



OWLS Academy Trust

OWLS Academy Trust Financial Regulations Manual

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1 Introduction

- 101 The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE).
- 102 The academy must comply with the principles of financial control outlined in the academies guidance published by the DfE. 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

- 201 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

- 202 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 DfE 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 Principal and
 - Appointment of the Finance Director, in conjunction with the Principal.

The Finance /resources Committee

- 203 The Finance / resources Committee is a committee of the governing body. The Finance / resources Committee meets at least once a term but more frequent meetings can be arranged if necessary.
- 204 The main responsibilities of the Finance / resources 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 in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
 - authorising the award of contracts over £50,000
 - 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 Principal

205 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. Much of the financial responsibility has been delegated to The Finance Director and the Business and Operations 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 contracts between £1,000 and £50,000 in conjunction with The Finance Director or Business and Operations Manager
- signing cheques up to £20,000 in conjunction with The Finance Director or other authorised signatory

The Finance Director

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

- 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;
- implementation and operation of rigorous and robust audits and 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 and annual management accounts;
- signing cheques in conjunction with the Principal or other authorised signatory up to £20,000 and
- ensuring forms and returns are sent to the DFE in line with the timetable in the DFE guidance.

The Business and Operations Manager

207 The Business and Operations Manager works in close collaboration with the Principal and Finance Director to provide strategic vision and operational leadership in the operation, maintenance and development of systems, processes and procedures relating to financial management. The main responsibilities of the Business and Operations Manager are:

- the day-to-day management of financial issues;
- the monitoring of the Facilities Management contract (new building)
- to provide day-to-day guidance and support to the Finance and Payroll staff;
- ensure finance and payroll systems are effectively managed;
- writing bids for funding and development;
- the maintenance of effective internal controls;
- authorising orders below £1,000 in conjunction with budget holders;
- to manage the tendering of all service contracts
- monitoring all insurance policies.

The Responsible Officer

208 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.
- 209 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 & Resources Committee.

Other Staff

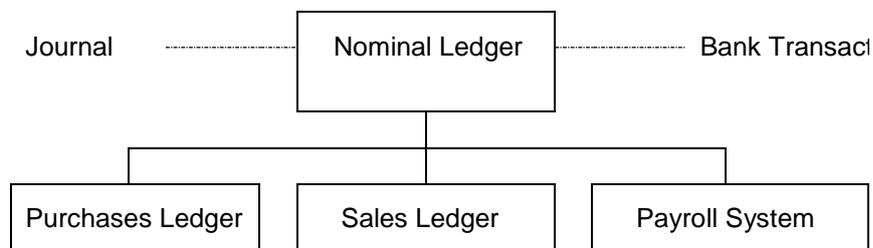
- 210 Other members of staff will have some financial responsibilities. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy’s financial procedures.

Register of Interests

- 211 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.
- 212 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.
- 213 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

- 301 All the financial transactions of the academy must be recorded into approved financial system, the computerised financial information accounting system. This system is operated by the Finance Department and consists of



_____ Automatic update
 _____ Manual update

System Access

- 302 Entry into the approved financial system, is password restricted and The Business and Operations Manager is responsible for implementing a system which ensures that passwords are changed at least every 3 months. When passwords are changed the new password should be placed in a sealed envelope and passed to The Business and Operations Manager to keep in the safe. The Business and Operations Manager is responsible for implementing a system which ensures that passwords are changed regularly
- 303 Access to the component parts of approved financial system are restricted to The Business and Operations Manager who is responsible for setting access levels for all members of staff using the system.

Back-up Procedures

- 304 The Finance Director is responsible for ensuring that there are effective back up procedures for the system. Data should be backed up on a suitable medium or server 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.
- 305 The back-ups should not be recorded on the same floppy 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 floppy discs should be used in rotation and stored in different locations. At least one copy should be stored off-site.
- 306 A hard copy of the nominal ledger and audit trail should be printed each month and should be stored separately from the accounting system in a fireproof container.
- 307 The Finance Director 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

- 308 All journal entries must be documented on the appropriate journal form, recorded in the journal book and authorised by The Business and Operations Manager prior to being input to the accounting system. Bank transactions should be input by the Finance Department and the input should be checked, and signed to evidence this check, by The Business and Operations Manager
- 309 Detailed information on the operation of the Financial Information System can be found in the user manuals held in the Finance Department.

Transaction Reports

- 310 The Business and Operations Manager 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 weekly audit trail reports;
 - Masterfile amendment reports for the payroll, purchase ledger and sales ledger;

- management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

311 The Finance Department 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.

312 Any unusual or long outstanding reconciling items must be brought to the attention of The Business and Operations Manager. The Business and Operations Manager will review and sign all reconciliations as evidence of his/her review.

4 Financial Planning

401 The academy prepares both medium term and short-term financial plans.

402 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.

403 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.

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

Development Plan

405 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.

406 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.

407 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" and
- feedback into the next planning cycle - "what worked successfully and how can we improve?"

- 408 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.
- 409 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.
- 410 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.

Annual Budget

- 411 The Finance Director is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Principal, Finance & Resources Committee and the governing body.
- 412 The approved budget must be submitted to the DFE by 30 June each year and The Finance Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 413 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.
- 414 The budgetary planning process will incorporate the following elements:
- forecasts of the likely number of pupils to estimate the amount of DFE 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.

Balancing the Budget

- 415 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

- 416 Once the different options and scenarios have been considered, a draft budget should be prepared by The Finance Director for approval by the Principal, the Finance & Resources 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.
- 417 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

- 418 Monthly reports will be prepared by The Business and Operations Manager. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Principal and the Finance & Resources Committee.

- 419 Any potential overspend against the budget must in the first instance be discussed with The Business and Operations Manager. The accounting system will not allow payments to be made against an overspent budget without the approval of The Principal.
- 420 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 over £10,000 must be authorised by the Finance & Resources Committee, and under £10,000 by the Principal.

5 Payroll

501 The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

Staff Appointments

- 502 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 & Resources Committee who must ensure that adequate budgetary provision exists for any establishment changes.
- 503 The Principal has authority to appoint staff within the authorised establishment except for Vice Principals and The Finance Director 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, in writing, to The Business and Operations Manager immediately.

Payroll Administration

- 504 The academy payroll is administered through the Academy's payroll provider
- 505 All staff are paid monthly through the Academy payroll provider. A master file is created for each employee which records:
- salary;
 - bank account details;
 - taxation status;
 - personal details and
 - any deductions or allowances payable.
- 506 New master files can only be created by the Finance Department with the express approval of The Business and Operations Manager. Any master file amendments made by the Finance Department must be printed out each month prior to the payroll run and must be authorised by The Business and Operations Manager. Any master file amendments made by The Business and Operations Manager must be authorised by the Principal.
- 507 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 Finance Department who then files the documents for payroll processing.

- 508 By the 19th of each month the Finance Department LCC payroll will prepare and distribute a timetable for payroll processing specifying key dates for the month in question.

Payments

- 509 Before payments are dispatched a printout of all data should be obtained from the payroll provider and this should be checked against source documentation by the Finance Department and then reviewed and initialled by The Business and Operations Manager. Authority to release payment will be by The Business and Operations Manager and the Principal.

- 510 All salary payments are made by BACS.

- 511 The Finance Department should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by The Business and Operations Manager.

- 512 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 the gross to net pay print and cheques for these amounts should be prepared by the Finance Department and authorised for payment by The Business and Operations Manager and the Principal (or other authorised cheque signatory if one is unavailable) by the due date.

- 513 The Business and Operations Manager 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, and this check should be recorded and available for checking by the Finance Director.

- 514 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 Finance Department 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.

- 515 On an annual basis the Business and Operations Manager 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 Principal's office.

6 Purchasing

- 601 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

- 602 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. Data detailing actual expenditure and committed expenditure (orders placed but not paid for) against budget will be supplied to each budget holder each month. Budget holders will also be able to look up data relating to their own budget areas via the on line financial information system.
- 603 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 Department. 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 Business and Operations Manager.
- 604 All orders must be made, or confirmed, in writing using an official order form, stocks of which are held in the Finance Department. Orders must bear the signature of the budget holder and must be forwarded to the Finance Department where The Business and Operations Manager will check to ensure adequate budgetary provision exists before placing the order.
- 605 Approved orders will be recorded in the purchase order module of the financial information system which allocates a reference number. Orders will be dispatched to the supplier from the Finance Department
- 606 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.
- 607 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Department should be notified. The Finance Department will keep a central record of all goods returned to suppliers.
- 608 All invoices should be sent to the Finance Department. Invoice receipt will be recorded by the Finance Department (and the invoice scanned) into the Financial Information System purchase ledger module) The Finance Department will stamp invoices with a grid against which the following can be evidenced by the budget holder authorising payment:
- invoice arithmetically correct;
 - invoice posted to purchase ledger;
 - goods/ services received;
 - goods/services as ordered;
 - prices correct;
 - invoice authorised for payment;
 - payment authorised;
 - VAT treated correctly and
 - payment made.
- 609 Boxes (a) and (b) will be completed by the Finance Department. The invoice will than be sent to

the budget holder to complete boxes (c), (d) (e) and (f). 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 Department. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.

- 610 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.
- 611 When the budget holder has completed boxes (c), (d) (e) and (f) the invoice, order and GRN should be sent to the Finance Department. At the end of every week the Finance Department will produce a list of outstanding invoices from the purchase ledger and this list together with supporting documentation will be reviewed by The Business and Operations Manager. The Business and Operations Manager will indicate on the list the invoices that should be paid and complete box (g) on the appropriate invoices.
- 612 The Finance Department 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.
- 613 Cheques will be dispatched to suppliers by the Finance Department who will also complete boxes (h) and (i) on the invoice and then place it in the appropriate file.

Orders over £5,000 but less than £10,000

- 614 At least three written quotations should be obtained for all orders between £5,000 and £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 £10,000

- 615 All goods/services ordered with a value over £10,000, or for a series of contracts which in total exceed £10,000 must be subject to formal tendering procedures. Purchases over £93,738 (threshold from 26/01/06) 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 Annex 3d to the Academies Financial Handbook.

Forms of Tenders

- 616 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 Business and Operations 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.

Preparation for Tender

617 Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

618 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

619 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.

620 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

- 621 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

- 622 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 £20,000 - two of the budget holder, The Finance Director or the Principal;
 - For contracts over £20,000 - either The Finance Director or the Principal plus a member of the Finance and General Purpose Committee.
- 623 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

- 624 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.
- 625 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.

- 626 Full records should be kept of all criteria used for evaluation and for contracts over £20,000 a report should be prepared for the Finance & Resources Committee highlighting the relevant issues and recommending a decision. For contracts under £20,000 the decision and criteria should be reported to the Finance & Resources Committee.
- 627 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.
- 628 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**

- 701 The main sources of income for the academy are the grants from the DFE and from our sponsors. The receipt of these sums is monitored directly by The Business and Operations Manager who is responsible for ensuring that all grants due to the academy are collected.
- 702 The academy also obtains income from:
- students, mainly for trips and
 - the public, mainly for sports lettings.

Trips

- 703 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 Department.
- 704 Students should make payments at the Finance Department. A receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the student making the payment.
- 705 The Finance Department 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

- 706 The Business and Operations Manager 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.
- 707 Details of organisations using the sports facilities will be held by the Finance Department who will establish a sales ledger account and produce a sales invoice from the Financial Information accounting system.
- 708 No debts should be written off without the express approval of the governing body (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).
- 709 Organisations using the sports facilities should be instructed to send all payments to the Finance Department.

Custody

- 710 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 Finance Department safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £500 insurance limit on the Finance Department safe.
- 711 Monies collected must be banked in their entirety in the appropriate bank account. The Finance Department 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 Business and Operations Manager.

8 Cash Management

Bank Accounts

- 801 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

- 802 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

- 803 All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories:
- Principal;
 - Director of Business & Finance;
 - Business and Operations Manager
 - Vice Principal;
 - Chairman of Governors;
 - Chairman of Finance & Resources Committee;

- 804 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

- 805 The Business and Operations Manager 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 Department;
- reconciliations are subject to an independent monthly review carried out by The Finance Director or in his/her absence the Responsible Officer (RO) and
- adjustments arising are dealt with promptly.

Petty Cash Accounts

- 806 The academy maintains a maximum cash balance of £100. The cash is administered by the Finance Department and is kept in the office safe.

Deposits

- 807 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

- 808 In the interests of security, petty cash payments will be limited to £25. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

Administration

- 809 The Finance Department 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 Finance Department to ensure that the cash balance reconciles to supporting documentation.

Physical Security

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

Cash Flow Forecasts

- 811 The Business and Operations 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. Similarly plans should be made to transfer funds from another bank account or to re-profile Income and Expenditure to cover potential cash shortages.

Investments

- 812 Investments must be made only in accordance with written procedures approved by the governing body.
- 813 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

- 901 All items purchased with a value over the academy's capitalisation limit of £150 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 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

902 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
- to support insurance claims in the event of fire, theft, vandalism or other disasters.

Security of assets

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

904 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

905 Items which are to be disposed of by sale or destruction must be authorised for disposal by The Finance Director 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.

906 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.

907 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.

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

Loan of Assets

909 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.

910 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.

Annex 2d: Procurement - Best Practice Checklist

1. **Policies and procedures for procurement should be documented and adhered to**, to ensure that the process is being carried out on a fair, open and best value basis. The documentation should describe:
 - **roles and responsibilities** of those involved in procurement (eg Governing Body, Principal, Finance Director, The Business and Operations Manager, other Senior Managers and the Central Finance Department);
 - **delegated authority levels**, in particular setting out the procedures to be followed for purchases above specified values, to ensure sufficient levels of oversight by the Governing Body;
 - **arrangements to ensure segregation of duties**;
 - **how purchases are recorded** (papers records and computer records (eg accounting system arrangements)).

In all cases it is important to ensure that the procedures that are set out are followed, both for routine day to day procurement, and for periodic high value items.

2. Where appropriate, **individuals with relevant experience including the end-users (eg ICT managers, teachers) should be involved** when putting together invitations to tender, or making key decisions. This will not only aid selection of the best solutions for the academy, but may also help achieve buy-in by the end-users.
3. An officer should be nominated for coordinating the initial procurement of assets, and stocks of teaching and learning materials, during the academy's start up period. This person should provide an assessment of the completeness and reasonableness of items procured, to ensure that all essential purchases are made prior to opening, and that a non-essential purchases are challenged.
4. **Procurement decisions should be clearly recorded** to ensure that the decision has been reached fairly and to provide a clear audit trail:
 - minutes should be taken of all relevant meetings;
 - the options available should be recorded;
 - the basis for scoring/ranking should be set out;
 - the individuals responsible for scoring/ranking should be identified;
 - the outcome of the scoring and the final decision should be recorded;
 - the reasons on which the decision was reached should be clearly documented.
5. **All key documents should be retained together by the Academy.** This includes:
 - invitations to tender;
 - tenders received from bidders;
 - quotes obtained for smaller purchases;
 - papers/minutes documenting the procurement decision;
 - signed copies of the contracts awarded;
 - invoices.

Where procurement is carried out with the assistance of an external project management company (for example the initial procurement of ICT, furniture and equipment prior to moving into a new building) key documents should be transferred to, and retained by, the academy prior to cessation of the contract with the project management company.

6. **An asset register of all capital items should be established in an appropriate format and should be updated on a continual basis as assets are purchased.** The register should include:
 - asset description
 - asset number
 - serial number
 - 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

Updating of the register as assets are procured should ensure that it is always current and should ease the task of end of year asset verification. It should also simplify the setting of insurance levels and the handling of any claims.

A similar register should also be maintained of “attractive items” (ie items with a cost below the Academy’s capitalisation threshold) such as minor office equipment.

7. **Fitness for purpose should be a key consideration in any procurement decision** (eg ICT should be of the correct specification; fixtures and fittings should be of adequate durability).
8. Opportunities should be taken for **bulk purchase discounts**, for example by combining similar orders.
9. When ordering goods an assessment of likely **delivery timeframes** should be made, to ensure that appropriate staff are available on site to receive them (particularly during school holidays), and that adequate space is available to locate or store the delivery.

Annex 2e: EU Procurement Thresholds from 26/01/2006

The European Union (EU) has introduced rules to open up public purchasing by making member states remove restrictive practices. Government departments and other public bodies are subject to these rules. They are relatively complex but in general terms include a requirement to follow a prescribed tendering procedure, to operate to a minimum timescale and **a requirement to advertise contracts in the Official Journal of the European Union (OJEU)** if they exceed certain financial thresholds. The thresholds applying from 26 January 2006 are:

- Goods and services: £XXX (excluding VAT);
- Public works contracts, for the procurement of construction or civil engineering works: £XXX (excluding VAT).

Where governing bodies are likely to enter into such contracts they will need to seek more detailed guidance and legal advice from the Department.