

# Kenton Schools Multi Academy Trust

## Financial Procedures Manual

Kenton Schools Multi Academy Trust  
Registered at Companies House  
Company Registration Number: 07964133  
VAT registration Number: 138 4568 85

September 2016

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## 1. Introduction

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- 1.1. This financial systems and controls guide is not meant to be an exhaustive guide to the systems and controls that should be in place for Kenton Schools Multi Academy Trust. We have considered and implemented relevant systems and procedures which assist us in ensuring that we comply with all the laws and regulations applicable to academies, including the financial controls outlined in the Education Funding Agency (EFA) Academies Financial Handbook 2016.
- 1.2. Certain information included within this guide is taken directly from the EFA's Academies Financial Handbook 2016 and summarised accordingly.

## 2. Control Principles

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- 2.1. The financial systems of the Academy should contain adequate controls to ensure that transactions will be properly processed and that errors will be detected promptly. The main types of control are summarised below:
- i) **Internal check:** The checking of one person's work by another provides a good safeguard against error or manipulation.
  - ii) **Segregation of duties:** A good control system will have procedures in place which prevent one person recording and processing a complete transaction. Due to the size of the Academy's finance department, it may be difficult to achieve full segregation of duties but the governing body must satisfy itself that there is sufficient segregation of duties to ensure the risk of fraud and error are minimised.
  - iii) **Documentation of systems:** Good documentation of the systems and processes will ensure a degree of formality, consistency and structure to the accounting processes and will assist in the reduction of errors.
  - iv) **Authorisation and supervision:** Specific levels of authorisation should be clearly set out in the documentation of the systems to ensure appropriate review of transactions is occurring and that individuals are only authorising transactions that they have the rights to do so.
  - v) **Physical security:** All data, records and assets should be kept in a physically secure environment. This should include safe keeping of financial records and cheque books as well as back up procedures for the accounting system. Full details of security should be included in the systems documentation.

### 3. Responsibilities and Organisational Structure

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- 3.1. Responsibilities of the main personnel involved in the finance function of the Academy are summarised briefly below:
- i) **Accounting Officer (AO):** The Accounting Officer is the Chief Executive Officer of the Multi Academy Trust. The AO is personally responsible to the Governing body for ensuring regularity and propriety, prudent and economical administration, avoidance of waste and extravagance, efficient and effective use of available resources and the day to day organisation, staffing and management of the Academy. The AO may delegate, or appoint others, to assist with these responsibilities, such as the Principal Finance Officer.
  - ii) **Principal Finance Officer (PFO):** The Principal Finance Officer is, in the current role, the Multi Academy Trust Business Manager. The PFO is responsible for the day to day management of financial issues, the management of the Academy's financial position, the maintenance of effective internal controls and systems and ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Academy. The PFO should be someone with sufficient knowledge and experience to guide the Governing body on financial and administrative systems and audit and charity accounting matters.
  - iii) **Responsible Officer (RO):** The RO, is appointed, by formal agreement with the School, through our auditors Clive Owen. The RO will have specific responsibility for overseeing the financial arrangements on behalf of the Governing body. The responsibilities will include the checking of a sample of transactions to ensure the correct procedures are being followed by the Academy. These checks may include the review of bank reconciliations, review of monthly payroll and the checking of a sample of payments. Further details of checks to be performed by the RO on a regular basis are set out in appendix 1 of this handbook.
- 3.2. The Academy has a clearly defined organisational structure which focusses on the following areas in respect of financial issues:
- i) **Finance, Procurement and Estates Committee (FPEC):** The FPEC, which is a committee of the Governing body, is responsible for overseeing the financial affairs of the Academy and reporting to the Governing body. The FPEC has written terms of reference which have been authorised by the Governing body. The terms of reference for a FPEC are included in appendix 2 of this guide.
  - ii) **Audit Committee (AC)**  
We have been advised by our Auditors, Clive Owen LLP that we are no longer required to have an Audit Committee from 2015, although certain good practice will be maintained such as the review of the Payroll Variance report.

- iii) **Finance department:** Which is guided by the PFO, has a sound level of financial expertise so as to ensure the work of the Finance department is fully supported. The members of staff are the PFO, the Finance Officer and the Finance assistant.

## 4. Accounting System

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- 4.1. The use of a suitable accounting system is crucial for generating regular financial information and monitoring reports (see section 11 for details on monitoring reports), and for the implementation and monitoring of controls and processes within an Academy. The Academy Trust selected Sage 200 to fulfil the needs of the Academy.
- 4.2. The accounting system is set up and monitored as follows:
  - i) Each user has a unique user name and password;
  - ii) Each user is assigned access levels to the accounting software based on their requirements and responsibilities;
  - iii) Passwords should be changed on a regular basis and at no less than 3 monthly intervals; and
  - iv) The PFO should be responsible for setting the access rights levels within the finance department.
- 4.3. Back-up copies from the accounting system are taken automatically on a daily basis, by means of secure media. The backup copies are stored in separate areas of the site (the building is compartmentalised) in line with an appropriate disaster recovery plan.
- 4.4. Transactions posted to the accounting system are authorised in accordance with the procedures set out in the later sections of this manual.
- 4.5. Journal entries to be made in the accounting system are entered on to a journal sheet and authorised by way of physical sign off by the PFO prior to posting to the accounting system. Supporting documentation should, where relevant, be also attached to journal sheets to ensure validity of the amounts that are being posted.
- 4.6. System transactions should be reviewed from the accounting system on a monthly basis by the PFO and all unusual amounts investigated to ensure transactions posted to the accounting system are valid.
- 4.7. Reconciliations of the following control accounts should be undertaken on a monthly basis with any unresolved discrepancies reported to the PFO for investigation:
  - i) Sales ledger control account;
  - ii) Purchase ledger control account;

- iii) Payroll and wages control account;
- iv) Suspense accounts; and
- v) Bank control accounts via bank reconciliations.

## 5. Purchases

- 5.1. Purchases are always made in order to achieve the best value for money for the Academy.
- 5.2. In order to achieve best value for money, certain procedures are followed as detailed below.
- 5.3. Authorisation of purchase orders should take a hierarchical view with the largest purchase orders authorised by the FPO. An example authorisation matrix for the authorisation of purchase orders is shown below:

### Example purchase order authorisation levels

Purchase order value	Authorisation required
Up to - £ 10,000	By budget holder
In excess of £ 10,000 but < £ 40,000	Purchase orders in excess of £ 10,000 but less than £ 40,000 two competitive quotes required and Purchase requisition to be countersigned by PFO. See also note below.

- 5.4. The above levels should be reviewed biennially by the FPEC.
- 5.5. In order to ensure the best value for money, suppliers for purchase orders must be carefully considered and selected according to an agreed process. An example selection process is as follows:

### Example purchase order supplier selection

Purchase order value	Procedures necessary
Up to £10,000	Budget holder to select supplier from the supplier database
In excess of £ 10,000 but < £40,000	All orders in excess of £10,000 but less than £ 40,000 Two competitive quotes are required, although in certain circumstances, business continuity or preferred supplier option for example, then this procedure may be waived.

- 5.6. Further details of procedures to be followed for formal tendering can be found in section 6 of this manual.



- 5.7. Once purchase order requisitions have been authorised correctly they should be forwarded to the finance assistant for placing with the supplier and copies held for future reference by the finance department.
- 5.8. When goods are received they should be checked against the advice note, where available, by the budget holder to ensure the correct goods have been delivered. The advice note should then be forwarded to the finance department for matching with invoice and purchase order.
- 5.9. When received by the finance department, the advice note must be matched with the purchase order and purchase invoice when this has been received.
- 5.10. When a purchase invoice has been received by the finance department and matched to the relevant advice note and purchase order, the finance assistant must check that these three documents are in agreement with each other. If there are any discrepancies, these should be discussed firstly with the budget holder and then, if unresolved, with the PFO.
- 5.11. Only once the finance assistant is satisfied that these three documents are in agreement with each other, and following authorisation of the invoice from the relevant member of the finance department, may they post the invoice to the accounting system. Purchase invoices should be authorised under the same conditions as purchase orders as set out in point 5.3 above.
- 5.12. The finance assistant should maintain a record of all purchase orders received pending authorisation so as to avoid any delays in posting and so as to ensure an up to date record of all financial commitments are maintained at all times. Purchase invoices received (eg Examination Board invoices) without a specific order number are forwarded to the relevant budgetholder for authorisation.
- 5.13. Once the finance assistant has posted the invoice to the system the following should be stamped on the invoice and initialled as appropriate by a person with the appropriate level of authorisation:
  - i) invoice arithmetically correct;
  - ii) invoice posted to purchase ledger;
  - iii) goods/services received;
  - iv) goods/services as ordered;
  - v) prices correct;
  - vi) invoice authorised for payment;
  - vii) payment authorised;
  - viii) VAT treated correctly; and
  - ix) payment made.



- 5.14. Further information should be recorded on the face of the invoice / purchase requisition by the finance assistant as follows:
- i) Date posted; and
  - ii) Nominal ledger code posted to.
- 5.15. On a weekly basis, the Finance Officer must prepare a suggested payments report of outstanding invoices that are due for payment that week and forward it to the PFO for authorisation. When the PFO has countersigned the list of payments to be made, the Finance Officer will either prepare the cheques or BACs run for payment.
- 5.16. Payments by cheque must be signed by 2 authorised signatories, and online BACs payments must be authorised online by 2 signatories as detailed further in section 8 of this manual.
- 5.17. All invoices should then be marked as paid and the payment posted to the accounting system by the finance assistant.
- 5.18. All invoices should be filed by Purchase Order number order with the purchase order, purchase requisition and advice note (where provided) for future reference.
- 5.19. Statements received from suppliers must be reconciled on a regular basis to the purchase ledger amount shown by the accounting system.
- 5.20. With reference to goods or services provided by individuals or organisations connected to the academy trust, the advice given below should be used in conjunction with the guidance given in the Academies Financial Handbook (2.6.1). Academy trusts must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include services provided under a contract of employment):
- i) Any member or trustee of the academy trust; and
  - ii) Any individual or organisation connected to a member or trustee of the academy trust. For these purposes the following persons are connected to a member or trustee: a relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but may not be limited to, a child, parent, spouse or civil partner; an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee.
- 5.21. The Procurement Cards are used as an alternative method of payment when conventional methods of purchasing cannot be used or when it would represent VFM.
- i) The Procurement Cards can only be used for authorised school expenditure.
  - ii) Appropriate single transaction and monthly limits (£ 10,000) are to be maintained.

- iii) The Cardholder is to ensure that all transactions are reviewed and approved on the monthly statements from Natwest OneCard and to ensure all Procurement Card activity is appropriate, accounting records and transactions are maintained and VAT is recorded correctly.
- iv) It is the Cardholders responsibility to ensure the Natwest OneCard is only used for authorised School purchases.
- v) It is the Cardholders responsibility to notify Natwest / Administrator immediately of loss or misuse of the Procurement Card.
- vi) The Cardholder must ensure that any erroneous charges are resolved promptly with the supplier or else to notify Natwest of the dispute.
- vii) The Cardholder is to ensure that a purchase requisition is completed at the point of purchase for each transaction, and the budgetholder is to provide as much information as possible.

## 6. Tendering

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- 6.1. All goods or services ordered with a value over £25,000 must be subject to formal tendering procedures.
- 6.2. There are three forms of tender procedure that should be followed, which along with the circumstances in which each procedure should be used, are described below:
  - i) **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the PFO 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.
  - ii) **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:-
    - (1) there is a need to maintain a balance between the contract value and administrative costs;
    - (2) 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; or
    - (3) the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
  - iii) **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances as follows:
    - (1) the above methods have resulted in either no or unacceptable tenders;
    - (2) only one or very few suppliers are available;
    - (3) extreme urgency exists; or
    - (4) additional deliveries by the existing supplier are justified.
- 6.3. When preparing for tender full consideration should be given to:
  - i) objective of project:
  - ii) overall requirements:
  - iii) technical skills required:
  - iv) after sales service requirements: and
  - v) form of contract.

- 6.4. It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.
- 6.5. 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.
- 6.6. An invitation to tender should include the following:-
  - i) introduction/background to the project;
  - ii) scope and objectives of the project;
  - iii) technical requirements;
  - iv) implementation of the project;
  - v) terms and conditions of tender; and
  - vi) form of response.
- 6.7. There are many aspects to consider when evaluating the quotations received under tender, as follows:
  - i) Financial
    - (1) 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.
    - (2) Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
    - (3) Is there scope for negotiation?
  - ii) Technical and suitability
    - (1) Qualifications of the contractor;
    - (2) Relevant experience of the contractor;
    - (3) Descriptions of technical and service facilities;
    - (4) Certificates of quality/conformity with standards;
    - (5) Quality control procedures; and
    - (6) Details of previous sales and references from past customers.

- iii) Other considerations
  - (1) Pre sales demonstrations;
  - (2) After sales service; and
  - (3) 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 examine audited accounts, take up references etc.
- 6.8. 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.
- 6.9. All tenders submitted should be opened at the same time and the tender details should be recorded. A minimum of two persons should be present for the opening of tenders.
- 6.10. A separate record should be established to record the names of the firms submitting tenders and the amount tendered.
- 6.11. 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.
- 6.12. 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.
- 6.13. Full records should be kept of all criteria used for evaluation, and details of current tenders should be disclosed at the FPEC termly meeting.
- 6.14. Where required by the conditions attached to a specific grant from the DfE, the DfE's approval must be obtained before the acceptance of a tender.
- 6.15. The accepted tender should be the one that is economically most advantageous to the Academy. All parties should then be informed of the decision.
- 6.16. **Secondary Threshold. Where purchases are expected to exceed £ 10,000 but are below the tendering limit (£ 40,000) further quotations should be obtained to ensure the Academy Trust obtained value for money. Under these circumstances a minimum of at least two quotations should be obtained, although certain conditions may prevail with regard to business continuity, for example, where time is of the essence, other factors such as workmanship, timeliness, product knowledge and availability may be also considered.**





## 7. Income

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- 7.1. The main sources of income for Academies are the grants from the EFA and from Newcastle City Council. The receipt of these sums is monitored directly by the PFO who is responsible for ensuring that all grants due to the Academy are collected.
- 7.2. The Academy also obtain income from:
- i) catering;
  - ii) other grants;
  - iii) students, arising mainly for trips; and
  - iv) the public, mainly for sports or other facilities lettings.

### **Catering**

- 7.3. All School Reval machines should be emptied on a daily basis. This should be carried out by two members of the Neighbourhood Services staff. The takings should be noted for each machine.
- 7.4. Once the takings have been collected the staff should hand the money to the Academy Trust finance function. The takings should then be counted by a member of the finance team, whilst one of the two members of staff noted in 7.3 is present if and when possible. The monies are counted at the earliest opportunity and in a time frame that allows for any discrepancies to be highlighted and resolved that day.
- 7.5. A cash sheet for each vending machine should then be completed. This should be signed by both the counter and the other staff member present.
- 7.6. The cash sheets should be entered on to the spreadsheet in the accounting system by the finance assistant.
- 7.7. The cash should be bagged without any deductions and held in the safe until collection. The safe should be emptied at least twice per week, one of which should be on a Friday. If the amount in the safe exceeds the cash insurance limit at any time, arrangements should be made for additional cash collections as appropriate.
- 7.8. Any differences noted when reconciling the accounting system in respect of catering takings should be reported immediately to the PFO.
- 7.9. On a daily basis the readings should be taken from the various meters on the vending machines. This should be undertaken by someone in the finance team / catering staff other than the PFO.
- 7.10. A member of the finance team should then reconcile the meter readings and the cash takings, taking into account any adjustment required for cut off. Differences should be

reported to the PFO. This should be repeated on a monthly basis as the potential impact of cut off will be significantly reduced.

- 7.11. When Neighbourhood Services provide the catering service to the Academy, the finance team should request from them a breakdown of their invoices on a weekly basis as follows:
- i) Free staff meals;
  - ii) Paid for staff meals;
  - iii) Free pupil meals;
  - iv) Paid for pupil meals; and
  - v) Other (identified).
- 7.12. A comparison of cash takings and monies received in respect of free school meals should then be made against invoiced costs from the catering company. The data should be input on a spreadsheet for the purposes of reconciliation. This should be reviewed by the finance assistant for reasonableness. Any concerns should be raised with the PFO.

### **Trips**

- 7.13. 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.
- 7.14. Parent or Guardian / Students should make payments either through School's Cash Office (Tucasi) or at reception / lead teacher / person responsible. (These processes are currently under review). A receipt must be issued for all monies collected and the value of the receipt recorded against the student making the payment. The money should be banked in the relevant bank account depending on curriculum or non-curriculum based activity.
- 7.15. The finance department should maintain an up to date record for each trip. A record should be sent to the lead teacher as requested and the lead teacher is responsible for chasing the outstanding amounts.

### **Lettings**

- 7.16. A record of all bookings of sports and other facilities, including details of amounts due from each organisation, should be maintained by an appropriately authorised personnel member.
- 7.17. Details of the organisations using the facilities should be provided to the PFO, who will produce appropriate sales invoices and ensure all sales are recorded in the accounting system.

- 7.18. Details of the payments made and outstanding accounts should be forwarded to the relevant responsible personnel member at the beginning of each week so that any outstanding debts can be followed up.
- 7.19. No outstanding debts should be written off without the express approval of the Governing body.

### **Custody**

- 7.20. Receipts should be issued for all cash and cheques received on request. All cash and cheques must be kept in the finance office safe prior to banking. Banking should take place twice each week or more frequently if the sums collected exceed the cash insurance limit on cash held (£ 5,000) in each of the finance office safes.
- 7.21. Monies collected must be banked in their entirety in the appropriate bank account. The PFO and finance officer are responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The only exception to the total funds being banked intact is, when on occasion, the Petty Cash Account is reimbursed.

### **Gifts and Hospitality Policy**

- 7.22. Please note that the Gifts and Hospitality policy can be located in Section 17 of the Employee Code of Conduct policy.

## 8. Cash Management

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- 8.1. The opening of all bank accounts must be authorised by the Governors 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.
- 8.2. Particulars of any deposits must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
  - i) the amount of the deposit; and
  - ii) a reference, such as the number of the receipt or the name of the debtor.
- 8.3. All cheques and other instruments authorising withdrawal from Academy bank accounts must bear the signatures of two of the following authorised signatories:
  - i) AO;
  - ii) Chair of Governors;
  - iii) Chair of the FPEC;
  - iv) PFO; or
  - v) Any other authorised signatory.
- 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. Any cheque over £50,000 must be signed by the Chair of Governors, chair of the FPEC or another senior member of staff considered appropriate to authorise.
- 8.5. The PFO must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
  - i) all bank accounts are reconciled to the Academy's nominal ledger;
  - ii) reconciliations are prepared by the PFO;
  - iii) reconciliations are subject to an independent review which is carried out by the FO in the Finance department on a monthly basis and in addition to this the independent review of the bank reconciliation is carried out termly by the RO; and
  - iv) ensure adjustments arising are dealt with promptly.

- 8.6. The Academy should maintain a petty cash balance of £ 500 under normal circumstances. However, the balance is increased from time to time to accommodate locker refunds and the intake evening float, both of which occur at the end of the school year. The petty cash is administered by the finance officer and funds should be kept in a locking cash box in the finance office safe when not in use.
- 8.7. The only deposits to petty cash should be from income received, thus reducing the amount of cash handling. These transactions should be kept to a minimum. The receipt should be recorded in the petty cash system with the date, amount and a reference number. All other cash receipts for whatever reason should be paid directly into the bank.
- 8.8. In the interests of security, petty cash payments should be limited to £25, unless authorised by the PFO. Authorisation must be received from both the budget holder and the Finance department and where the budget holder and the recipient are the same, further authorisation should be obtained from an appropriate staff member. Higher value payments should be made by cheque/BACS directly from the main bank account.
- 8.9. The finance officer is responsible for entering all transactions into the petty cash records on a regular basis, and regular cash counts should be undertaken by the PFO to ensure that the cash balance reconciles to supporting documentation.
- 8.10. The Academy Trust invests any surplus funds (The Investment and Reserve policy) through transferring funds to greater interest bearing accounts. Interest rates are reviewed prior to transfer of funds taking account of notice periods and penalty terms and conditions for early withdrawal of the funds. This policy maximises investment return whilst minimising risks to the principal sum.
- 8.11. Interest receivable from the investments is recorded on receipt into the bank account.

## 9. Wages and Payroll

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- 9.1. The main elements of the payroll system are:
  - i) staff appointments;
  - ii) payroll administration; and
  - iii) payments.
- 9.2. The Governing body should approve a personnel establishment for the Academy. Changes can only be made to this establishment with the approval in the first instance of the FPEC who must ensure that adequate budgetary provision exists for any establishment changes.
- 9.3. The AO has authority to appoint staff within the authorised establishment, except for senior managers whose appointments shall follow consultation with the Governing body.
- 9.4. The AO / HR department must maintain personnel files for all members of staff, which include contracts of employment. All personnel changes must be notified, in writing, to the PFO immediately.
- 9.5. The AO has the power, subject to 9.3 above to appoint staff up to an agreed head count. Additional staff may only be recruited if the Chair of Governors, following a full analysis, has approved the appointment.
- 9.6. The Academy payroll should be administered by a nominated agency (NCC Service Level Agreement) using an appropriate payroll package. Access to the system should be strictly password controlled. Password control procedures and back-up arrangements are described in section 4 of this manual.
- 9.7. All staff should be paid on a monthly basis through the payroll package. A master file is created for each employee which records:
  - i) salary;
  - ii) bank account details;
  - iii) taxation status;
  - iv) personal details; and
  - v) any deductions or allowances payable.
- 9.8. Any amendments to the master file should be approved by the PFO, or where made by the PFO, approved by the AO.
- 9.9. The HR department will authorise, by way of letter of notification, all salary amendments. Those paid on a variable basis will have periodic timesheets authorised by their head of

department. Any other variable payments must be documented and forwarded to the PFO.

- 9.10. The HR department will record any sickness and other absences during the month. Authorised staff returns should be sent to the Payroll bureau (NCC) who ensures information is extracted for payroll processing.
- 9.11. Data input to the payroll system should be undertaken only by the authorised Payroll bureau (NCC). When the payroll is processed a print of all data input should be downloaded from the external drive by the Academy and this should be checked against source documentation for reasonableness by the PFO.
- 9.12. After the payroll has been processed, a print of salary payments by individual and the amount payable in total should be obtained from the system. The print must be reviewed and authorised prior to releasing payment to the Payroll provider by both the PFO and the FO.
- 9.13. All salary payments and payments for deductions should be made by BACS.
- 9.14. The PFO should prepare a payroll variance report reconciling the current month and the previous month gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. The PFO investigates any variances outside of the agreed tolerance level. This is then reviewed on a regular basis by the Chair of the Finance Committee and the PFO and feedback is given to the Audit Committee (via email).
- 9.15. 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 the BACS payments for these amounts are prepared by the Payroll Bureau and authorised for payment by the PFO (or one other authorised cheque signatory if one is unavailable) by the due date.
- 9.16. After the payroll has been processed, the payroll journal is posted to the nominal ledger. Postings will be made both to the payroll control account and to individual cost centres. The PFO 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.
- 9.17. On an annual basis, as part of the Internal Assurance, the RO carries out an audit on a random sample of staff to ensure that the gross pay per the payroll system agrees to the contract of employment or pay notification held on the personnel file as part of their schedule of work.
- 9.18. On an annual basis the payroll software must be upgraded to comply with new tax rates and legislation.

## 10. Fixed Assets

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- 10.1. All assets purchased over a specified value must be entered in the asset register. This value is determined by the Governing body or the FPEC, and is as set out in the Asset Policy and is reviewed annually.
- 10.2. The asset register should be maintained by the PFO, or the Finance Officer and include the following information:
- i) date of acquisition;
  - ii) a description of the asset including a unique identification mark such as a serial number;
  - iii) cost;
  - iv) accumulated depreciation to date;
  - v) source of funding;
  - vi) location of asset; and
  - vii) name of staff member responsible for that asset.
- 10.3. The asset register helps to:
- i) ensure that staff take responsibility for the safe custody of assets;
  - ii) enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
  - iii) manage the effective utilisation of assets and to plan for their replacement;
  - iv) help the external auditors to draw conclusions on the annual accounts and the Academy's financial system; and
  - v) support insurance claims in the event of fire, theft, vandalism or other disasters.
- 10.4. All the items in the register should be verified and confirmed annually by the appropriate Budget holder and notified to 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.
- 10.5. Items which are to be disposed of by sale or destruction must be authorised for disposal by the PFO and, where significant, should be sold following competitive tender. The Academy must seek the approval of the EFA in writing if it proposes to dispose of Freehold property or heritage assets.



- 10.6. The Academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid into other Academy assets. If the sale proceeds are not reinvested, then the Academy must repay a proportion of the sale proceeds to the EFA.
- 10.7. All disposals of land must be agreed in advance with the Secretary of State.
- 10.8. Items of Academy property must not be removed from Academy premises without the authority of the head of department.
- 10.9. 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 or tax advisers.

## 11. Budgeting and Reporting Overview

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- 11.1. Budget setting and monitoring is an essential part of an internal control system for an Academy.
- 11.2. The PFO must prepare an annual budget which sets out the expected income and expenditure of the Academy month by month over the budget period. The budget should:
  - i) estimate the direct running costs of the Academy necessary to achieve its objectives, and should explore ways to reduce costs where possible as it is a requirement of the EFA to ensure value for money in the use of public funds;
  - ii) estimate income including funding from the EFA and from other public sector and non-public sector sources (such as contributions and gifts in kind from sponsors); and
  - iii) balance income with expenditure, where necessary identifying the committed areas of expenditure such as contracted payments and salaries for those staff on fixed term contracts. The Governing body should ensure that these commitments can be met out of 'known' income i.e. EFA General Annual Grant (GAG).
- 11.3. The annual budget must be approved by the Governing body.
- 11.4. The approved annual budget should be communicated to all personnel with budget responsibility so they are aware of the overall budgetary constraints.
- 11.5. Academies are also required to submit a copy of their annual budget forecast to the EFA. This should be in the format of an income and expenditure statement on an accruals basis, which means that:
  - i) income is recorded when it is due to the Academy whether or not it has actually been received (other than pledged donations);
  - ii) expenditure is recorded at the point when the relevant goods and services are received, whether or not payment has actually been made. No values should be shown on the returns for goods which were ordered in the period covered by the return but have not yet been received by the Academy, although there should be a system for recording and reporting such commitments to the Governing body in order that the true position can be monitored.
- 11.6. The relevant EFA deadlines for submitting the budget forecast should be noted and complied with.
- 11.7. Monthly reports detailing actual income and expenditure against budget should be prepared by the PFO and should highlight any unusual or exceptional items. The reports should be available for distribution two weeks after the month end to which they relate. At least two levels of report should be produced:

- i) a detailed statement, designed for individual budget holders, setting out the amount spent and committed to date against budget; and
  - ii) a summary income and expenditure report which summarises the financial position of the Academy.
- 11.8. The monthly reports should be reviewed by the PFO and the Principal. Where necessary, corrective action should be taken to ensure the authorised budget is not exceeded.
- 11.9. Any potential overspend against the budget must be discussed with the PFO in the first instance so that action can be taken if appropriate. If funds are to be availed from another budget area or from the Academy's reserves, this must be authorised by the FPEC.
- 11.10. There are numerous other reporting deadlines that must be complied with throughout the year and the Academy must ensure the systems and procedures in place allow these deadlines to be met.

## 12. VAT

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- 12.1. VAT is applied to Sales and Purchases as directed in current legislation.
- 12.2. The VAT Return is produced on a monthly basis, usually around the middle of the month. The Financial software package, SAGE200 produces a detailed listing of input and output VAT.
- 12.3. This is submitted online to HMRC and the subsequent payment is received by Kenton School from HMRC, together with a remittance advice, usually prior to month end.
- 12.4. The VAT Return does not reflect the balance on the Trial Balance at the previous month end, however, as Purchases and Sales transactions continue to be posted to the ledgers up to the point when the VAT Return is produced.
- 12.5. A reconciliation report of the input and output VAT as at the month end is produced in conjunction with the Financial Month end reports.

## 13. Appendix 1: Suggested Guidance for Issuing to Responsible Officers

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

- 13.1. The role of the Responsible Officer (RO) is to provide the Governing body 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 Governing body with independent assurance that:
- i) the financial responsibilities of the Governing body are being properly discharged;
  - ii) resources are managed in an efficient, economical and effective manner;
  - iii) sound systems of internal financial control are being maintained; and
  - iv) financial considerations are fully taken into account in reaching decisions.
- 13.2. The RO should be 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 Governing body, and hence indirectly to the EFA, that the above requirements have been met.

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

- 13.3. The conditions of the EFA grant, and the financial procedures which the EFA expect the Academy to follow, are described in the EFA Academies Financial Handbook 2015, 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.
- 13.4. 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 term and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are shown below.
- 13.5. Written records of the checks performed by the RO should be maintained.

## Kenton Schools Academy Trust Schedule of work for Responsible Officer

	Autumn Term	Spring Term	Summer Term
<b>Financial Procedures Manual</b>			
Review financial procedures manual with client, noting whether each point is complied with - done in full at first visit, then review in full once annually in spring term - in between full review, review any amendments and follow up on any matters arising from previous visits	✓	✓	✓

### Payroll

1	Select 5 employees from the payroll and check salary details back to personnel files and confirm that the amount paid is correct	✓		
2	Check 5 amendments to the payroll to ensure that appropriately authorised documentation exists (refer to FPM for required procedure)	✓		
3	Review payroll print for 1 month to ensure it has been appropriately authorised (again refer to FPM)	✓		

	Autumn Term	Spring Term	Summer Term	
<b>Purchases</b>				
1	Select 5 payments made within the term and ensure: - payment correctly authorised - payment correctly recorded in accounting system - invoice correctly authorised - invoice agrees to order - goods or services have been certified as received - order correctly authorised - that the order has been placed with an appropriate supplier	✓		✓
2	Select 5 orders made within the term and ensure: - order correctly authorised - that the order has been placed with an appropriate supplier - goods or services have been certified as received - invoice agrees to order - invoice correctly authorised - payment correctly recorded in accounting system - payment correctly authorised		✓	
3	Obtain details of any contracts let over a prescribed limit (refer to FPM) and review documentation to ensure correct quotation/tender procedures have been followed. Check to CFO & Co comparison schedule	✓	✓	✓
4	Review progress of any capital contracts (if applicable) to ensure payments made are appropriate and progress is satisfactory	✓	✓	✓

		Autumn Term	Spring Term	Summer Term
<b>Income</b>				
1	Review receipts from the DfE/EFA, local authority and sponsors and check that the amounts received agree to source documentation		✓	
2	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		✓	
3	Ensure there are sufficient nominal codes to enable EFA/government grants/etc to be split out accurately		✓	
4	Review 'other income' and 'other grants' nominal ledgers to ensure receipts correctly posted to the nominal ledger		✓	

		Autumn Term	Spring Term	Summer Term
<b>Expenses and Petty Cash</b>				
1	Select a sample of 5 expense claims, agree to supporting documentation, ensure appropriately authorised and correctly posted onto the accounting system	✓		
2	In respect of petty cash: - Confirm that balance on petty cash agrees to the accounting system - Select a sample of 5 supporting vouchers and confirm correctly authorised and recorded on the accounting system	✓		

**Accounting System**

1	Review bank reconciliations to ensure that they have been correctly prepared and authorised	✓	✓	✓
2	Review control account reconciliations to ensure that they have been correctly prepared and authorised and that sufficient backup exists for all balance sheet assets and liabilities	✓	✓	✓
3	Review through sample checks the procedures used to prepare financial reports issued to governors and officers of the Academy and EFA financial returns to be satisfied that they are completed accurately and promptly	✓	✓	✓
4	Ensure opening balance journal has been posted		✓	
5	Agree funds brought forward to statutory accounts		✓	
6	Review the nominal ledger and ensure there is not a large miscellaneous code and that expenditure is being split correctly		✓	✓

Autumn Term	Spring Term	Summer Term
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**Other**

1	Check that the Governors declarations of interest are being regularly updated and correctly completed (use FAME to check)			✓
2	Ensure Governors appointments and resignations are notified to Companies House			✓
3	Ensure finance staff are aware of new guidance re RPT's		✓	
4	Ascertain what software is used by the academy for budgeting purposes		✓	



## 14. Appendix 2: Terms of Reference for a Finance, Procurement and Estates Committee

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### **Purpose**

- 14.1. To assist the decision making of the Governing body, by enabling more detailed consideration to be given to the best means of fulfilling the Governing body's responsibility to ensure sound management of the Academy's finances and resources, including proper planning, monitoring and probity.
- 14.2. To make appropriate comments and recommendations on such matters to the Governing body on a regular basis.
- 14.3. Major issues will be referred to the full Governing body for ratification.

### **Terms of Reference**

- 14.4. Subject to the requirements of the DfE, EFA, the Charity Commission and any other legislative bodies, the committee is authorised:
  - i) To consider the Academy's indicative funding, notified annually by the EFA, and to assess its implications for the Academy, in consultation with the Principal, in advance of the financial year, drawing any matters of significance or concern to the attention of the Governing body;
  - ii) To consider and recommend acceptance/non-acceptance of the Academy's budget, at the start of each financial year;
  - iii) To contribute to the formulation of the Academy's development plan, through the consideration of financial priorities and proposals, in consultation with the Principal, with the stated and agreed aims and objectives of the Academy;
  - iv) To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the development plan;
  - v) To liaise with and receive reports from the staffing/remuneration and curriculum committees, as appropriate, and to make recommendations to those committees about the financial aspects of matters being considered by them;
  - vi) To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the Academy, and with the financial regulations of the EFA, drawing any matters of concern to the attention of the Governing body;

- vii) To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement;
- viii) To prepare the financial statement to form part of the annual report of the Governing body to parents and for filing in accordance with Companies Act and Charity Commission requirements;
- ix) To receive auditors' reports and to recommend to the full Governing body action as appropriate in response to audit findings; and
- x) To recommend to the full Governing body the appointment or reappointment of the auditors of the Academy.

Previous Review date: 21<sup>st</sup> May 2015

Next Review date: 19<sup>th</sup> May 2016

Date of next review: 18<sup>th</sup> May 2017