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Academy

# Finance Policy

This policy is reviewed annually in the  
autumn term

History of Document

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## **1. Introduction**

The purpose of this policy is to ensure that the Academy maintains and develops a systems of financial control which conform to the requirements, both of propriety and of good financial management, in line with ESFA guidelines.

It is essential that these systems operate properly to meet the requirements of our funding agreement with the Secretary of State. The Academy must comply with the principles of financial control outlined in the Academies Financial Handbook published annually by the Education Funding Agency. This manual expands on that and provides detailed information on the Academy's accounting procedures and systems.

This document should be made available to all staff involved with financial systems, or employed at the Academy.

## **2. Organisation**

The Principal 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. The financial reporting structure is illustrated below:

### **2.1 The Governing Body**

The Governing Body has overall responsibility for the administration of the Academy's finances. The main responsibilities of the Governing Body are prescribed in the Funding Agreement between the Academy and the Secretary of State and in the Academy's scheme of government. The main responsibilities include:

- Ensuring that funding from the ESFA is used only for the purposes intended;
- Approval of the Annual Budget;
- Appointment of the Principal;
- Appointment of the Academy Finance Manager, in conjunction with the Principal.

### **2.2 The Finance & General Purposes Committee**

The Finance & General Purposes Committee is a committee of the Governing Body. The Finance & General Purposes Committee meets at least once a term, but more frequent meetings can be arranged if necessary.

The main responsibilities of the Finance & General Purposes Committee are detailed in written terms of reference which have been authorised by the Governing Body. The main financial responsibilities include:

- The review of the annual budget for the Academy and of any periodic review of budget monitoring reports;
- All finance policies;
- Approval of procedures for competitive tendering decisions on expenditure items above £50,000;
- Acceptance of tenders for goods, services or works above the value of £50,000;
- Authorising contracts between £5,000 and £100,000;
- Approval of arrangements to secure compliance with financial regulations;
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DFE guidance issued to academies.

### **2.3 The Principal**

Within the framework of the Academy Development Plan as approved by the Governing Body, the Principal has overall executive responsibility for the Academy's activities including financial activities. Financial responsibility has been delegated to the Finance Manager, but the Principal still retains responsibility for:

- Approving new staff appointments within the authorised establishment, except for any senior staff posts which the Governing Body have agreed, should be approved by them;
- Authorising orders and contracts between £1500 and £25,000 in conjunction with the Finance Manager;
- Signing cheques and authorisation of banking and BACS payments in conjunction with the Finance Manager or other designated authorised signatories.

### **2.4 Academy Finance Manager**

The Finance Manager works in close collaboration with the Principal through whom he or she is responsible to the governors. The Finance Manager also has direct access to the governors via the Finance & General Purposes Committee. The main responsibilities of the Finance Manager are:

- The day to day management of financial issues including the establishment and operation of a suitable accounting system;
- The management of the academy financial position at a strategic and operational level within the framework for financial control determined by the Governing Body and Principal;
- The maintenance of effective systems of internal control;
- Ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- The preparation of monthly management accounts;
- Authorising orders below £1,500;
- Signing cheques and authorising banking and BACS payments in conjunction with the Principal or other authorised signatories;
- Ensuring forms and returns are sent to the ESFA in line with the timetable in the ESFA guidance.
- May act on behalf of the Principal in financial matters, in conjunction and with approval of the Chair of Governors.

### **2.5 The Responsible Officer**

The Responsible Officer (RO) is appointed by the Governing Body and provides governors with an independent oversight of the Academy's financial affairs. The main duties of the RO are to provide the Governing Body with independent assurance that:

- The financial responsibilities of the Governing Body are being properly discharged;
- Resources are being managed in an efficient, economical and effective manner;
- Sound systems of internal financial control are being maintained;
- Financial considerations are fully taken into account in reaching decisions.

The Responsible Officer will undertake a quarterly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as agreed by the Governing Body. A report of the findings from each visit will be presented to the Finance and General Purposes Committee. It has been agreed by the Governing Body that the RO checks will be carried out by Mazars, Chartered Accountants, for academic year 2019/2020

## **2.6 Other Staff**

Other members of staff, primarily the Finance Administrator, Finance Administrator Assistant and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All Academy staff are responsible for the security of academy property, to avoid loss or damage, and for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the Academy's financial procedures.

## **2.7 Register of Business Interests**

It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all academy governors and staff with financial or spending powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register is open to public inspection.

The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.

The existence of a register of business interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the governing body or a committee. Where an interest has been declared, governors and staff should not attend that part of any committee or other meeting.

## **3. Accounting System**

All the financial transactions of the academy must be recorded on the designated Account system: Corero Resource 32000 accounting system.

The Academy payroll is contracted on an annual basis: 2019/2020 administered by Walsall MBC.

### **3.1 System Access**

Entry to Corero is password restricted and the Finance Manager is responsible for implementing a system which ensures that passwords are changed regularly.

Access to the component parts of Corero can also be restricted and the Finance Manager will set access levels for all members of staff using the system.

### **3.2 Back-up Procedures**

The IT Services Coordinator is responsible for ensuring that the effective back up procedures for the finance system is in place.

There should be a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

### **3.3 Transaction Processing**

All transactions input to the accounting system must be authorised in accordance with the specified procedures. The detailed procedures for the operation of the purchase ledger and the sales ledger are included in the following sections of the manual and supported by Corero Users manual.

### **3.4 Transaction Reports**

The Finance Manager will obtain and review system reports to ensure that all transactions are posted correctly to the accounting system. The reports reviewed will include:

- Month End Reports;
- Management accounts summarising expenditure and income against budget at budget holder level;
- Other reports as required.

### **3.5 Reconciliations**

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

- Sales ledger control account;
- Purchase ledger control account;
- Bank balances per the cash book to the bank statements;
- Petty cash reconciliation.

Any unusual or outstanding reconciling items must be brought to the attention of the Finance Manager.

## **4. Financial Planning**

The Academy prepares both medium term and short-term financial plans.

The medium term financial plan is prepared as part of the development planning process.

The development plan indicates how the Academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.

The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.

The development planning process and the budgetary process are described in more detail below

### **4.1 Improvement Plan**

The development plan is concerned with the future aims and objectives of the Academy and how they are to be achieved; that includes matching the Academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

The form and content of the development plan are matters for the Academy to decide but due regard should be given to the matters included within the guidance to Academies and any annual guidance issued by the ESFA.

Each year the Principal will propose a planning cycle and timetable to the Governing Body which allows for:

- a review of past activities, aims and objectives - “did we get it right? ”
- definition or redefinition of aims and objectives – “are the aims still relevant? ”
- development of the plan and associated budgets – “how do we go forward?”
- implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course?”
- feedback into the next planning cycle – “what worked successfully and how can we improve?”

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Principal.

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

#### **4.2 Annual Budget**

The Finance Manager is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Principal, SLT, Finance & General Purposes Committee and the Governing Body.

The approved budget must be submitted to the ESFA by 31 July each year and the Finance Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

The annual budget will reflect the best estimate of the resources available to the Academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

- Forecasts of the likely number of pupils to estimate the amount of ESFA grant receivable;
- Review of other income sources available to the Academy to assess likely level of receipts;
- Review of past performance against budgets to promote an understanding of the Academy cost base;
- Identification of potential efficiency savings and
- Review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

The Finance Manager will use the following when compiling the annual budget. Comparison of estimated income and expenditure, will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

Once the different options and scenarios have been considered, a draft budget should be prepared by the Finance Manager for approval by the Principal, SLT, the Finance & General Purposes Committee and the Governing Body. Once agreed and approved by governors, the final budget will be communicated to all staff with responsibility for budget headings.

The budget should be seen as a working document which may need revising throughout the year as circumstances change.

#### **4.5 Monitoring and Review**

Monthly reports will be reviewed and presented to the governors of the Finance and General purpose committee by the Finance Manager. The reports will detail actual income and expenditure against budget.

Any potential overspend/underspend will be identified.

Departmental budgets will be monitored against set budgets. Staff responsible for departmental budgets should identify areas of possible overspend and discuss these with the Finance Manager. Virements and amendments to Set Departmental Budgets will only be approved, once consideration of full Academy budget has been reviewed by the Finance Manager and the Principal. These virements will be advised to the Finance and General Purpose Committee.

The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate.

## **5. Payroll**

### **5.1 Staff Appointments**

The Governing Body has approved a personnel establishment for the academy.

Changes can only be made to this establishment with the approval in the first instance of the Finance and General Purpose Committee who must ensure that adequate budgetary provision exists for any establishment changes.

The Principal has authority to appoint staff within the authorised establishment except for Vice Principals, whose appointments must follow consultation with the governors. The Principal maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified to Walsall MBC HR Direct Services, who are contracted to provide The Academy's HR services.

### **5.2 Payroll Administration**

The monthly academy payroll is administered under annual contact by Walsall MBC. Any changes to the Establishment, once approved by the Principal or Governors will be notified by the Finance Manager to Walsall MBC Personnel, who will issue appropriate documents on behalf of the Academy. The Finance Manager will monitor and report Payroll to the Finance and General Purpose Committee as part of the budget monitoring process.

#### **New Staff Appointments/Changes to Establishment**

- New staff can only be added to the payroll with the express approval of the Principal
- New staff must complete all relevant payroll documents issued by Personnel. Failure to do this may result in non-payment of salary. In these circumstances, the salary payment may not be made until the next payroll run in the following month.
- Salary amendments can only be made with the express approval of the Principal.
- Staff can only be terminated from the payroll with the express approval of the Principal and notified to Personnel.
- Payment for sickness or maternity must be authorised by the Principal in line with the employment contract for the individual.
- Where leave of absence is discretionary, payment can only be made with the express approval of the Principal.
- Staff that are paid on submission of a time-sheet must complete and return their correctly completed time-sheet to the Finance Manager by 3rd of each month, for the preceding month. Time-sheets are then authorised by the Principal or Finance Manager. Failure to completed forms on time may result in delay in payment of the time-sheet claim until the following months payroll run.

#### **5.3 Checking of Payroll**

After the payroll has been processed by Walsall MBC but before payments are made, a review of salary payments for each individual should be made to ensure payments have been allocated as per amendment to establishment for the period. A reconciliation between the current months and the previous gross salary payments, showing adjustments made for new appointments, resignations, pay increases, etc. This reconciliation must be reviewed and authorised by the Finance Manager or Heads PA, who will then give authority to Walsall MBC to release payments.

All Salary payments are made by BACS.

Salary payment is made into bank/building society accounts on or around the 28 of the month. This may vary during December and January to equal pay week periods. The Salary payment schedule is attached at Appendix 1.

Payslips are issued to paid employees when received from Walsall MBC Payroll Department.

The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The deductions are for tax, national insurance contributions, pensions, (TPS or LGPS, including AVC's) and court advisory's where applicable.

After the payroll has been processed, postings will be made to the Financial System Corero for the monthly payroll costs, advised via the Payroll Balance sheet report.

## 6. Purchasing

The Academy operates to achieve the best value for money from all our purchases. Obtaining quality and quantity at the best price possible. Our purchases are paid for with public funds, thus need to ensure the general principles of:

- **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Academy;
- **Accountability**, the Academy is publicly accountable for its expenditure and the conduct of its affairs;
- **Fairness**, that all those dealt with by the Academy are dealt with on a fair and equitable basis.

### 6.1 Routine Purchasing

Budget holders will be informed of the budget available to them as soon as the annual budget has been agreed by Governors, before the start of the academic year. It is the responsibility of the budget holder to manage the budget, to avoid an overspend.

Details of expenditure against budget will be supplied to each budget holder termly, in line with the Finance and General Purpose Committee meetings. Budget holders must keep their own records of orders placed, and must advise the Finance Manager of any concerns.

A quote must always be obtained before any order is placed. Budget holders should ensure that the lowest cost price is achieved. The finance administrator may check alternate supplier for prices to ensure best value.

All orders must be made using an official order form.

Orders must bear the signature of the budget holder and must be forwarded to the Finance Administrator, who will check to ensure adequate budgetary provision exists.

Signed orders are entered on the Corero Financial system and is allocated an order number. The order is then Approved by the Finance Manager and printed/Issued to the Supplier. A copy is retained in the Academy order book and a copy is dispatched to the supplier via email or Post.

All purchases must be made via an official order.

If the supplier has not been used by the Academy previously, a check on the liability risk of the company will be made prior to the supplier being set up and the order placed.

All deliveries will be advised as the Academy mail address:

Joseph Leckie Academy, Walstead Road West, Walsall WS5 4PG.

On receipt a detailed check of the goods and allocation against the order will be made, a goods received note (GRN). A record of any discrepancies will be noted and follow up by the Finance Administrator if required. Discrepancies should be discussed with the supplier of the goods without delay. Checked goods will then be notified to the Department/budget holder who placed the order.

If any goods are rejected or returned to the supplier because they are not as per the order or are of sub- standard quality, the finance office will record this.

All invoices should be sent to the Finance Office. Email address:

[JLAFinance@josephleckieacademy.co.uk](mailto:JLAFinance@josephleckieacademy.co.uk).

Invoices will be certified, with a grid against which the following can be evidenced:

- invoice arithmetically correct;
- goods/ services received;
- goods/services as ordered;
- prices correct;
- Invoice posted to purchase ledger;
- Invoice authorised for payment.

If a budget holder is pursuing a query with a supplier the Finance Manager must be informed of the query and kept up to date with progress.

Weekly, the Finance Assistant will produce a list of outstanding invoices from the purchase ledger and generate the BACs payments or cheques if required. A copy of the Bacs Report is printed from and filed with the Payment List.

The BACS file is loaded onto the Lloyds bank account and must be approved by 2 of the authorised signatories. (Principal or Finance Manager). Once the payment status is complete, the batch with payment details are printed and filed with the Payment List and the Finance Administrator will complete the following:

- Check that the bank account details agree with both reports.
- Check the invoice amount matches the Payment List
- Stamp the invoice with paid stamps and write on "Paid by BACS" date.

Cheques will be dispatched to suppliers by the Finance Assistant and Bacs payments will be notified to suppliers by email.

Non-order purchases must have the prior approval of the Finance Manager and should only be placed in an emergency.

At least three written quotations should be obtained for all orders over £5,000 and up to £100,000 to identify the best source of the goods/services. Orders over £25,000, will need to be have been seen and scrutinised by Finance and General Purpose Committee before approval to purchase is given. Written details of quotations obtained, these should be prepared/collated by budget holders and forwarded to the Finance Manager, prior to orders being placed. This is an audit requirement.

If goods/services required are bespoke, in that only one or two suppliers can meet requirement, written confirmation as to why other suppliers cannot be considered must be provided by the budget holder. It is not always beneficial to undergo the tendering process for higher value orders, £100,000 and above (e.g. for the purchase of computers or specialised computer equipment, as there is usually only one supplier). Competitive tendering can be considered below this figure, in the interests of best value. Purchases that may fall under EU procurement rules which requires advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in the Academies Financial Handbook. .

## 6.2 Forms of Tenders

There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Finance Manager how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
- **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
  - There is a need to maintain a balance between the contract value and administrative costs,
  - A large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the Academy's requirements,
  - The costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
- **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
  - The above methods have resulted in either no or unacceptable tenders
  - Only one or very few suppliers are available
  - Extreme urgency exists
  - Additional deliveries by the existing supplier are justified.

## 6.3 Preparation for Tender

Full consideration may be given to:

- Objective of project
- Overall requirements
- Technical skills required
- After sales service requirements
- Form of contract.

It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

## 6.4 Invitation to Tender

If a restricted tender is to be used then an invitation to tender should be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry. An invitation to tender may include the following:

- Introduction/background to the project;
- Scope and objectives of the project;
- Technical requirements;
- Implementation of the project; <sup>2</sup> Terms and conditions of tender and

- Form of response.

### **Aspects to Consider Financial**

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

### **Technical/Suitability**

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

### **Other Considerations**

- Pre sales demonstrations
- After sales service
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

### **6.5 Tender Acceptance Procedures**

The invitation to tender should state the date and time by which the completed tender document should be received by the Academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted and any reason for accepting them should be recorded.

### **6.6 Tender Opening Procedures**

All tenders submitted should be opened at the same time and the tender details should be recorded.

Two persons should be present for the opening of tenders.

A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

### **6.7 Tendering Procedures**

The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest, then that person must withdraw from the tendering process.

Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

Full records should be kept of all criteria used for evaluation of contracts and a report should be prepared for the Finance & General Purpose Committee highlighting the relevant issues and recommending a decision.

Where required by the conditions attached to a specific grant from the DFE, the Department's approval must be obtained before the acceptance of a tender.

The accepted tender should be the one that is economically most advantageous to the Academy. All parties should then be informed of the decision.

## **7. Income**

The main sources of income for the academy is the grant from the ESFA and from Walsall MBC. The receipt of these sums is monitored by the Finance Manager who is responsible for ensuring that all grants due to the academy are collected.

The Academy also obtains income from:

- Students, mainly for trips and for revision or additional education support materials.
- The Community Association for payment of rent/usage of premise.

### **Trips**

A lead teacher must be appointed for each trip to take overall responsibility for the trip. The lead teacher must prepare a budget report on the trip showing the number of students going and how much each student is paying, a breakdown of the trip cost to ensure it is viable to run. A copy of the record must be given to the Finance Manager.

Students should make payments via the Online Parentmail system in operation at the Academy.

The Finance Assistant should maintain an up to date record of all payments made via the Parentmail system of for each student showing the amount paid and the amount outstanding for each individual item.

### **Sports Lettings**

The Community Association Manager is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation.

The Finance Manager is responsible for chasing outstanding debts and ensuring no use is made of the facilities unless payment has been made.

No debts should be written off without the express approval of the Finance & General Purposes Committee (the DFE's prior approval is also required if debts to be written off are above the value set out in the annual funding letter).

The income received by the Community Association bookings must be reconciled The income is stored securely in the Safe Located in the PE Department and handed to the administration officer responsible for banking.

## **8 Cash Management**

### **Bank Accounts**

The opening of all accounts must be authorised by the Governing Body who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### **Deposits**

Particulars of any deposit must be entered on an official Lloyds Bank copy paying-in slip, counterfoil. The details should include the amount of the deposit and tender type break down – Cash £20, £10, £5, £2, £1, 50p, 20p, 10p 5p, 2p, 1p and cheques. This should be supported by the Academy cash record sheet detailing the till amounts.

### **Payments and withdrawals**

All cheques and other instruments authorising withdrawal from Academy bank accounts must be approved or bear the signature of two of the following authorised signatories:

- The Principal;
- The Finance Manager;
- A Vice Principal;

This provision applies to all accounts, public or private, operated by or on behalf of the Governing Body of the Academy.

### **Administration**

The Finance Manager must ensure bank statements are regularly reconciled at least on a monthly basis. Reconciliation procedures must ensure that:

- All bank accounts are reconciled to the Academy's cash book;
- Reconciliations are prepared by the Finance Assistant;
- Reconciliations are countersigned by the Finance Manager or Principal;
- Reconciliation of the BACS payments are signed by the Finance Manager and the amount and bank date are checked with the bank statement;
- Adjustments arising are dealt with promptly.

### **Academy Debit Cards**

The Academy has 3 debit cards and the card holders are the Principal and Finance Manager and Finance Assistant

### **Petty Cash Accounts**

The Academy maintains a maximum cash balance of £500. The cash is administered by the Finance Manager and is kept in the safe. Personal cheques will not be cashed.

### **Deposits**

The petty cash float may be topped up from the cash received that is ready for banking to the School Fund account and then an online transfer is completed through Lloyds Bank from the Academy Account to the School Fund Account.

The receipt should be recorded on Corero in Cash Book as a transfer from the Current Account to the Petty Cash Account

### **Payments and Withdrawals**

In the interests of security, petty cash payments are limited to £50.

Higher value payments should be made by cheque directly from the academy bank account, or via bank transfer with authorisation from the Principal. All payments must be supported by VAT invoices/receipts and must be signed for by recipient.

### **Administration**

The Finance Assistant is responsible for entering all transactions into the petty cash records on a regular basis.

The Finance Manager is responsible for ensuring the reconciliation of the petty cash voucher to the Cash Book and also to ensure the cash balance reconciles to the Cash Book.

### **Physical Security**

Petty cash is held in a locking cash box which is put in a safe overnight.

### **Cash Flow Forecasts**

The Finance Manager is responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds.

### **Investments**

Investments must be made only in accordance with written procedures approved by the Governing Body.

All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

## **9. Fixed Assets**

### **Asset register**

All items purchased with a value over the Academy's capitalisation limit must be entered in an asset register. The asset register should include the following information:

- Asset description
- Asset number
- Serial number (if available)
- Date of acquisition
- Asset cost
- Source of funding (% of original cost funded from DFE grant and % funded from other sources)

- Expected useful economic life
- Depreciation
- Current book value
- Location
- Name of member of staff responsible for the asset

The Asset Register helps:

- Ensure that staff take responsibility for the safe custody of assets;
- Enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- To manage the effective utilisation of assets and to plan for their replacement;
- Help the external auditors to draw conclusions on the annual accounts and the Academy's financial system;
- Support insurance claims in the event of fire, theft, vandalism or other disasters.

### **Security of assets**

Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

All the items in the register should be permanently and visibly marked as the Academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Finance and General Purposes Committee. Inventories of Academy property should be kept up to date and reviewed regularly. Where items are used by the Academy but do not belong to it this should be noted.

### **Disposals**

Asset items which are to be disposed of by sale or destruction must be authorised for disposal by the Finance and General Purposes Committee and, where significant, should be sold following competitive tender. The Academy must seek the approval of the DFE in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

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 Academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other Academy assets. If the sale proceeds are not reinvested then the Academy must repay to the DFE a proportion of the sale proceeds.

All disposals of land must be agreed in advance with the Secretary of State

### **Loan of Assets**

Items of Academy property must not be removed from Academy premises without the authority of the Principal. A record of the loan must be recorded on a loan of equipment form and recorded accordingly. The item must be checked and booked back into the Academy when it is returned.

The loan of equipment form will be checked should an item of equipment be missing when a fixed asset audit is undertaken.

If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a “benefit-in-kind” for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the Academy’s auditors

#### **10. Audit**

The Academy has appointed Mazars as its auditors for the financial year 2019/2020

The Academy has appointed Mazars in the role of Responsible Officer

#### **11. Insurance**

The Academy reviews all risks annually to ensure the cover available and the sums insured are adequate.

The Academy will notify the insurers of any new risks or any other alterations affecting existing insurance.

The Academy will immediately advise the insurers of any accident, loss of other incident which may give rise to an insurance claim.

#### **12. Bad Debts**

The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow this guidance.

Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, an invoice will be issued.

All debts will be recorded and non-payment will be followed up by issuing reminders as appropriate, suggested following intervals: -

- 3 weeks from date of account – 1<sup>st</sup> reminder
- 6-10 weeks from date of account – 2<sup>nd</sup> reminder
- Final reminder - The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days.

After 10 weeks from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.

If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures: -

- The Principal/Finance Manager on behalf of the Academy Trust must provide 30 days’ notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in Section 83 of School’s Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education’s approval (see below).

- Those debts *below* the value set out in the Annual Letter of Funding can then be approved and written off by the Finance Committee reported to the next meeting of the Governing Body in accordance with the Academies Financial Handbook.
- Any proposed write-off debts *above* the value set out in the Annual Letter of Funding require the prior written consent of the Secretary of State Education in accordance with section 82 of School's Funding Agreement.

To ensure sound internal control, staff who raise invoices, will not have the authority to write off debts. The VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.

The Academy will retain a Bad Debt Write-Off Summary.

### **13. Redundant Equipment**

The Governing Body has the authority to declare equipment, furniture or other assets or stores, surplus to requirements and to make arrangements for their sale or write off, provided that the items concerned were purchased in whole or in part with a grant from the Secretary of State for Education.

A Disposal of Equipment form will be completed for all items which are to be disposed of and internal control will be exercised to ensure that the asset is no longer of use (i.e. it is obsolete) and that the obsolete stocks are destroyed to ensure that they are not illegitimately procured and then resold. Where the estimated disposal value of surplus or redundant assets (equipment) is less than £500 or sale is to be by public auction or competitive tendering, disposal can be authorised by the Principal.

The prior approval of the Governing Body will be required if:

- The estimated disposal value is above £500 and the sale is not to be by public auction or competitive tendering;
- The estimated disposal value is above £500 or;
- The sale is to be to a Governor or employee of the Academy.

The prior written consent of the Secretary of state for Education is required in accordance with section 89 of the School Funding agreement as follows:

- Before the disposal of any asset for which a grant of over £20,000 was made, or land and buildings which had been transferred from the Local Authority at no cost to the Academy.
- Before the sale of disposal by other means, or reinvestment of proceeds from the disposal of an asset or group of assets, for which a capital grant in excess of £20,000 was paid.

As set out in section 93 of the School Funding Agreement the Academy will provide 30 days' written notice to the Secretary of State for Education of its intention to dispose of assets for a consideration less than the best price that can reasonably be obtained, whether or not such disposal requires the Secretary of State for Education's consent as detailed above.

## **14. APPENDIX A**

### **Guidance for Issue to Responsible Officers (ROs)**

#### **The Role of the Responsible Officer**

The role of the responsible Officer (RO) is to provide the Governing Body (GB) with an on-going independent oversight of the Academy's financial affairs. Most public sector organisations, and a growing number of private sector organisations, are required to have an internal audit service but due to the relatively small size of Academies, this requirement is thought to be onerous.

In the absence of an internal audit service it falls to the RO to provide the GB with independent assurance that:

- the financial responsibilities of the GB are being properly discharged;
- recourses are managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained;
- financial considerations are fully taken into account in reaching decisions.

The RO should be a Governor (but not the Chairman), or an appropriately qualified and experienced individual not on the Academy's staff, with the necessary financial interest and skills to be able to perform the role competently. The RO is not expected to do the detailed accounting work personally, but will be required to check some transactions to ensure that the correct procedures have been followed. The RO will need to be sufficiently familiar with the finances of the Academy to be able to report to the GB, and hence indirectly to the EFA, that the above requirements have been met.

#### **Performance of the RO Role**

The conditions of the ESFA grant, and the financial procedures which the EFA expect the Academy to follow, are described in the DfE Academies Financial Handbook, which expands upon the Academy's funding agreement with the Secretary of State. Further details may be set out from time to time in financial circular letters, and in the annual funding letters. The main purpose of the RO role is to ensure that these requirements are followed.

Responsible Officers are often consulted before significant financial decisions are taken and provide a useful source of advice for Academies. However, the RO should also perform a wider role by visiting the school at least once a quarter and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are shown overleaf.

Written records of the checks performed by the RO should be maintained.

#### **Suggested Systems checks to be undertaken by the RO Each Year**

##### **Payroll**

- Select 5 employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct;
- Check 5 amendments to the payroll to ensure that the appropriately authorised source documentation exists;
- Review the final payroll print for one month to ensure it has been appropriately authorised.

## **Purchases**

- Select 5 payments made within the quarter and ensure:
  - the payment is correctly authorised;
  - the payment is correctly recorded in the accounting system;
  - the invoice is correctly authorised;
  - the invoice agrees to the order;
  - that the goods or services have been certified as received;
  - the order is correctly authorised;
  - that the order has been placed with an appropriate supplier.
- Obtain details of any contracts let with a value over a prescribed limit and review documentation to ensure correct quotation/tender procedures have been followed;
- Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory.

## **Income**

- Review receipts from the EFA and check that the amounts received agree to source documentation;
- Select one category of “miscellaneous receipts” and ensure:
  - appropriate action has been taken on any overdue amounts;
  - primary records of amounts due reconcile to records of monies collected;
  - monies recorded are collected have been banked promptly and in full;
  - ensure monies collected are correctly recorded in the accounting system.

## **Accounting System**

- Review bank reconciliations to ensure that they have been correctly prepared and authorised;
- Review control account reconciliations to ensure that they have been correctly prepared and authorised;
- Review through sample checks the procedures used to prepare financial reports issued to governors and officers of the Academy and EFA financial returns to be satisfied that they are completed accurately and promptly.