended for virement's after it has been approved by the governing body. Budget holders cannot exceed their budget allocation, unless they have the written approval of the Academy Principal.
- 13.6 The finance committee formally monitors the implementation of the academy's budget on behalf of the governing body and Trust. During the year revised budgets may be recommended to the governing body.

## 14. **Reporting financial results**

### 14.1 **Budget monitoring reports**

The academy's budget monitoring reports display the following information in columnar format:

- a) The annual budget approved by governors.
- b) The actual spend to date.
- c) Commitments.
- d) Comparison of phased budget to date versus actual
- e) End-of-year projections where variances are known

- 14.2 The finance office carries out reviews of actual performance against budget and produces a schedule explaining variances and recommending virements. They also produce a monthly balance sheet and supporting controls information to be reviewed by the Director of Finance.

This is in accordance with the annual accounts timetable produced by the Director of Finance, the finance committee reviews these reports.

Budget holders receive reports showing budgeted expenditure, actual expenditure on an accruals basis and commitments.

## 15. **Cash flow**

The Director of Finance is responsible for preparing cash flow forecasts to ensure that the trust has sufficient funds available to pay for day-to-day operations. If significant balances can be foreseen, steps are taken to invest the extra funds. Similarly plans are made to transfer funds from another bank account or to re-profile general annual grant to cover potential cash shortages.

## 16. **Computerised accounting system**

- 16.1 The Business Manager has prepared a business continuity plan which includes the actions the academy would take in the event of loss of accounting facilities or financial data. This links in with the annual assessment made by Directors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

- 16.2 The Trust's accounting system is computerised. Access to the system is restricted to the Trust's employees and those authorised by the Director of Finance, such as an outside bursarial service. The system is accessed by passwords, which are changed routinely. Passwords are only known by the relevant member of staff and the system manager. Passwords are changed immediately if an employee is aware that an unauthorised person has learnt their password. If an outside provider uses the computerised accounting system, they are given their own user id and password.

- 16.3 Software is installed on the Trust's computer systems to detect viruses, spyware, and other malicious threats. Regular updates are used to ensure that the latest threats are detected. There is also a facility



for cleaning up infected files.

- 16.4 Three-monthly reviews are carried out to ensure that access rights and levels of access are still relevant to the responsibilities of individual users. Access for staff who are no longer employed by the academy is removed as soon as the staff member leaves.
- 16.5 The system is backed up daily by the ICT manager. A full weekly backup is taken and not overwritten for three weeks. Backup media are stored in a secure fire-proof location on the Trusts premises. A second copy is stored off-site so that these are available in the event of a disaster. A backup is always made before any major change to the system, such as an accounting software upgrade. The academy complies with the requirements of the Data Protection Act.
- 16.6 Alterations to any original documents such as cheques, invoices, orders and other vouchers are made clearly in ink and initialled. The use of correcting fluid or the erasure of information is not acceptable. All accounting records including invoices, delivery notes, bank statements etc. are retained in hard copy for six years, plus the current year, in a secure area.

## 17. **Purchasing**

The Trust makes their buying decisions in accordance with the principles of 'best value' probity and accountability. Contracts are placed on a competitive basis and the reasons for selecting a supplier are minuted. Divisible contracts are prohibited.

The health and safety competence of contractors is assessed as part of tender evaluation.

### 17.1 **Approved suppliers**

The finance office maintains a database of approved regular suppliers, including consortium arrangements.

The finance office selects suppliers on the basis of their capacity to provide quality, quantity, service, timely delivery and price competitiveness. Volume discounts and credit terms are taken into account. Consortia are used where they provide value for money.

Suppliers are selected from; based on past business, business directories, trade journals, supplier catalogues and mailshots, information from other academies, information provided by the EFA and Local Authority.

The listing of approved suppliers is reviewed and approved on an on-going basis by the Business Manager and on an annual basis by the finance committee.

### 17.2 **Tendering**

All purchases with a value of £25,000 or more are put out to formal tender. The academy advertises throughout the member states of the European Community where there is a legal requirement to do so. Where appropriate, the suppliers invited to tender are drawn from the approved list maintained by the finance office.

Where required by the conditions attached to a specific grant from the DED/EFA, the relevant body's approval is obtained before accepting a tender.

The following tendering procedures are followed:

- The budget holder prepares a specification, which is authorised by the Principal / DoF and sent to at least four suppliers.
- The invitations to tender include:
  - a. An introduction/background to the project.
  - b. The scope and objectives of the project.
  - c. Any technical requirements.
  - d. Implementation details for the project.
  - e. The terms and conditions of the tender.
  - f. The form and date of response to the academy.



The use of brand names is avoided and, where appropriate, a European or British Standard or other quality guideline is sought. Reference is made to appropriate safety standards and fire and health and safety regulations.

- All replies are addressed to the Business Manager in a plain sealed envelope marked 'Tender'.
- No supplier is allowed to amend their tender after the fixed date for receipt.
- All tenders are opened at the same time by staff authorised to do so. Two persons should be present for the opening of tenders as follows:
  - a. For contracts between £25,000 up to £50,000 – two of the budget holder, the Business Manager or Principal.
  - b. For contracts over £50,000 – either the Director of Finance or the Principal plus a member of the finance committee.
- The following information is recorded:
  - a. The date and time of opening.
  - b. The names and signatures of those present.
  - c. The value of each tender.
  - d. Details of suppliers who declined the invitation, or failed to submit a tender.
  - e. Any omissions in the submission, for example, documents, signatures, missing data.
- Late tenders are rejected and retained unopened until the contract is awarded. They are then returned to the tenderer with an explanatory note.
- Where contracts under seal provide for payments to be made in instalments, the Principal ensures a contract register is maintained which shows the state of the account on each contract together with related professional fees and other payments.
- Following evaluation the Academy Principal makes a recommendation to the Academy Finance Committee including VFM and affordability within budget. A majority decision of Finance Members is required; this may be by email or in writing. Decisions will be recorded in the next Finance Committee minutes.
- The reasons for accepting a particular tender are in accordance with the academy's best value policy.
- Suppliers: the following points are considered when deciding which tender to accept:
  - a) Qualifications, technical ability and experience.
  - b) Pre-sales demonstrations.
  - c) After sales service.
  - d) Quality procedures.
  - e) References from existing customers.
  - f) Financial status.
  - g) Professional indemnity insurance.
  - h) Cost: the following points are considered when deciding which tender to accept:
    - i) Overall price.
    - j) Unit price for parts of the product or service.
    - k) The possibility of 'hidden costs'.
    - l) Scope for negotiation.

## 18. **Quotations**

Quotations are obtained as follows:

- a) Purchases up to £5,000 – catalogue price lists.
- b) Purchases of £5,000 to £25,000 – three written quotations.

The academy and Trust keeps a record of suppliers who have been contacted but who have declined to provide a quotation.

## 19. **Controls over expenditure**

Individual budget holders can authorise expenditure within a scheme of delegation for the Academy which sets the limits for approval. The Maximum level of spend without Finance Committee approval is £25,000. This only applies if the expenditure can be funded within existing budgets.





## 20. **Virements**

Virements (internal transfers between budgets ) of up to £175,000 may be authorised by the Academy Governing body in accordance with a scheme of delegation.

The CEO can authorise virements of Trust expenditure up to £20,000 within the scheme of delegation.

Where a contingency fund has been identified in the budget the Principal may allocate this over the year.

## 21. **Budget holders**

Budget holders are informed of the budget available to them at the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. A printout detailing actual expenditure against budget is supplied to each budget holder a fortnight after the end of each month and budget holders are encouraged to keep their own records of orders placed but not paid for.

## 22. **Income**

The Trust has overall responsibility for ensuring that all income due to the academy is properly accounted for. Day-to-day responsibility for this is delegated to the business/finance manager. Income, including valuations for donated services and gifts in kind, is accounted for in accordance with the requirements set out in the academies financial handbook. Receipts are given for all amounts of non-grant income.

## 23. **Bank and cash**

### 23.1 **Bank facilities**

Only the Trust Board can authorise the opening or closing of bank accounts or deposits with building societies.

The academy does not overdraw its bank account or arrange with its bankers for overdrafts, loans or any other form of credit or deferred purchases. The bank has been informed that the academy is not allowed to borrow funds and that no account should be allowed to become overdrawn. The academy does not offer any security to the bank. All funds surplus to immediate requirements are invested in accordance with the governing body's investment policy.

23.2 All cheque payments from the bank accounts require two authorised cheque signatories. The Business Manager maintains an approved list of signatories (including specimen signatures). This is part of the scheme of delegation.

Cheques are not pre signed. All cheques drawn are crossed 'account payee only'. All cheque books and other stationery are kept in a locked cupboard or filing cabinet. All bank statements are filed sequentially.

23.3 Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

23.4 The operation of systems such as bankers automatic clearing system (BACS) and other means of electronic transfer of funds are subject to the same level of control.

## 24. **Fixed Assets**

### 24.1 **Asset register**

The facilities manager and ICT manager maintain the asset inventory of attractive items.

The Trust includes details of all assets with a cost greater than £1,000 value, in the asset register. The register records:

- a) Asset description, date of acquisition, asset cost, location
- b) Source of funding.
- c) Expected useful economic life.
- d) Depreciation.



- e) Current net book value.

#### 24.2 **Inventory of valuable Assets**

Each academy has named individuals who keeps the records for inventory The inventory records:

- a) Asset description, Asset number, Serial number.
- b) Date of acquisition.
- c) Asset cost.
- d) Location.
- e) Name of member of staff responsible for the asset.

Items used by the academy but owned by others are included, with a note of ownership. Leased items are identified as such with the termination date of the lease.

The business/finance manager checks that the asset register has been checked to assets in the academy annually. Any discrepancies are investigated and reported to the Principal who informs the governing body of the loss and any known reason for this. The insurers are notified as appropriate. Any assets removed from the academy site are recorded in a loan book.

The length of time the asset will be off site is recorded together with the appropriate authority. The appropriate authority is the Business Manager. The finance office checks that assets will be insured before they are removed from the academy. No assets are removed from the academy for a period of time, which would unreasonably deny the academy use of those assets.

All assets are security marked.

#### 24.3 **Disposal of assets**

All disposals and write-offs of assets are authorised by the Business Manager. Items no longer required are sold when their estimated residual value exceeds £250.

Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the academy would need to ensure licences for software programmes have been legally transferred to a new owner.

The following records are kept for disposals:

- a) The item disposed of, date of disposal, method of disposal.
- b) The proceeds of sale or how disposed of if scrapped.
- c) The person authorising the disposal.

No item is sold, leased or hired to a third party without the approval of the Business Manager.

#### 24.4 **Losses of Assets**

All losses are reported to the finance office. The finance office informs the police if the loss is a result of burglary or theft and the insurance company is informed at the same time. Action is taken immediately to prevent further loss.

The finance office maintains a record of losses and insurance monies received. The governing body is informed of all losses.

#### 25. **Leasing**

The Trust is responsible for approving all leasing and hiring arrangements, under the scheme of delegation the Trust can set a sum which can be approved by the CEO and DoF.

No leased item is disposed of without the express permission of the leasing company. This includes sale, part exchange, scrapping, writing-off, donating, re-leasing, subletting or any other form of disposal.

#### 26. **Investments**

Investments are made only in accordance with written procedures approved by the Trust.





The DoF will hold a list of financial institutions approved for deposits.

Funds may only be held in bank and building society accounts, investments in shares and bonds is not allowed.

## 27. **Transaction processing**

All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. All journal entries must be documented on the appropriate journal form and authorised by the academy Business Manager/ DoF before being input to the accounting system.

The Business Manager obtains and reviews system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed includes:

- a) Monthly audit trails.
- b) Masterfile amendment reports for payroll, the purchase ledger and the sales ledger.
- c) Management accounts summarising expenditure and income against budget at budget holder level.

## 28. **Reconciliations**

The Business Manager is responsible for ensuring that the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- Sales ledger control account.
- Purchase ledger control account.
- Payroll control account.
- All suspense accounts.
- Bank balance per the nominal ledger to the bank statement.

The Business Manager signs all reconciliations as evidence of review

## 29. **Authorised signatories list**

An authorised signatory list, including specimen signatures and covering all key financial systems, is held in the finance office for reference purposes. Signatories can be approved by Executive Principal, Academy Principal and Director of Finance.

## 30. **Payroll**

There are established procedures to:

- a) Ensure personnel are competent, suitably qualified and trained to a level consistent with their responsibilities.
- b) Provide clear statements of criteria for personnel selection.
- c) Provide formal job descriptions.
- d) Ensure that the cost of all appointments, re-gradings and any other changes in conditions of service of staff can be met within the resources available to the Academy/Trust.

The Academy Principal maintains a list of staff employed by the academy and their current salaries, which is reviewed annually by the governing body.

The academy uses the services of a payroll agent and the contract between the academy and the agent includes:

- a) The responsibilities of the academy and the payroll bureau.
- b) The responsibility for making returns to HMRC and the dates by which these returns should be made.
- c) Details of ownership of programs and data files.
- d) Responsibilities for the control and accuracy of data.
- e) Details of authorised signatories for payroll amendments.
- f) Back up provisions.
- g) A schedule of reports to be sent to the academy for financial and personnel monitoring



purposes.

- h) An agreement as to the response time and costs that will be charged for any additional data or reports required by the academy.
- i) Provision for access for academy staff and auditors.

The payroll agent processes the staff payroll only on the written instructions of the Principal and the Business Manager. They do not process salary changes authorised by the person whose salary is changing. The Board of Directors notifies any changes to the Principal's salary to the payroll agent.

Payments are made as follows:

- a) Net payments to staff, by BACS, to employees of the academy.
- b) HMRC payments, by the payroll agent, to HMRC.
- c) Pensions payments, by the payroll agent to the pension's authorities.
- d) Overtime claims, as part of net payments to staff, through the payroll.
- e) Expense payments, through the payroll.

Access to personnel files is restricted to the Principal, the Human Resources Manager, Director of Finance and the Business Manager. No individual is treated as 'self-employed' without the clearance of HMRC.

### 31. **Monthly Payroll procedures**

- a) The finance office completes standing data amendment forms and summarises overtime worked.
- b) The HR Team ensures that expenses and overtime have been validly incurred and appropriately authorised. Claims are not returned to claimants after this check has been carried out.
- c) The HR assistant ensures these checks have been carried out and authorises the information to be sent to the payroll agent.
- d) The HR assistant checks the payroll printout received from the payroll agent to ensure that it is only paying its own staff at the correct rates.
- e) The principal authorises the payroll agent in writing to make the salary payments.
- f) A monthly print-out of amounts paid to employees is retained by the academy and initialled by the Business Manager as evidence of the checking and authorisation procedure.
- g) The Human Resources Manager and the Business Manager check gross pay as per the payroll to personnel records annually.
- h)

### 32. **Failure of the payroll system**

Monthly salary payments are transmitted via the payroll agent. The transmission to bank takes place at least three working days before the payment date. Therefore the academy should be aware of any difficulties at least three working days in advance, thus minimising risk.

The academy's bank has been consulted regarding a possible failure to the payroll system or the usual method of transmission. In the event that pay details could not be transmitted to the bank via the usual system, the payroll database would be emailed directly to the bank and the content checked via telephone. The bank would arrange payments directly.

In the event of total IT failure at the academy, payments would be discussed directly by telephone with the payroll agent.

### 33. **Petty cash**

Petty cash is used for the purchase of minor items, which have been budgeted for. The petty cash float is maintained on the imprest system and the maximum balance is £500. The float is only reimbursed from the main bank account or cash can be drawn from funds awaiting banking.

The petty cash tin is held in the safe.

- 33.1 Payments from petty cash are only made on production of a till receipt or other proof that payment has been made and cannot exceed £40 in value (without the Academy Principals approval). Petty cash payments are subject to the same authorisation procedures as purchases from the main bank accounts. They are passed for payment by the business manager. The person receiving reimbursement



signs for the amount received.

The petty cash float is reconciled on a monthly basis by the finance assistant. The reconciliation is checked by the finance manager and initialled as evidence of this review. The business manager carries out a surprise count of petty cash at least once a year.

In no circumstances are:

- a) Personal cheques cashed through petty cash.
- b) Staff loans paid through petty cash (unless a payroll error has occurred when a small balance can be paid).

## 34. **Controls over incoming funds**

### 34.1 *Postal receipts*

All incoming cheques and cash are recorded immediately and entries verified by someone other than the person who has made the entry.

### 34.2 *Fund-raising events*

Records are maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred.

For all events for which there is ticket income or gate money, reasonableness checks are carried out to ensure the takings equate to the number of tickets issued multiplied by the price per ticket.

Similar records are maintained for sponsored events.

### 34.3 *The gift aid scheme*

To ensure that the charity receives all the money to which it is entitled, the business/finance manager:

- a) Makes regular checks against records to ensure that expected amounts have been received from the donor.
- b) Ensures that in the case of gift aid donations from individuals, the tax reclaimable has been obtained from HMRC.
- c) Is careful not to over claim tax repayments.

### 34.4 *Letting of academy facilities*

All lettings are subject to a letting agreement, setting out the terms and conditions of the academy letting, including the agreed charge.

The governing body, on the recommendation of the finance committee, approves letting rates. Free use and charges below economic cost are not permitted, unless there is a clear educational benefit to the Trust and the Academy Principal approves.

- a) All hiring of academy equipment and facilities is recorded on the letting planner kept by the facilities manager and in a lettings diary.
- b) The lettings diary and the letting planner are reviewed by the finance manager on a monthly basis to ensure that all lettings have been invoiced.
- c) When a letting is booked the hirer completes a hire form.
- d) The finance office generates sales invoices from the computer.
- e) All monies are received at the end of each term.
- f) One member of the finance office collects the cash and banks all receipts intact.
- g) The academy ensures that relevant insurance is in place for each letting.

### 34.5 *Academy trips*

Letters are sent to parents requesting payment for voluntary contributions.

All monies received for trips are paid to the finance office which collects the cash. The finance office is responsible for keeping adequate records of income and expenditure on a class list.

All receipts are banked intact.

The finance office prepares a final income and expenditure account for each trip which has taken place and reports these to the finance committee. The finance committee ensures that money collected and expended for each trip is in accordance with the academy's charging policy.



#### 34.6 *Bad debts*

The academy chases all money due to it, which has not been paid within 30 days of an invoice being issued, by telephone and letter, depending on how much time has elapsed since the money was due to be paid.

#### 35. **Purchase orders**

Computerised, pre-numbered orders are used for all goods and services and all orders are placed through the finance office.

Orders are only made by telephone in exceptional circumstances and then confirmed in writing. A copy of any spoiled order is retained on the computer, and marked as such. Official academy orders are not generated for the private use of individuals.

##### 35.1 **The ordering process**

- a) The budget holder raises and signs a requisition form stating the number of items and price of the order to be raised.
- b) The budget holder sends the requisition to the finance manager who checks that the budget holder has sufficient funds for the purchase.
- c) The finance office generates a two-part official computer order.
- d) The business manager approves and signs the official order before it is despatched.
- e) The finance office distributes the copy orders as follows:
  - i. Top copy (official order) to the supplier.
  - ii. The second copy is retained in the finance office.
- f) The computer records all orders placed that have not yet been invoiced. The finance office provides a list of orders to the relevant budget holders on request.
- g) Cancelled orders are marked as such, with the reason for cancellation, and retained in the finance office.

##### 35.2 **Receipt of goods**

- a) Reception will maintain details of deliveries.
- b) All goods received are delivered to the budget holder who carries out a prima facie check to ensure that the delivery is complete.
- c) If the delivery is only partly fulfilling an order, the budget holder notifies the finance office which maintains a record of this.
- d) The finance office follows up any shortages or defective items with the supplier.
- e) The finance office records shortages or defective items in a central goods returned file.

#### 36. **Purchase invoices**

- a) The finance office records invoices on the computer as soon as they are received by the academy.
- b) The finance office grid stamps the invoice and passes it to the budget holder for approval.
- c) The finance office checks the invoice against the order and delivery note and evidences this on the grid stamp.

#### 37. **Payment of invoices**

The finance office reviews the creditors' ledger regularly and selects invoices for payment.

It is the policy of the academy to pay all invoices by the due date and to take advantage of any discounts available for early settlement where this is to the academy's advantage.

Invoices are paid within 30 days unless they are disputed.

Payment is made when the finance office has made the following checks:

- a) The purchase is recorded on the purchase ledger.
- b) The purchase represents valid academy/Trust expenditure.
- c) Goods or services were ordered using the academy's ordering policy.
- d) Goods or services have been received and checked to the order and delivery note.
- e) Payment has not already been made.
- f) Prices agree with quotations, tenders, contracts or catalogue prices.



- g) The arithmetic on the invoice is correct.
- h) The invoice has been correctly coded.
- i) Discounts have been taken where applicable.
- j) VAT is properly accounted for and not claimed on pro-forma invoices

The finance office completes the relevant sections of the grid stamp. The Business Manager authorises payment, having ensured that the budget holder has signed the order and that all of the academy's procedures have been followed.

38. **Cheque payment**

All supporting documentation is passed to the cheque signatories together with the cheque for signing. The cheque signatories initial the invoices or payment schedule to confirm they have seen as a record to show that they were signing for valid academy expenditure and that the relevant pre-checking process had been carried out by the finance office.

39 **Credit notes**

Credit notes are attached to the relevant invoices when they are received.

40. **Completeness of supplier balances**

Invoices and credit notes are posted to the computer as soon as the academy receives them. The finance office reconciles individual supplier balances to supplier statements, where available, on a monthly basis.

41. **Bank reconciliations**

All bank accounts are reconciled on a monthly basis by the finance manager and the business manager reviews all reconciliations, signing them as evidence of review.

42. **Cash banking procedures**

Cash and cheques are locked in a secure place prior to banking to safeguard against loss or theft. All cash is banked intact, without delay and recorded on paying-in slips. Bank paying-in slips show the split of cash and cheques and reference cheques to the related debt. Cheques are identifiable by reference to the receipt numbers and names of the drawers and cash by reference to receipt numbers.

The finance office banks all cash and cheques. Where unusually high levels of cash are received these are banked on the day of receipt. Unbanked receipts are kept in a safe to safeguard against loss or theft. In no circumstances do cash holdings on the academy premises exceed the insured limit.

43. **Charge and credit cards**

The following procedures apply for the use of a charge and credit card system:

- a) The academy's card will be charged to the academy budget account and can only be used for specific purposes.
- b) Authorised users are established as approved by the governing body.
- c) The card must be retained in the safe in the finance office and released only by the finance manager or business manager. Details of the date of release must be entered in the records book for the card and authorised by the finance manager or business manager.
- d) On return of the card, details of the purchases are obtained together with the date of return. These details are signed by the budget holder and the business manager.
- e) Sales vouchers, invoices and requisition forms are checked by the finance manager against the amounts entered and reconciled with the bank statements and credit card statements.
- f) The expenses are posted to the relevant accounts.
- g) The balance on the card is to be paid in full each month.

44. **Review of the Policy**

This policy is reviewed annually by the Trusts we will monitor the application and outcomes of this policy to ensure it is working effectively.

