

# Hartismere School

POLICY DOCUMENT No FP9

## FINANCE AND PROCEDURES POLICY



<b>Date approved</b>	
<b>Signed</b>	<b>(Chair of Governors)</b>
<b>Minuted</b>	<b>(Date)</b>
<b>Date of next review</b>	

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## **1. Introduction**

**1.1** The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform to 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 Department for Education (DFE)/Young People's Learning Agency (YPLA).

**1.2** The academy must comply with the principles of financial control outlined in the academies guidance published by the DFE/YPLA. This manual expands on that and provides detailed information on the academy's accounting procedures and system manual should be read by all staff involved with financial systems.

## **2. Organisation**

**2.1** The academy 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:

## **The Governing Body**

**2.2** 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 DFE and in the academy's scheme of government. The main responsibilities include:

- Ensuring that grant from the YPLA is used only for the purposes intended;
- Ensuring that funds from sponsors are received according to the academy's Funding Agreement, and are used only for the purposes intended;
- Approval of the annual budget;
- Appointment of the Headteacher and
- Appointment of the Director of Finance, in conjunction with the Headteacher.

## **The Finance & Premises Committee**

**2.3** The Finance & Premises Committee is a committee of the governing body. The Finance & Premises Committee meets at least once a term but more frequent meetings can be arranged if necessary.

**2.4** The main responsibilities of the Finance & Premises Committee are detailed in written terms of reference which have been authorised by the governing body. The main responsibilities include:

- The initial review and authorisation of the annual budget;
- The regular monitoring of actual expenditure and income against budget;
- Ensuring the annual accounts are produced and signed off in accordance with the requirements of the Companies Act 1985 and the DFE guidance issued to academies;
- Authorising the award of contracts over £25,000;
- Authorising changes to the academy personnel establishment and
- Reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. These reports must also be reported to the full governing body.

## **The Headteacher**

**2.5** Within the framework of the academy development plan as approved by the governing body the Headteacher has overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Director of Finance but the Headteacher 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 contracts between £1,000 and £24,999 in conjunction with the Director of Finance;
- Signing cheques in conjunction with the Director of Finance or other authorised signatory.

### **The Director of Finance**

**2.6** The Director of Finance works in close collaboration with the Headteacher through whom he or she is responsible to the governors. The Director of Finance also has direct access to the governors via the Finance & Premises Committee. The main responsibilities of the Director of Finance 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;
- 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 £15,000 in conjunction with budget;
- Signing cheques in conjunction with the Headteacher or other authorised signatory
- Ensuring forms and returns are sent to the YPLA in line with the timetable in the DFE/YPLA guidance.

### **The Responsible Officer**

**2.7** 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 and
- Financial considerations are fully taken into account in reaching decisions.

**2.8** 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 laid down by the governing body. A report of the findings from each visit will be presented to the Finance & Premises Committee. Detailed guidance on the transactions to be checked by the RO is given in Appendix A.

### **Other Staff**

**2.9** Other members of staff, primarily the Finance Assistant and budget holders, will have some financial responsibility. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

### **Register of Interests**

**2.10** 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 significant 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.

**2.11** 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.

**2.12** 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**

**3.1** All the financial transactions of the academy must be recorded on the academy accounting system i.e. FMS. The academy system is operated by the Finance Department and consists of:

- Journals
- Nominal Ledger Bank
- Bank Statement Reconciliation
- Transactions
- Purchases Ledger
- Payroll System: Salary Commitments & Actual Salary Costs

### **System Access**

- 3.2** Entry to the FMS system is password restricted and the Director of Finance is responsible for implementing a system which ensures that passwords are changed at least every term. The Director of Finance will ensure that the system administrator password is placed in a sealed envelope and kept in the safe.
- 3.3** Access to the component parts of FMS can also be restricted and the Director of Finance is responsible for setting access levels for all members of staff using the system.

### **Back-up Procedures**

- 3.4** The Director of Finance is responsible for ensuring that there are effective back up procedures for the system. Data should be copied onto server tapes and the copies stored in a secure place preferably in a fireproof container. Back up copies should be taken on at least a weekly basis.
- 3.5** The back-ups should not be recorded on the same backup disc each time as this results in only one copy being available. In order to provide more protection from the loss of data at least three different backup discs should be used in rotation and stored in different locations.
- 3.6** The Director of Finance should also prepare 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.

### **Transaction Processing**

- 3.7** All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. All journal entries must be documented and authorised by the Director of Finance prior to being input to the accounting system. Bank transactions should be input by the Finance Assistant and the input

should be checked, and signed to evidence this check, by the Director of Finance.

- 3.8** Detailed information on the operation of FMS can be found in the user manuals held in the Finance Office.

### **Transaction Reports**

- 3.9** The Director of Finance will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:
- The monthly audit trail reports;
  - Master file amendment reports for the payroll, purchase ledger and sales ledger;
  - Management accounts summarising expenditure and income against budget at budget holder level.

### **Reconciliations**

- 3.10** The Director of Finance 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;
  - Payroll control account;
  - All suspense accounts and
  - Bank balance per the nominal ledger to the bank statement.
- 3.12** Any unusual or long outstanding reconciling items must be brought to the attention of the Accounting Officer. The Director of Finance will review and sign all reconciliations as evidence of his review.

## **4. Financial Planning**

- 4.1** The academy prepares both medium term and short-term financial plans.
- 4.2** 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.

- 4.3** 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.
- 4.4** The development planning process and the budgetary process are described in more detail below.

### **Development Plan**

- 4.5** 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.
- 4.6** 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 DFE/YPLA.
- 4.7** Each year the Headteacher 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" and
  - Feedback into the next planning cycle – "what worked successfully and how can we improve?"
- 4.8** The Headteacher will provide the detailed structure for the school development plan for the year ahead in the autumn term in 5 parts to be delegated for review and approval by the appropriate committee.
- 4.9** 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.

## **Annual Budget**

- 4.10** The Director of Finance is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher, Finance & Premises Committee and the governing body.
- 4.11** The approved budget must be submitted to the YPLA by 30 June each year and the Director of Finance is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.12** 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.
- 4.13** The budgetary planning process will incorporate the following elements:
- Forecasts of the likely number of pupils to estimate the amount of YPLA 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
  - 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.

## **Balancing the Budget**

- 4.14** 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.

## **Finalising the Budget**

- 4.15** Once the different options and scenarios have been considered, a draft budget should be prepared by the Director of Finance for approval by the Headteacher, the Finance & Premises Committee and the governing body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.16** The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

## **Monitoring and Review**

- 4.17** Monthly reports will be prepared by the Director of Finance. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Headteacher.
- 4.18** Any potential overspend against the budget must in the first instance be discussed with the Director of Finance. The accounting system will not allow payments to be made against an overspent budget without the approval of the Director of Finance.
- 4.19** 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. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements must be authorised in accordance with the Record of Financial Responsibility.

## **5. Payroll**

- 5.1** The main elements of the payroll system are:
- Staff appointments;
  - Payroll administration and
  - Payments.

### **Staff Appointments**

- 5.2** The governing body has approved a personnel establishment for the academy. Changes can only be made to this establishment with the express approval in the first instance of the Finance & Premises Committee who must ensure that adequate budgetary provision exists for any establishment changes.

**5.3** The Headteacher has authority to appoint staff within the authorised establishment except for Deputy Headteachers and the Director of Finance whose appointments must follow consultation with the governors. The Headteacher maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Director of Finance immediately.

### **Payroll Administration**

**5.4** The academy payroll is administered by CSD Payroll, and payroll transactions are entered/imported to FMS operated in the Finance Office. Access to the system is password controlled. Password control procedures and backup arrangements are described in section two of this manual.

**5.5** All staff are paid monthly through CSD Payroll. A master file is created for each employee which records:

- Salary;
- Bank account details;
- Taxation status;
- Personal details and
- Any deductions or allowances payable.

**5.6** Each section head must complete a monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations. The staff return must be authorised by the nominated budget holder. Authorised staff returns should be sent to the Director of Finance who then files the documents for payroll processing.

**5.7** Data input to the payroll system should be undertaken by the Finance Assistant in accordance with the payroll timetable. Before the payroll is processed a print of all data input should be obtained and this should be checked against source documentation and initialled by the Director of Finance.

### **Payments**

**5.8** After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total should be obtained from the system. The print must be reviewed and authorised together with authority to release payment by the Director of Finance and the Headteacher.

**5.9** All salary payments are made by BACS.

- 5.10** The Director of Finance should carry out a reconciliation between the current month's salary commitments on FMS and actual salary payments allowing for adjustments for additional hours, casual hours, supply claims etc.
- 5.11** The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on pay print from CSD payroll and payment for these amounts should be authorised by the Director of Finance and the Headteacher (or other authorised cheque signatory if one is unavailable).
- 5.12** The Director of Finance should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.
- 5.13** After the payroll has been processed the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Director of Finance should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.
- 5.14** On annual basis the Director of Finance must check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file in the Headteacher's office.

## **6. Purchasing**

- 6.1** The academy wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of their purchases will be paid for with public funds and they need to maintain the integrity of these funds by following 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.

### **Routine Purchasing**

- 6.2** Budget holders will be informed of the budget available to them at least one month before 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 print detailing actual expenditure against budget will be supplied to each budget holder monthly and budget holders are encouraged to keep their own records of orders placed but not paid for.

- 6.3** Routine purchases up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Finance Office. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the Director of Finance.
- 6.4** All orders must be made, or confirmed, in writing using an official order form, stocks of which are held in the Finance Office. Orders must bear the signature of the budget holder and must be forwarded to the Finance Office where the Finance Assistant will check to ensure adequate budgetary provision exists before countersigning the order.
- 6.5** Countersigned orders are recorded in the orders placed book, allocated a reference number and dispatched to the supplier by the Finance Assistant.
- 6.6** The budget holder must make appropriate arrangements for the delivery of goods to the academy. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.
- 6.7** If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Assistant will keep a central record of all goods returned to suppliers.
- 6.8** All invoices should be sent to the Finance Office where the Finance Assistant will complete a grid against which the following can be evidenced:
- Invoice posted to purchase ledger;
  - Goods/ services received;
  - Prices correct;
  - Invoice authorised for payment;
  - Payment authorised;
  - VAT treated correctly and
  - Cheque number
  - Initials of person authorising payment
- 6.9** Before completing these boxes the budget holder must make a detailed check against the order and the GRN and these documents must be attached to the invoice before it is sent back to the Finance Office. Budget holders must

undertake these checks without undue delay and in any case within 7 days of invoice receipt.

- 6.10 If a budget holder is pursuing a query with a supplier the Finance Department must be informed of the query and periodically kept up to date with progress.
- 6.11 The Finance Assistant will then input details of payments to be made to the purchase ledger and generate the cheques required. The cheques and associated paperwork must be authorised by two of the nominated cheque signatories.
- 6.12 Cheques will be dispatched to suppliers by the Finance Assistant who will then place the invoice in the appropriate file in cheque number order.

### **Orders over £10,000**

- 6.13 At least three written quotations should be obtained for all orders over £10,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.

### **Orders over £25,000**

- 6.14 All goods/services ordered with a value over £25,000, or for a series of contracts which in total exceed £25,000 must be subject to formal tendering procedures. Purchases over (currently £156,442 for goods and services, and £3,927,260 for works) (correct as at May 2011), may fall under EU procurement rules which require advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Annex 3d to the Academies Financial Handbook.

### **Forms of Tenders**

- 6.15 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 Director of Finance 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.

## Preparation for Tender

**6.16** Full consideration should be given to:

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

**6.17** 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.

## Invitation to Tender

**6.18** If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

**6.19** An invitation to tender should include the following:

- Introduction/background to the project;
- Scope and objectives of the project;
- Technical requirements;
- Implementation of the project;
- 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.

## **Tender Acceptance Procedures**

**6.20** 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.

## **Tender Opening Procedures**

**6.21** 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 as follows:

- For contracts up to £25,000 - two of the budget holder, the Director of Finance or the Headteacher;

- For contracts over £25,000 – either the Director of Finance or the Headteacher plus a member of the F & P Committee.

**6.22** 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.

## **Tendering Procedures**

**6.23** 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.

**6.24** 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.

**6.25** Full records should be kept of all criteria used for evaluation and for contracts over £25,000 a report should be prepared for the Finance & Premises Committee highlighting the relevant issues and recommending a decision. For contracts under £25,000 the decision and criteria should be reported to the Finance & Premises Committee.

**6.26** Where required by the conditions attached to a specific grant from the YPLA, the department's approval must be obtained before the acceptance of a tender.

**6.27** 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**

**7.1** The main sources of income for the academy are the grants from the YPLA and from our sponsors. The receipt of these sums is monitored directly by the Director of Finance who is responsible for ensuring that all grants due to the academy are collected.

**7.2** The academy also obtains income from:

- Students, mainly for trips and
- The public, mainly for sports lettings.

## **Trips**

- 7.3** A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Assistant.
- 7.4** Students should make payments at the Pupil Services/Finance Office. A receipt must be issued for all monies collected and the value of the receipt recorded against the student making the payment.
- 7.5** The Finance Assistant should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.

## **Sports Lettings**

- 7.6** The Premises and Lettings Assistant is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.
- 7.7** The Premises and Lettings Assistant will maintain details of organisations using the sports facilities and will produce a sales invoice and be responsible for chasing outstanding debts and ensuring no use is made of the facilities unless payment has been made.
- 7.8** No debts should be written off without the express approval of the governing body (the YPLA's prior approval is also required if debts to be written off are above the value set out in the annual funding letter).
- 7.9** Organisations using the sports facilities should be instructed to send all payments to the Finance Office.

## **Custody**

- 7.10** Official, pre-numbered academy receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the Office safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £8,000 insurance limit on the Finance Office safe.
- 7.11** Monies collected must be banked in their entirety in the appropriate bank account. The Finance Assistant is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the

accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Director of Finance.

## **Bad Debts**

- 7.12** Bad debts up to £100 may be written off by the Headteacher and reported to the next meeting of the Finance and Premises Committee in accordance with the Academies Financial Handbook. Bad debts exceeding £100 will be referred to the Governing Body and the Secretary of State's approval will be sought. The Academy will retain a bad debt write-off summary.

## **8 Cash Management**

### **Bank Accounts**

- 8.1** 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**

- 8.2** Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
- The amount of the deposit and
  - A reference, such as the number of the receipt or the name of the debtor.

### **Payments and withdrawals**

- 8.3** All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories:
- Headteacher;
  - Director of Finance;
  - 2 x Deputy Headteacher;
- 8.4** This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

## **Administration**

**8.5** The Director of Finance must ensure bank statements are received regularly and that reconciliations are performed 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 subject to an independent monthly review carried out by the Director of Finance or in her absence the Responsible Officer (RO) and
- Adjustments arising are dealt with promptly.

## **Petty Cash Accounts**

**8.6** The academy maintains a maximum cash balance of £500. The cash is administered by the Finance Assistant and is kept in the office safe.

## **Deposits**

**8.7** The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

## **Payments and Withdrawals**

**8.8** In the interests of security, petty cash payments will be limited to £100. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

## **Administration**

**8.9** The Finance Assistant is responsible for entering all transactions into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the Director of Finance to ensure that the cash balance reconciles to supporting documentation.

## **Physical Security**

**8.10** Petty cash should be held in a locking cash box which is put in the safe overnight.

## **Cash Flow Forecasts**

**8.11** The Director of Finance 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. Similarly plans should be made to transfer funds from another bank account or to re-profile APG to cover potential cash shortages.

## **Investments**

**8.12** Investments must be made only in accordance with written procedures approved by the governing body.

**8.13** 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**

**9.1** 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
- Date of acquisition
- Asset cost
- Source of funding (% of original cost funded from YPLA grant and % funded from other sources)
- Expected useful economic life
- Depreciation
- Current book value
- Location
- Name of member of staff responsible for the asset

**9.2** 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 and
- Support insurance claims in the event of fire, theft, vandalism or other disasters.

### **Security of assets**

- 9.3** Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.
- 9.4** 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 governing body. 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**

- 9.5** Items which are to be disposed of by sale or destruction must be authorised for disposal by the Director of Finance and, where significant, should be sold following competitive tender. The academy must seek the approval of the YPLA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.
- 9.6** 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.
- 9.7** 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 YPLA a proportion of the sale proceeds.
- 9.8** All disposals of land must be agreed in advance with the Secretary of State.

### **Loan of Assets**

- 9.9** Items of academy property must not be removed from academy premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back in academy when it is returned.

**9.10** 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.

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

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

1. 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 too 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;
  - resources are managed in an efficient, economical and effective manner;
  - sound systems of internal financial control are being maintained and
  - financial considerations are fully taken into account in reaching decisions.
2. 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 YPLA, that the above requirements have been met.

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

3. The conditions of YPLA grant, and the financial procedures which the YPLA 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.
4. 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 academy 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.
5. 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 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 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 YPLA and sponsors 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 as 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 YPLA financial returns to be satisfied that they are completed accurately and promptly.