



FINANCIAL REGULATIONS MANUAL

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Appendix 1 - VAT claims

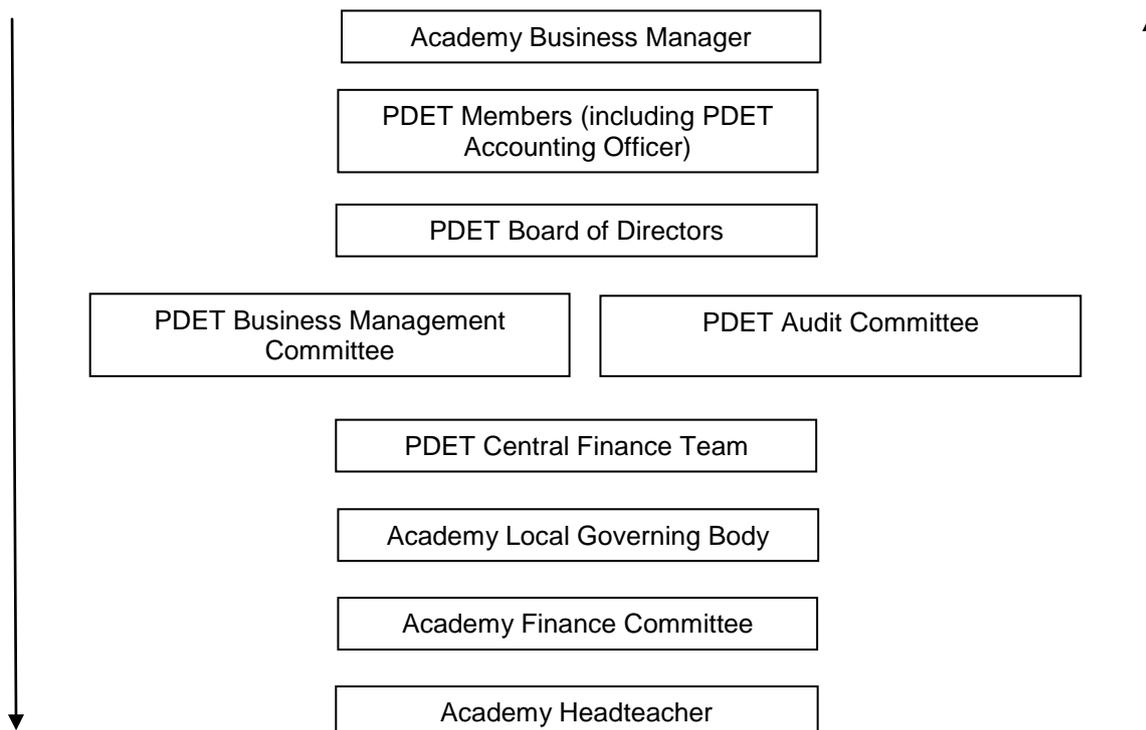
Appendix 2 - The Musts (Academies Financial Handbook 2015)

1. Introduction

- 1.1 The purpose of this manual is to ensure that Peterborough Diocese Education Trust (PDET) and each 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 PDET's funding agreement and the academy's supplemental funding agreements with the Department for Education (DfE).
- 1.2 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. It should be read by all staff, especially those involved with financial systems.

2. Organisation

- 2.1 PDET has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff. The financial reporting structure is illustrated below:



- 2.2 The **PDET Members** are responsible for signing off the end of year accounts and the appointment of key senior staff.
- 2.3 The **Accounting Officer** is a senior executive of PDET, designated as accountable for regularity, propriety, compliance and value for money. In PDET it will be the Chief Executive.

- 2.4 The **PDET Board of Directors** has responsibility for the finances of PDET and the academies. They have delegated some of their decision making powers to the **PDET Business Management Committee** and the **PDET Audit Committee** through the committees' Terms of Reference, which can be found at www.pdet.org.uk
- 2.5 The **PDET Central Finance Team** has been given delegated responsibility for ensuring that PDET and the academies act within the controls of the Academies Financial Handbook. This can be found at www.pdet.org.uk
- 2.6 The **Local Governing Bodies (LGBs)** have responsibility for the day to day administration of their academy's finances. The main responsibilities of the governing body are prescribed in the academy's scheme of delegation. These can be found at www.pdet.org.uk
- 2.7 The **Academy Finance Committee** is a committee of the LGB and operates under specific Terms of Reference, which have been authorised by the PDET Business Management Committee. These can be found on each academy's website.

The Responsible Officer (RO)

- 2.8 The Responsible Officer (RO) will be appointed by the PDET Business Management Committee and will provide Directors with an independent oversight of each academy's financial affairs. The main duties of the RO are to provide the PDET Business Management Committee with independent assurance that:
- the financial responsibilities of PDET are being properly discharged
 - resources are being managed in an efficient, economical and effective manner
 - sound systems of internal financial control are being maintained and
 - financial considerations are fully taken into account in reaching decisions
- 2.9 The RO 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 PDET Business Management Committee. A report of the findings from each visit will be presented to the PDET Business Management Committee.

Other Staff

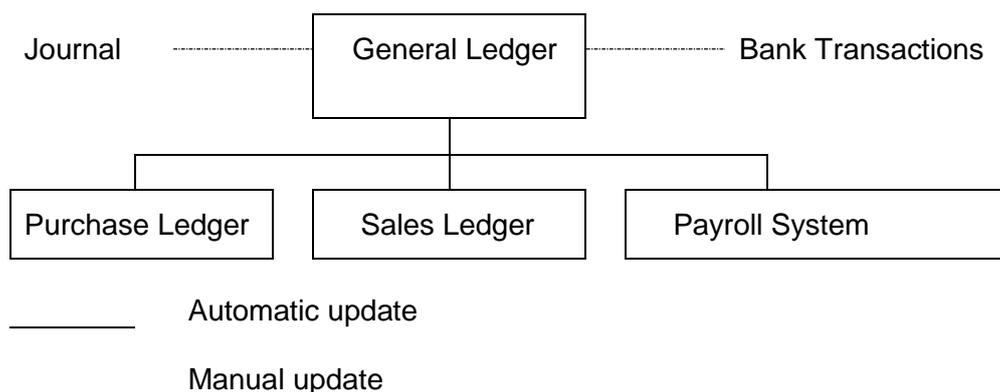
- 2.10 Other members of staff will have some financial responsibilities. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of PDET's financial procedures.

Register of Interests

- 2.11 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 directors, academy governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register is open to public inspection.
- 2.12 The register includes all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.
- 2.13 The existence of a register of business interests does not, of course, detract from the duties of directors, academy governors and staff to declare interests whenever they are relevant to matters being discussed. Where an interest has been declared, directors, academy governors and staff should not attend that part of any committee or other meeting.

3. Accounting system

- 3.1 All the financial transactions of the academy must be recorded into PDET's preferred computerised financial information accounting system (currently SIMS FMS). This system is operated by the Academy Business Manager - and consists of



System Access

- 3.2 Entry into the Financial Management System is password restricted and the Academy Business 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 kept in the academy safe.

- 3.3 Access to the component parts of the Financial Management System are restricted to the Academy Business Manager who is responsible for setting access levels for all members of staff using the system.
- 3.4 The Academy Business Manager 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, but preferably daily.
- 3.5 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.
- 3.6 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.
- 3.7 The Academy Business Manager 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 LGBs of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

Transaction Processing

- 3.8 All transactions input to the accounting system must be authorised in accordance with the PDET procedures and regulations.
- 3.9 Detailed information on the operation of the Financial Management System can be found in the user manuals held at PDET and at individual academies.

Transaction Reports

- 3.10 The Academy Business 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

- 3.11 The Academy Business Manager is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- sales ledger control account (Accounts Receivable)
 - purchase ledger control account
 - payroll control account
 - all suspense accounts and
 - bank balance per the nominal ledger to the bank statement
- 3.12 The Academy Business Manager will review any unusual or long outstanding reconciling items each quarter and will review and sign all reconciliations as evidence of his / her review.

4. Financial Planning

- 4.1 The academy prepares both medium term and short-term financial plans.
- 4.2 The medium term financial plan is prepared as part of the development planning process. The development plan indicates how the academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 4.3 The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.
- 4.4 The development planning process and the budgetary process are described in more detail below.

Academy Development Plan

- 4.5 The development plan is concerned with the future aims and objectives of the academy and how they are to be achieved; that includes matching the academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.
- 4.6 The development plan of each academy must reflect PDET's strategic plan and due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DFE.
- 4.7 Each year the Headteacher will propose a planning cycle and timetable to the governing body which allows for:
- a review of past activities, aims and objectives - "did we get it right?"
 - definition or redefinition of aims and objectives - "are the aims still relevant?"
 - development of the plan and associated budgets - "how do we go

- forward?”
- implementation, monitoring and review of the plan – “who needs to do what by when to make the plan work and keep it on course” and
 - feedback into the next planning cycle – “what worked successfully and how can we improve?”
- 4.8 The 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 Headteacher.
- 4.9 The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.
- 4.10 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an individual, who 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

- 4.11 The Academy Business Manager is responsible for preparing and obtaining approval for the draft annual budget. The budget must be approved by the Headteacher, Academy Finance Committee and the LGB prior to submission to PDET’s Board of Directors (via PDET’s Business Management Committee) for final approval.
- 4.12 The draft budget must clearly include the personnel establishment for the academy.
- 4.13 The approved budget must be submitted to the DfE each year and the PDET Business Director is responsible for establishing and communicating a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 4.14 The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.
- 4.15 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

- 4.16 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. Where an academy identifies a potential surplus in excess of 10% of the academy's GAG income, the academy must inform the PDET Business Management Committee of the reasons for this surplus and the likely use. Where an academy identifies a potential deficit and this must be taken from the academy's reserves.

Finalising the Budget

- 4.17 Once the different options and scenarios have been considered, a draft budget should be prepared by the Academy Business Manager for approval by the Headteacher, the Academy Finance Committee and the LGB prior to submission to PDET for final approval. The approved budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.
- 4.18 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.
- 4.19 The draft budget should be issued to PDET before the published deadline each year. This will allow PDET sufficient time to meet the DFE deadlines. Subject to approval by PDET's Board of Directors, PDET will submit the forecast to the DfE on behalf of the individual academies.

5. Monitoring and Review

- 5.1 Monthly reports will be prepared by the Academy Business Manager. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Headteacher and the Academy Finance Committee.

- 5.2 Any potential overspend against the budget must in the first instance be discussed with the Academy Business Manager. The accounting system will not allow payments to be made against an overspent budget without the approval of the Headteacher.
- 5.3 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 PDET's Business Management Committee, and under £10,000 by the academy Headteacher.

6. Payroll

6.1 The main elements of the payroll system are:

- staffing;
- payroll administration;
- payments

Staffing

- 6.2 The LGB will propose a personnel establishment for the academy in their budget. Changes can only be made to this establishment with the express approval in the first instance of the Academy Finance Committee who must ensure that adequate budgetary provision exists for any establishment changes. This proposal is then submitted to the PDET Business Management Committee for final approval before the post can be advertised / removed.
- 6.3 Authority on all new appointments is delegated according to the PDET Scheme of Delegation. The Headteacher maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the PDET Business Director immediately.

Payroll Administration

- 6.4 The academy payroll is administered through PDET's payroll provider.
- 6.5 All staff are paid monthly through PDET's payroll provider. A master file is created for each employee which records:
- salary
 - bank account details
 - taxation status
 - personal details
 - any deductions or allowances payable

- 6.6 New master files can only be created by the Academy Business Manager. Any master file amendments must be printed out each month prior to the payroll run and must be authorised by The Headteacher.
- 6.7 The Business Manager 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 Headteacher. Authorised staff returns should be processed on the payroll portal before filing the documents.
- 6.8 PDET's payroll provider issues a calendar providing the key dates to meet payroll deadlines. These dates must be met by each academy.

Payments

- 6.9 Before payments are dispatched an interim report is to be downloaded directly from the payroll provider portal. A printout of all data should be obtained from the payroll provider and this should be checked against source documentation and initialled by the Academy Business Manager. Authority to release payment will be by the Headteacher. Academies must comply with confidential data processes and legislation.
- 6.10 All salary payments are made by BACS.
- 6.11 The Academy Business Manager 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 Academy Business Manager and Headteacher.
- 6.12 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 these payments are collected by Direct Debit from the individual academy bank account and should be authorised as stated above (see 6.9).
- 6.13 The Academy Business Manager should select two employees 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 PDET Business Director.
- 6.14 After the payroll has been processed the General ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Academy Business Manager 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 and deal with these accordingly.

- 6.15 At the beginning of the Academic year the Academy Business 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 Headteacher / Headteacher's office.

7. Purchasing

Please refer to the PDET Purchasing and Competitive Tendering Policy (available from www.pdet.org.uk)

- 7.1 PDET and the academies want to achieve the best value for money from all 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.
 - **Value for money**, economy, efficiency and effectiveness should always be considered

Routine Purchasing

- 7.2 Where applicable, 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 must be given access to their own up to date budget information.
- 7.3 Routine purchases up to £1,000 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the Academy Business Manager. 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 Academy Business Manager.
- 7.4 Academies must be responsible when selecting suppliers for their approved supplier list and consider elements such as relevant experience and qualifications as well as appropriate insurance, references and treatment of income.
- 7.5 All orders must be made, or confirmed, in writing using an official order form. Orders must bear the signature of the budget holder and must be forwarded

to the Academy Business Manager, who must check to ensure adequate budgetary provision exists before placing the order.

- 7.6 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 Academy Finance Department. Orders should be emailed where possible and include details of the Terms and Conditions.
- 7.7 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.
- 7.8 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Academy Business Manager should be notified. The Academy Business Manager will keep a central record of all goods returned to suppliers.
- 7.9 All invoices should be sent to the Academy Business Manager. Invoice receipt will be recorded and the invoice scanned into the Financial Information System purchase ledger module. The Academy Business Manager will stamp invoices with a grid against which the following can be evidenced by the budget holder authorising payment:
- a) invoice arithmetically correct
 - b) invoice posted to purchase ledger
 - c) goods / services received
 - d) goods / services as ordered
 - e) prices correct
 - f) invoice authorised for payment
 - g) payment authorised
 - h) VAT treated correctly (see Appendix 1 for VAT guidance and a sample VAT invoice)
 - i) payment made
- 7.10 Boxes (a) and (b) will be completed by the Academy Business Manager. The invoice will then be sent to the budget holder to complete box (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 Academy Business Manager. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
- 7.11 If a budget holder is pursuing a query with a supplier the Academy Business Manager must be informed of the query and periodically kept up to date with progress.

- 7.12 At the end of every week the Academy Business Manager will produce a list of outstanding invoices from the purchase ledger and this list together with supporting documentation will be reviewed by the academy Headteacher. The academy Headteacher will indicate on the list the invoices that should be paid and complete box (g) on the appropriate invoices.
- 7.13 The Academy Business Manager will then input details of payments to be made to the purchase ledger and generate a BACS payment where possible. Where academies can demonstrate that a BACS payment is not possible then cheque payment can be issued. The BACS report and / or cheque and associated paperwork must be authorised by two of the nominated payment signatories.
- 7.14 BACS / Cheques will be processed / dispatched to suppliers by the Academy Business Manager who will also complete boxes (h) and (i) on the invoice and then place it in the appropriate file.

8. Income

- 8.1 The main sources of income for the academy are the grants from the DfE. The receipt of these sums is monitored directly by the Academy Business Manager who is responsible for ensuring that all grants due to the academy are collected.
- 8.2 The academy also obtains income from:
- Parents , mainly for trips and sales
 - the public, mainly for lettings.

Trips

- 8.3 A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due. A copy of the record must be given to the Finance Department at the academy.
- 8.4 Students should make payments at the academy 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.
- 8.5 The Academy Business Manager 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.

Lettings

- 8.6 The Academy Business Manager is responsible for maintaining records of bookings of all facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.
- 8.7 Details of organisations using the facilities will be held by the Academy Business Manager who will establish a sales ledger account and produce a sales invoice from the Financial Management system.
- 8.8 No debts should be written off without the express approval of PDET's Business Management Committee (the DfE's prior approval is also required if debts to be written off are above the value set out in the annual funding letter). Also see the PDET Debt Recovery Policy (available from www.pdet.org.uk).
- 8.9 Organisations using the facilities should be instructed to send all payments to the Academy Finance Department.

Custody

- 8.10 Official, pre-numbered academy receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the Academy Finance Department safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the insurance limit on the Academy Finance Department safe.
- 8.11 Monies collected must be banked in their entirety in the appropriate bank account. The Academy Business Manager 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 Academy Business Manager.

9. Cash Management

Bank Accounts

- 9.1 The opening of all bank accounts must be authorised by PDET. This manual sets out 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

- 9.2 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- the amount of the deposit and
- a reference, such as the number of the receipt or the name of the debtor

Payments and withdrawals

9.3 Signatories on each bank account must be approved by PDET's Business Management Committee and may include the post holders below. All BACS payments, cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of these signatories.

- Headteacher
- Academy Business Manager
- Deputy Headteacher
- Chair of Governors
- Chair of Academy Finance Committee

9.4 This provision applies to all accounts, public or private, operated by or on behalf of the LGB of the academy.

Administration

9.5 The Academy Business 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 Academy Business Manager
- reconciliations are subject to an independent monthly review carried out by PDET and / or the Responsible Officer (RO)
- adjustments arising are dealt with promptly

Petty Cash Accounts

9.6 The academy maintains a maximum cash balance of £250. The cash should be administered by the Academy Business Manager and kept in the office safe.

Deposits

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

Payments and Withdrawals

- 9.8 In the interests of security, petty cash payments will be limited to £20. Higher value payments should be made by cheque / BACS directly from the main bank account as a cash book payment.

Administration

- 9.9 The Academy Business Manager is responsible for entering all transactions into the petty cash records on a regular basis. Regular as well as unannounced cash counts should be undertaken by PDET to ensure that the cash balance reconciles to supporting documentation.

Physical Security

- 9.10 Petty cash should be held in a locking cash box which is put in the safe overnight. The key to this safe should be kept off site.

Cash Flow Forecasts

- 9.11 The Academy Business 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 balances can be foreseen, academies should make use of their deposit account but care should be taken to ensure that the current account does not go overdrawn. Please contact the PDET Business Director immediately if there are likely to be cash flow difficulties.

Investments

- 9.12 Investments must not be made without the prior approval from PDET's Business Management Committee (with the exception of the use of the academy's deposit account).
- 9.13 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

10. Fixed assets

Asset register

- 10.1 All items purchased with a value over the academy's capitalisation limit of £1,000 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

10.2 The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
- to manage the effective utilisation of assets and to plan for their replacement
- 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

Depreciation

10.3 This is to be calculated on a straight line basis at the end of the academic year

- | | |
|---------------------------|---------|
| • Motor Vehicles | 5 years |
| • Furniture and equipment | 5 years |
| • IT | 3 years |

Security of assets

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

10.5 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 LGB. 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 – Please contact PDET in the first instance before any items worth over £500 are disposed of

10.6 Items which are to be disposed of by sale or destruction must be authorised for disposal by the PDET Business Management Committee and, where

significant, should be sold following competitive tender. The academy must seek the approval of the DfE in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

- 10.7 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.
- 10.8 The academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in to other academy assets. If the sale proceeds are not reinvested then the academy must repay to the DfE a proportion of the sale proceeds.
- 10.9 All disposals of land must be agreed in advance with the Secretary of State.

Loan of Assets

- 10.10 Items of academy property must not be removed from academy premises without the authority of the Headteacher. A record of the loan must be recorded in a loan book and booked back in to the academy when it is returned.
- 10.11 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.

11. Audit

Statutory audit

- 11.1 In accordance with the Companies Act 2006, PDET **must**:
- appoint an auditor, to certify whether the accounts present a true and fair view of PDET's financial performance and position; and
 - produce audited accounts
- 11.2 The contract for the audit **must** be in writing. This **must** take the form of a letter of engagement. The letter of engagement **must** only cover the external audit. If additional services are to be purchased, a separate letter of engagement **must** be obtained which **must** specify the precise requirements of the work and the fees to be charged.
- 11.3 The letter of engagement **must** provide for the removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors **must** require a majority vote of the Members who **must** provide reasons for their decision to PDET's Board of Directors. If the

auditors resign, there **must** be a requirement in the letter of engagement for them to provide PDET with an explanation, within 14 days of their resignation.

- 11.4 The Board of Directors **must** notify the Education Funding Agency (EFA) immediately of the removal or resignation of the auditors. In the case of removal, PDET's Board **must** notify EFA of the reasons for the removal. In the case of resignation, PDET **must** immediately copy to EFA a statement of explanation from the auditors.
- 11.5 The financial accounts of PDET will be consolidated into those of EFA and DfE. EFA will use a combination of audited accounts, 'accounts returns' and other information to generate the consolidated accounts, and these accounts will be audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG). The NAO will audit the consolidated accounts in accordance with International Standards on Auditing, and will undertake appropriate procedures in accordance with that framework to satisfy the C&AG that these accounts are true and fair. To this end, PDET is a component of the consolidation and PDET's management **must** prepare the financial information requested by EFA for this purpose.
- 11.6 PDET's auditors will be required by EFA to audit certain information, and this requirement should be incorporated within the terms of engagement.
- 11.7 The C&AG is also required to reach an opinion on regularity for EFA's and DfE's accounts, and will draw on the regularity opinions expressed by PDET's auditors.

Regularity assurance review

- 11.8 An accounting officer's statement on regularity, propriety and compliance **must** be included in PDET's annual report. This is a formal declaration by PDET's accounting officer that they have met their personal responsibilities to Parliament for the resources under their control during the year. It includes a responsibility to ensure that:
- public money is spent for the purposes intended by Parliament (regularity);
 - appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control (propriety); and
 - there is efficient and effective use of resources in their charge (value for money).
- 11.9 The format of the statement is included within the EFA's accounts direction. The accounting officer also has a responsibility to advise the board of Directors and EFA of any instances of irregularity or impropriety, or non-compliance with the terms of PDET's funding agreement and / or this handbook.

- 11.10 A review of the accounting officer's statement **must** be included within the remit of PDET's external auditors. The auditor's conclusions on regularity **must** be addressed jointly to PDET and to the Secretary of State through EFA. EFA will draw formal assurance from this regularity assurance review. Further information is included in the accounts direction.
- 11.11 All academies joining PDET **must** complete a short financial management and governance self-assessment (FMGS) and submit it to EFA within four months of opening or agree an alternative method of providing assurance. Further details are contained within the [FMGS template](#).
- 11.12 In order to gain assurance over the adequacy of financial arrangements governing the use of [public funds](#) by PDET, EFA will conduct a number of financial management reviews. These will examine whether the systems and control mechanisms that exist in PDET meet the requirements set out in the handbook.
- 11.13 Funding audits allow EFA to gain assurance on the key raw data provided by PDET which are used in the calculation of recurrent funding grants, and whether this data is accurate, complete and supported by evidence. The scope and timing of EFA's funding audit approach is determined annually.
- 11.14 The [National Audit Office](#) (NAO) has the right to access the books of accounts and all relevant records, files and reports of PDET for inspection, or for the carrying out of value for money studies. PDET **must** cooperate with NAO officials and their contractors and provide such help, information and explanation as is reasonable and necessary.
- 11.15 The NAO's findings are considered by the [Public Accounts Committee](#) (PAC). The PAC has the power to call anyone, including past and current accounting officers of PDET, to account for the proper use of public funds.
- 11.16 EFA or its agents may from time-to-time carry out audits at PDET. PDET **must** provide EFA with access to all books, records, information, explanations, assets and premises, and EFA may take copies of any relevant documents. EFA may conduct interviews during its audits at any reasonable time. EFA will give PDET reasonable advance notice in writing of its proposed audits.
- 11.17 PDET **must** retain all records necessary to verify the provision delivered by it, or its sub-contractors, in relation to this handbook and its funding agreement, at least six years after the end of the period to which funding relates.
- 11.18 PDET **must** provide EFA, or its agents, with information EFA requires in exercising its responsibilities and to meet funding requirements. This information **must** be of sufficient quality to meet the purposes for which it has been requested. PDET **must** provide the information when and how EFA and its agents request it. EFA will consider the impact on PDET's business in the deadlines it specifies for the provision of information.

- 11.19 On occasion, EFA will require urgent information from PDET, usually as a result of requests to EFA to fulfil its duties to provide information to the Secretary of State and account to Parliament. EFA will act reasonably in its requests for information and will have regard to the costs and timescales of providing the information, and where appropriate to its confidentiality. In requesting information, EFA will also consider information previously supplied by PDET to EFA or other stakeholders with whom EFA is realistically able to share information. EFA may also request information that PDET gathers to meet its own needs.
- 11.20 In the event that PDET does not return the information EFA requires by the specified deadline, or that the information is not of an acceptable quality, EFA may carry out whatever investigations it deems necessary to collect the information, where appropriate in consultation with PDET. EFA may, as necessary, deduct all or part of the cost of the investigations from EFA's recurrent funding of PDET.
- 11.21 PDET **must** notify EFA of the vacating or filling of the positions of chair of the board of Directors, accounting officer Business Director, within 14 days of that change. PDET **must** be aware of the risk of fraud and irregularity occurring and, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. PDET **must** take appropriate action where fraud and irregularity is suspected or identified.
- 11.22 PDET **must** notify EFA, as soon as is operationally practical based on its particular circumstances, of any instances of fraud or theft exceeding £5,000 individually, or £5,000 cumulatively in any academy financial year. Any unusual or systematic fraud, regardless of value, **must** also be reported. The following information is required:
- full details of the event(s) with dates
 - the financial value of the loss
 - measures taken by PDET to prevent recurrence
 - whether the matter was referred to the police (and why if not); and
 - whether insurance cover or the risk protection arrangements have offset any loss
- 11.23 EFA will not tolerate fraud. It reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity, in PDET either as the result of a formal notification from PDET itself or as the result of other information received. EFA may involve other authorities, including the police, as appropriate. EFA will publish reports in line with its own policy on publishing information.

12. Fraud and Malpractice

- 12.1 Staff must report any suspicion of fraud and/or malpractice immediately. Care must be taken to ensure that reporting of a suspicion would not be

detrimental to any staff member.

12.2 The process for reporting will be as follows:

- In the first instance to the academy Headteacher, who must immediately notify PDET's Business Director
- If reporting to the Headteacher is not practical then to a member of the LGB, who must notify PDET's Business Director

- If reporting to PDET's Business Director is not practical then to PDET's Chief Executive
- If reporting to PDET's Chief Executive is not practical then to PDET's Chair of Directors

12.3 The person receiving the report should work with the PDET representative to review the evidence put forward and investigate it fully.

12.4 Any member of staff suspected of fraud or malpractice has the right to be accompanied at an interview by a colleague or Trade Union representative. Minutes of matters discussed at the interview must be written down and agreed as a true and accurate record of the meeting by all parties.

12.5 Any evidence discovered during an investigation will be kept by the person in charge of the investigation. The evidence must be kept confidential and secure and be able to be handed over to the police should this be necessary.

12.6 All matters of fraud and/or malpractice must be reported to the PDET Board of Directors

13. Insurance

13.1 PDET's Business Management Committee negotiates and selects a programme of insurance that it believes is most appropriate for academies. Policy terms, conditions and warranties will be circulated to all academies each year.

Appendix 1

VAT Claims

<https://www.gov.uk/vat-record-keeping/vat-invoices>

Full guidance to follow

Appendix 2

Schedule of requirements (the ‘musts’)

Schedule taken from the Academies Financial Handbook 2015.

For the purposes of this schedule, a trustee is a Director.

For the purposes of this schedule, “this handbook” means the “Academies Financial Handbook 2015”

This annex, which is not a substitute for the full Academies Financial Handbook, brings the requirements discussed throughout the handbook together in one list: the ‘**musts**’. Academy trusts also need to have regard to the definition of ‘should’.

GOVERNANCE AND FINANCIAL OVERSIGHT		
Must have the skills, knowledge and experience to run the academy trust.		
‘Must’	PDET	Academy
Must fully understand duties as company directors and charity trustees , must be aware of Charity Commission guidance CC3: The Essential Trustee: What you Need to know, what you need to do and must not have de facto trustees [page 7, 1.5.12, 1.5.13 and 3.1.12]		
Must appoint a principal or chief executive , in writing, who may act as an ex-officio trustee [2.1.2]		
Must designate, in writing, a named individual as the academy trust’s accounting officer (usually the principal or chief executive) who must: <ul style="list-style-type: none"> • be a fit and suitable person for the role • take personal responsibility for regularity, propriety and value for money • assure the board of trustees that there is compliance with the handbook, the funding agreement and all relevant aspects of company and charitable law • advise the board of trustees, in writing, of any action or policy incompatible with the terms of the academy trust’s articles, funding agreement or handbook • notify EFA’s accounting officer, in writing, if action proposed by the board of trustees is in breach of the trust’s articles, funding agreement or this handbook • must adhere to the ‘seven principles of public life’ [1.5.18 to 1.5.23, 2.1.8, 4.2.2 and 4.2.3] 		
Must ensure the board of trustees meets at least three times a year , and conducts business only when quorate [2.1.3]		
Must have a chief financial officer , who is the finance director,		

business manager or equivalent, to lead the finance department [2.1.10]		
Must have appropriately qualified and/or experienced finance staff [2.1.11]		
Must approve a written scheme of delegation of financial powers that maintains robust internal control arrangements [2.1.4]		
Must take full control of the academy trust's financial affairs, apply the letter and the spirit of this Handbook, and ensure appropriate oversight of financial transactions by: <ul style="list-style-type: none"> • having all the trust's property and assets under the control of trustees, and measures in place to prevent losses or misuse • having bank accounts, financial systems and financial records operated by more than one person • keeping and maintaining full and accurate accounting records • preparing accruals accounts, giving a true and fair view of the trust's use of resources, in accordance with existing accounting standards [1.4.1, 1.4.3 and 2.1.8] 		At academy level
Must comply with all terms of any Financial Notice to Improve [1.5.7]		
Must waive the right to delegated authorities and seek EFA prior approval on those transactions set out in this handbook if the academy trust is subject to a Financial Notice to Improve [1.5.9]		
Must ensure value for money, regularity and propriety in relation to the management of its funds, using its discretion reasonably to command broad public support [1.5.11 and 1.5.19]		
Must provide details of the academy trust's governance arrangements in the governance statement published with its audited accounts [1.5.14]		
Must provide details of the board of trustees' review of their governance structure and composition of the board , in the academy trust's governance statement when producing audited accounts for the first time [1.5.14]		
Must publish up-to-date details of their governance arrangements in a readily accessible form on their websites in line with this handbook [2.5.2]		
Must ensure there are measures in place to manage conflicts of interest [3.1.12]		
Must ensure the chair of the board of trustees and the accounting officer manage their relationships with connected parties to avoid both real and perceived conflicts of interest		

[3.1.13]		
<p>Must recognise that certain transactions with connected parties may attract greater public scrutiny and require sufficient disclosure in annual accounts to support the high standards of accountability and transparency of the public sector, including:</p> <ul style="list-style-type: none"> • transactions with individuals in a position of control and influence, including the chair of the board of trustees and accounting officer • payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector • relationships with external auditors that go beyond their duty to deliver a statutory audit [3.1.14] 		
<p>Must capture, in the academy trust's register of interests, and as set out in this handbook:</p> <ul style="list-style-type: none"> • relevant business and pecuniary interests of members, trustees, local governors of academies within a multi-academy trust, and senior employees • close family relationships between members or trustees, and/or members or trustees and employees [3.1.17 and 3.1.18] 		
<p>Must publish, on the academy trust's website, the relevant business and pecuniary interests of trustees and members [3.1.20]</p>		
<p>Must ensure that the use of confidentiality clauses does not prevent an individual's right to make disclosures in the public interest [3.1.24]</p>		
<p>Must complete, and return to EFA, a financial management and governance self-assessment for new academy trusts, or constituent academies joining a multi-academy trust [4.3.1]</p>		
<p>Must notify EFA of any instances of fraud or theft where the value exceeds £5,000, individually or cumulatively, or of any value where the fraud is unusual or systematic [4.8.2]</p>		
<p>Must notify EFA via Information Exchange within 14 days of the vacating or filling of the positions of chair of trustees, accounting officer and chief financial officer, and appointment of all trustees and members [4.7.4]</p>		
FINANCIAL PLANNING, MONITORING AND REPORTING		
Must prepare and monitor financial plans to ensure ongoing financial health.		
<p>Must have the full board of trustees approve a balanced budget for the financial year and must minute their approval [2.2.2]</p>		
<p>Must submit the budget forecast to EFA [2.2.3]</p>		
<p>Must ensure the board of trustees and any separate finance committee are responsible for:</p>		

<ul style="list-style-type: none"> ensuring good financial management and effective internal controls compliance with the funding agreement and this handbook receiving and considering information on the financial performance of the trust at least three times a year, taking action to ensure ongoing viability [2.2.4] 		
Must notify EFA if the board of trustees formally proposes to set a deficit revenue budget for the current financial year which it is unable to address, after unspent funds from previous years are taken into account [2.2.5]		
Must have a cautious approach to investments in line with the principles set out in this handbook [2.2.9]		
Must charge for boarding provision in line with this handbook [2.2.12]		
Must refer any novel and/or contentious transaction to EFA for explicit prior authorisation [3.3.1, 2.2.10, 3.1.15 and 3.8.3]		Via PDET
Must obtain EFA's prior approval before borrowing , including finance leases and overdraft facilities, of any duration [3.4.1, 2.2.7 and 3.9.3]		Via PDET
Must obtain EFA's prior approval for writing off debts and losses , and entering into guarantees, letters of comfort and indemnities beyond limits specified in this handbook [3.6.1 to 3.6.4]		Via PDET
Must, in respect of staff severance payments , consider the following: <ul style="list-style-type: none"> whether the proposed payment to be in the interests of the trust; whether a payment is justified and value for money, based on a legal assessment of the case; and review the level of settlement, which must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances [3.7.4] 		
Must consider, when making a compensation payment , whether the proposed payment is based on a careful appraisal of the facts, including legal advice, and that value for money will be achieved [3.7.9]		
Must obtain EFA's prior approval for the non-contractual/non-statutory element of a staff severance payment , or compensation payment , of £50,000 or more [3.7.6 and 3.7.10]		Via PDET
Must obtain EFA's prior approval for ex gratia payments of any value [3.7.15]		Via PDET
Must obtain EFA's prior approval, before entering into the acquisition and disposal of fixed assets beyond limits specified by this handbook [3.8.1]		Via PDET
Must ensure a lease arrangement , or disposal , achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money [3.8.2 and 3.9.4]		

Must obtain EFA's prior approval before entering into lease arrangements beyond limits specified in this handbook [3.9.3]		Via PDET
INTERNAL CONTROL AND INTERNAL SCRUTINY		
Must have in place sound internal control and risk management and assurance processes.		
Must establish a control framework that recognises public expectations about governance, standards and openness [2.3.2]		
Must include, in the trust's internal control framework : <ul style="list-style-type: none"> • co-ordinating the planning and budgeting processes • applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties • preparation of monthly budget monitoring reports • ensuring that delegated financial authorities are respected • selection, planning and oversight of any capital projects • the propriety and regularity of financial transactions • the management and oversight of assets • ensuring efficiency and value for money in the organisation's activities • a process for independent checking of financial controls, systems, transactions and risks [2.3.3] 		
Must recognise and manage present and future risks , including contingency and business continuity planning, to ensure the academy trust's continued and effective operation [2.3.7 and 2.3.8]		
Must have adequate insurance cover in compliance with its legal obligations and funding agreement, or has opted into DfE's risk protection arrangements [2.3.10]		
Must establish an audit committee , or a committee which fulfils the functions of an audit committee, dependent on the risk, complexity and annual income of the trust [2.4.2]		
Must have the relevant committee provide assurances to the board of trustees by reviewing the risks to internal financial control at the academy trust and agreeing a programme of work to address those risks [2.4.4]		
Must be aware of the risk of fraud, theft and irregularity and address it through their internal control and assurance arrangements by putting in place proportionate controls [4.8.1 and 2.3.3]		
PROPER AND REGULAR USE OF FUNDS		
Must be able to show that public funds have been used as intended by Parliament.		
Must ensure the following principles are applied: <ul style="list-style-type: none"> • seeking EFA's prior approval on all proposed transactions beyond the trust's delegated authority limits • spending has been for the purpose intended and there is probity in the use of public funds 		Via PDET

<ul style="list-style-type: none"> • spending decisions represent value for money • internal delegation levels exist and are applied within the trust • a competitive tendering policy is in place and applied, and OJEU procurement thresholds are observed • • relevant professional advice is obtained where appropriate, including that of an external auditor where necessary [3.1.1 and 3.1.3] 		
Must be even-handed in relationships with connected parties , and ensure goods or services provided by individuals or organisations connected to the trust are provided at no more than cost beyond the limits specified in this handbook [3.1.12 and 3.2.2 to 3.2.17]		
Must ensure that no member, trustee, local governor, employee or related individual or organisation uses their connection to the academy trust for personal gain [3.1.12]		
Must ensure there are no payments to any trustee unless such payment is permitted by the articles and complies with the terms of any relevant agreement with the Secretary of State [3.1.12]		
Must obtain the Charity Commission’s prior approval for paying a trustee for acting as a trustee [3.1.12]		Via PDET
Must ensure that senior employees’ payroll arrangements fully meet HM Treasury’s tax requirements [3.1.22]		
Must ensure any gifts given by the academy trust have the reason fully documented and have regard to propriety and regularity in the use of public funds [3.5.1]		
Must not pool PFI funding across a multi-academy trust [3.10.5]		
Must have due regard to the funding needs of their individual academies if multi-academy trusts pool GAG , and to the appeals mechanism in place [3.10.6]		
Must ensure the academy trust is eligible for the delegations and freedoms set out in this handbook by virtue of its funding agreement [3.11.1 to 3.11.5]		
AUDIT REQUIREMENTS		
Must be able to assure Parliament and the public that public funds have been used for the purposes intended.		
Must produce audited accounts in line with the ‘Statement of Recommended Practice’ (SORP) for charities [1.4.2, 1.4.3, 2.2.14 and 4.1.1]		
Must submit audited accounts to EFA by 31 December [1.4.2]		
Must publish audited accounts on the trust’s website by the end of January following the financial year to which the accounts relate, file their accounts with Companies House and provide a copy to anyone who requests them [1.4.5]		
Must approve a set of accounting policies [2.2.14]		
Must appoint a statutory (external) auditor to certify whether		

the accounts are true and fair [2.2.14 and 4.1.1]		
Must put the external audit contract in writing as a letter of engagement [4.1.2]		
Must put additionally purchased financial services from the external auditor in a separate letter of engagement [4.1.2]		
Must provide in the audit contract for the removal of external auditors before the expiry of the term as set out in this handbook [4.1.4]		
Must notify EFA immediately of the removal or resignation of external auditors , and the reasons [4.1.5]		
Must prepare information, at the request of EFA, to facilitate financial consolidation [4.1.7]		
Must make financial disclosures in their audited financial statements in line with this handbook [3.1.8 and 3.1.9]		
Must demonstrate how the trust has secured value for money via the governance statement in the annual accounts [1.5.20]		
Must include a statement on regularity, propriety and compliance , signed by the academy trust's accounting officer, in the audited accounts [1.5.21 and 4.2.2]		
Must include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit [4.2.5]		
Must address, jointly to the trust and the Secretary of State through EFA, the auditor's conclusions on regularity [4.2.5]		
Must cooperate with NAO officials and their contractors and provide such help, information and explanation as is reasonable and necessary [4.5.1]		
Must provide EFA with access to all books, records, information, explanations, assets and premises to assist EFA with its audits [4.6.1]		
Must retain all records necessary for at least six years after the end of the period to which funding relates [4.6.2]		
Must provide EFA or its agents with information of sufficient quality to meet the purposes for which it has been requested [4.7.1]		