



# THE PATHWAY ACADEMY TRUST

Registered address: c/o Culverstone Green Primary School,  
Wrotham Road, Meopham, Kent DA13 0RF

Registered Company N° 9782388

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# FINANCE POLICY & PROCEDURES MANUAL

<b>Date approved &amp; adopted by Directors:</b>	<b>(V2) 12 July 2017</b>
<b>Review date:</b>	<b>July 2018</b>
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## 1. Introduction

The purpose of this policy is to ensure that the trust maintains and develops systems of financial control, which conform to the requirements of both propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department of Education (DfE).

The trust must comply with the principles of financial control outlined in the academies financial handbook published by the DfE. This policy expands on that guidance and provides detailed information on the trust's accounting procedures and systems. It should be read by all staff involved with; and accountable for; the financial systems of The Pathway Academy Trust.

## 2. Principles

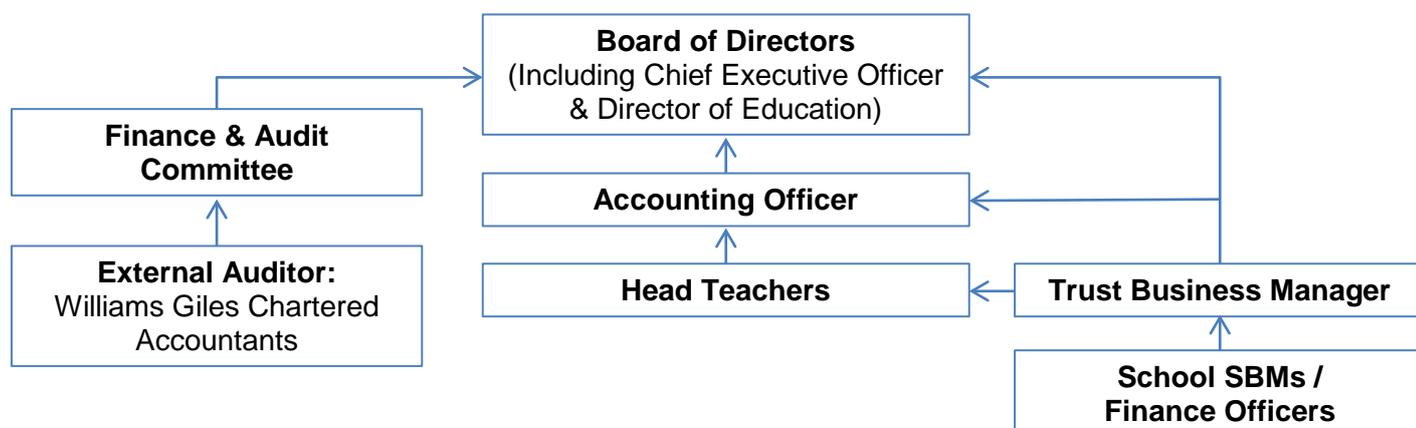
The Board of Directors will manage their affairs in accordance with the high standards detailed in: Guidance on Codes of Practice for Board Members of Public Bodies; and in line with the seven principles of public life

- **Selflessness**  
Holders of public office should take decisions solely in terms of the public interest.
- **Integrity**  
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance or their official duties.
- **Objectivity**  
In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merits.
- **Accountability**  
Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness**  
Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interests clearly demands.
- **Honesty**  
Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interests.
- **Leadership**  
Holders of public office should promote and support these principles by leadership and example.

### 3. Organisation and Responsibilities

The Pathway Academy Trust has defined the responsibilities of each person involved in the administration of the trust's finances to avoid the duplication or omission of functions and provide a framework of accountability for directors, governors and staff.

#### 3.1 Reporting Structure:



#### 3.2 Board of Directors

The Board of Directors (Including the Chief Executive Officer (CEO) and Director of Education (DoE)) of The Pathway Academy Trust have wide responsibilities under statute, regulations and the funding agreement. Principally, they are responsible for ensuring that the trust's funds are used only in accordance with the law, their articles of association, their funding agreement and the academies financial handbook.

The main responsibilities of the Board of Directors are detailed in their terms of reference, these include:

- ensuring that the grant from the DfE and other restricted funding is used only for the purposes intended
- approval of the annual budget
- the regular monitoring of actual income and expenditure against budget
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006 and DfE guidance issued to academies
- approval of the Annual Accounts Return
- authorising the award of contracts over £10,000
- reviewing the internal audit reports on the effectiveness of the financial procedures and controls.
- appointment of the Head Teachers of all schools within the trust
- appointment of the Trust Business Manager, in conjunction with the CEO/DoE

#### 3.3. Accounting Officer

The Accounting Officer is personally responsible to the Board of Directors for ensuring:

- regularity and propriety
- prudent and economical administration
- avoidance of waste and extravagance
- efficient and effective use of available resources

Included in the responsibilities of the Accounting Officer is a duty to take appropriate action if the Board of Directors, or the Chairman, is contemplating a course of action which he or she considers would infringe the requirements of propriety or regularity (including the provisions of the Funding Agreement, the trust's Action Plan, or other documents setting out the financial duties of the Board of Directors or of any other rules governing the conduct of the board), or would not represent prudent or economical administration, or the efficient or effective discharge of the Board of Directors' functions.

In such circumstances, the Accounting Officer would be required to put his or her objections in writing to the Board of Directors and to advise them of the requirement to inform the DfE Accounting Officer (the Permanent Secretary) and the trust's external auditors, as well as the Controller and Auditor General.

Such notification should occur without undue delay, and the Departmental Accounting Officer will need to consider whether to intervene in such cases.

The Accounting Officer may delegate to the Trust Business Manager to assist in these responsibilities.

### **3.4. Head Teachers**

The Head Teachers have overall executive responsibility for their school's activities including financial activities. Much of the financial responsibility has been delegated to the Trust Business Manager but the Head Teachers still retain responsibility for:

- approving new staff appointments
- authorising contracts up to £10,000
- signing cheques as detailed in the Scheme of Financial Delegation.
- the day to day organisation, staffing and management of their school

### **3.5. Trust Business Manager**

The Trust Business Manager works in close collaboration with the Head Teachers through whom he or she is responsible to the Board of Directors. The Trust Business Manager also has direct access to the Board of Directors.

The main responsibilities of the Trust Business Manager are:

- the day to day management of financial issues including the establishment and operation of suitable accounting systems
- the management of the trust's financial position at strategic and operational level
- the maintenance of effective systems of internal control
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the trust
- preparation of monthly management accounts
- ensuring forms and returns are sent to the DfE in line with their reporting deadlines
- authorising orders and the award of contracts up to £10,000
- on-line banking and authorising internet transfers for the central fund and trust schools, in conjunction with the Head Teachers or other authorised signatories
- management of the trust's Service Level Agreements

### **3.6. Finance and Audit Committee**

Checks and balances need to be put in place to ensure that the financial management arrangements within the trust are monitored. The Finance and Audit Committee (FAC) will provide an oversight of the trust's financial affairs. The FAC will present the Board of Directors with assurance that:

- the financial responsibilities of the Board of Directors are being properly discharged
- resources are being managed in an efficient; economic and effective manner
- sound systems of internal financial control are being maintained
- financial considerations are fully taken into account in reaching decisions

A termly programme of reviews will be undertaken to ensure that financial transactions have been properly processed and that controls are operating in accordance with the trust's finance policy. A report of the findings from each review will be presented to the Board of Directors at the next available board meeting.

### **3.7 School Business Managers / Finance Officers**

The SBMs / Finance Officers of schools within the trust work in close collaboration with and are directly responsible to the Trust Business Manager.

The main responsibilities of the SBMs / Finance Officers include:

- accounts payable
- accounts receivable
- preparation of the banking
- reconciliation of the bank statements
- completion of monthly finance procedures, in accordance with the schedule in Appendix 3

### **3.8 Deputy / Assistant Head Teachers**

Deputy / Assistant Head Teachers will assume the financial responsibilities of the Head Teacher in their absence.

### **3.9 Other Staff**

All staff are responsible for the security of trust's property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and conformity with the requirements of the trust's financial procedures.

### **3.10 Register of Business Interests**

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

Declarations should include all business and pecuniary (monetary) interests such as directorships, shareholdings and other appointments of influence within a business or other organisation. They should also include interests of related persons such as a parent, spouse, child, cohabitee and business partner where that person could exert influence over a director, governor or member of staff.

The existence of a register of business interests does not of course detract from the duties of the directors, governors and staff to declare interests whenever they are relevant to matters being discussed by the Board of Directors or Local Governing Body. Where an interest has been declared, directors, governors and staff should withdraw from that part of the meeting.

It is the role of the Clerk to ensure that the Register of Business Interest is up to date.

## **4 Financial Planning**

The trust prepares both medium and short-term financial plans. The School Action Plan indicates how the trust's educational and other objectives are going to be achieved within the expected level of resources over the medium term, and provides the framework for the annual budget.

The annual budget is a detailed statement of the expected resources available to the trust and the planned use of those resources during the year.

## 5 Annual Budget

The budget process follows an annual planning cycle which is contained in Appendix 2.

The Trust Business Manager, in liaison with the Head Teachers, is responsible for the preparing and obtaining approval for the annual budget from the Board of Directors.

The annual budget will reflect the best estimate of the resources available to the trust for the forthcoming year and will detail how those resources will be utilised establishing clear links to support the objectives identified in the School Action Plan.

The budget planning process will incorporate the following elements:-

- forecasts of likely pupil numbers to estimate the amount of DfE grant receivable
- review of other income sources available to the trust to assess the likely level of receipts
- review of past performance against budgets to promote an understanding of the trust cost base
- identification of potential efficiency savings
- review of the main expenditure headings to reflect known changes and expected variations in costs e.g. pay increases, inflation or other anticipated changes.

The draft budget should be presented to the Board of Directors together with a supporting report for approval. Once the budget is agreed this should be communicated to all responsible budget holders to ensure they are aware of the overall budgetary constraints.

The approved budget must be submitted to the Education and Skills Funding Agency (ESFA) by 31 July each year in the required format. The Trust Business Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

The final budget must be set into the school's Financial Management System and fixed. It is not The Pathway Academy Trust's policy to approve any virements to the budget. Any variances to the original budget will be highlighted via the monthly monitoring process and reported to the Board of Directors at the next available board meeting.

## 6 Budget Management

The SBMs / Finance Officers will prepare monthly monitoring reports for the Head Teachers and Trust Business Manager detailing actual income and expenditure against budget and forecast outturn.

The Head Teacher may delegate elements of the budget to staff where this is appropriate. These budget holders must operate within the same objectives and controls as those agreed for the trust as a whole. Delegated budget holders will be provided with sufficient information to enable them to perform adequate monitoring and control. Such budget holders are accountable to the Head Teacher who is responsible for ensuring mechanisms exist to enable such delegated budgets to be monitored and managed.

Any potential overspends against the budget must in the first instance be discussed with the Trust Business Manager. The accounting system will highlight orders made against an overspent budget therefore approval must be sought before continuing.

The Board of Directors will receive a minimum of termly budget monitoring reports on current spend against budget and forecast outturn. The Board will continually monitor the quality of the financial information presented to ensure that what is provided remains appropriate, particularly in terms of its timing, level of detail and narrative.

## **7. Accounting System**

The trust uses Capita's Financial Management System (FMS) and all financial transactions must be recorded using this system. Access rights within FMS are defined for each user with a unique ID and password. Users are detailed in the Scheme of Financial Delegation (Appendix 1).

### **7.1 Financial Accounting System**

- there must be a clear audit trail for all financial transactions from the original documentation to accounting records
- finance records must be stored for six years plus the current year
- only authorised staff will be permitted access to the accounting records, which should be securely retained when not in use
- authorisation and supervisory controls should be adequate to ensure transactions are properly recorded or that errors are identified
- all records should be protected against unauthorised modifications, destruction, disclosure or loss whether by accident or intention
- the trust purchases remote backup and disaster recovery from EIS; a trading company of the Local Authority (LA) who also provide technical support for FMS

### **7.2 Transaction Processing**

- all journal transfers and transactions will be processed by the SBMs / Finance Officers or Trust Business Manager
- cash book entries will be made by the SBMs / Finance Officers or Trust Business Manager
- fixed asset transactions will be made by the Trust Business Manager
- orders on requisitions authorised in accordance with the Scheme of Financial Delegation (Appendix 1) will be raised by the SBMs / Finance Officers
- invoices will be processed ready for payment by the SBMs / Finance Officers and authorised by the Head Teachers or Trust Business Manager
- cheques will be raised by the SBMs / Finance Officers and signed in accordance with the Scheme of Financial Delegation (Appendix 1)
- the Trust Business Manager will obtain and review system reports to ensure only regular transactions are posted to the accounting system

### **7.3 Reconciliations**

The SBMs / Finance Officers will ensure monthly reconciliations are completed in respect of:

- income received from the ESFA/LA against expected allocations
- unpresented cheques outstanding for more than six months
- VAT control codes
- the monthly reconciliation report
- bank statements

## **8. Payroll**

The main elements of the payroll system are:

- Staff Appointments
- Payroll administration
- Payments and monitoring

### **8.1 Staff Appointments:**

The Board of Directors (via the CEO /DoE) will be responsible for the appointment of Head Teachers, the Trust Business Manager and the Clerk to the Board/Company Secretary.

The Head Teacher has authority to appoint all other staff except for Deputy /Assistant Head Teachers, whose appointments must follow consultation with the Local Governing Body. The Head Teacher ensures personnel files are maintained for all members of staff which include contracts of employment. All personnel changes must be notified to the Trust Business Manager.

## **8.2 Payroll Administration**

The administration of the trust's payroll is outsourced to Capita Payroll Services.

All payroll transactions relating to employees, permanent or casual, will be processed through the payroll system. Payments for employment will not be made to staff through any other mechanism.

All new appointments, leavers, changes to contracts or personal details are to be notified to Capita Payroll Services via email by the 1<sup>st</sup> of the month. Forms should be completed by the Personnel Officer and signed by the Head Teacher. In the case of changes to the Head Teachers salary, forms should be signed by the CEO/DoE and Chair of the Local Governing Body, as per the Scheme of Financial Delegation (Appendix 1). Copies should be retained in the employees personnel file.

All personnel files shall be stored in a lockable cabinet. Only the Head Teachers, Personnel Officers, Finance Officers and Trust Business Manager will have access to staff files but individuals can request to see their own files in line with data protection policies.

The Personnel Officers are responsible for keeping the staff personnel database up-to-date via SIMS Personnel recording system. The Trust Business Manager will oversee this process.

Absence records are maintained by the Personnel Officers. Absence and Unpaid leave will be entered on to the spreadsheet provided monthly by Capita Payroll Services.

Staff claims for overtime must be checked by the SBMs / Finance Officers. Claims for overtime, casual claims and supply claims will be entered on to the spreadsheet provided monthly by Capita Payroll Services.

All leave forms and additional payments will be countersigned by the Head Teacher and submitted by the deadline provided each month from Capita Payroll Services.

## **8.3 Payments and Monitoring**

Capita Payroll Services provide pre-run payroll reports prior to salary payments being dispatched, detailing costs and individuals payment details. The SBMs / Finance Officers will reconcile the current month's payments against the TPAT salary calculator. Any differences must be investigated immediately and remedial action taken.

The SBMs / Finance Officers will undertake a reconciliation of all claims for additional hours / unpaid leave against the spreadsheet submitted to payroll.

All salary payments are usually made by BACS, in exceptional circumstances cheques will be issued following confirmation of amount from the payroll provider.

Capita Payroll Services automatically calculate the deductions due from payroll to comply with current legislation. Capita Payroll Services are authorised to make third party payments on behalf of The Pathway Academy Trust for the amounts of deductions owed to HMRC, Teachers Pensions and the Local Government Pension Scheme.

The SBMs / Finance Officers will enter the payroll data into FMS via journal transfer at the earliest opportunity but no later than the 25<sup>th</sup> of the month in which the payroll is due.

Each year the Trust Business Manager will check each employee's annual pay figure from the payroll system against the contract of employment details held on SIMS Personnel to ensure accurate records are being maintained.

## 9. Procurement

The trust will aim to achieve best value for money for all of its purchases ensuring that services are delivered in the most economical, efficient and effective way, within available resources. A large proportion of purchases will be paid for with public funds, therefore there is a 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 trust;
- **Accountability**, the trust is publicly accountable for its expenditure and the conduct of its affairs;
- **Fairness**, that all those dealt with by the trust are dealt with on a fair and equitable basis.

All orders for goods and services are subject to the following rules concerning quotes and tenders:

### 9.1 Orders under £1,000

Consideration to be given to alternative suppliers and evidence attached to requisition if quotes have been sought.

### 9.2 Orders over £1,000 but less than £10,000

At least three quotations should be obtained for all orders to identify the best source of the goods/services. Details of quotations obtained should be retained for audit purposes. Telephone quotes are acceptable if these are evidenced, and faxed confirmation of quotes has been received, before a purchase decision is made. Exceptions to obtaining three quotes would be:

- where the service is being provided by a contractor to maintain or extend systems they have previously installed or are under contract to maintain
- suppliers have provided quotes and tenders for a similar service within the past twelve months where they were the selected supplier; details should be recorded on or attached to the requisition form

### 9.3 Orders over £10,000 but less than £25,000

All goods/services ordered with a value over £10,000 but less than £25,000, or for a series of contracts which in total exceed £10,000 but less than £25,000, must be subject to three written quotations and must be referred to the Board of Directors for formal approval. Independent written evidence should be retained for examination. Independent written evidence means quotations provided on suppliers' headed notepaper.

If the Board of Directors have formally approved an order, but the variation in a later quote or the final invoice is greater than £1,000 above the originally-authorized amount, that quote or invoice must be referred back to the Board of Directors for formal approval. This requirement refers to any order over £10,000.

### 9.4 Orders over £25,000 but less than £50,000

A minimum of three formal quotations to be obtained in writing by a specified date and time based on a written specification and must be referred to the Board of Directors for formal approval. Evidence should be retained for examination. Formal tenders may be requested if it is felt appropriate.

If the Board of Directors have formally approved an order, but the variation in a later quote or the final invoice is greater than £1,000 above the originally-authorized amount, that quote or invoice must be referred back to the Board of Directors for formal approval. This requirement refers to any order over £10,000.

### **9.5 Orders over £50,000 but less than EU Threshold (check up to date limits <http://www.ojec.com/thresholds.aspx>)**

Goods or services ordered with a value over £50,000 or for a series of contracts in which the total exceeds £50,000 must be subject to formal tendering procedures as detailed below. All paperwork relating to the tender must be copied to the Trust Business Manager.

### **9.6 Orders over EU Threshold**

Purchases over the EU Thresholds are by law subject to EU Public Procurement Directives for the advertising and Award of Contracts. A specific tender notice must be placed in the supplement to the Official Journal of the European Union (OJEU) to give all suppliers in the EU an equal opportunity to tender. Tenders must be invited in accordance with one of the prescribed procedures.

## **10. Forms of Tender**

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

### **10.1 Open Tender:**

This is where potential suppliers are invited to tender. The budget holder must discuss and agree with the Trust Business Manager how best to advertise 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.

### **10.2 Restricted Tenders:**

This is where suppliers are specifically invited to tender and are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the trust requirements
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering

### **10.3 Negotiated Tender:**

The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders
- only one or very few suppliers are available
- extreme urgency exists
- additional deliveries by existing supplier are justified

### **10.4 Preparing for Tender**

Full consideration should be given to:

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

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

### **10.5 Invitation to Tender**

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.

An invitation to tender should include the following:

- introduction/background
- scope and objectives of the project
- technical requirements
- implementation of the project
- terms and conditions of the tender
- form of response

### **10.6 Aspects to consider**

#### **Financial**

- comparison of like with like cost and if a lower price means a reduced service or lower quality, this should be borne in mind when reaching a decision
- hidden costs – care should be taken to ensure tender price is the total price
- is there scope for negotiation?

#### **Technical**

- qualifications of the contractor
- relevant experience of the contractor
- descriptions of technical and service facilities
- certificates of quality/conformity with standards
- quality control procedures
- details of previous sales and references from past customers

#### **Other considerations**

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

### **10.7 Tender Acceptance Procedures**

The invitation to tender should state the date and time by which the completed tender document should be received by the trust. 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 be accepted.

### **10.8 Tender Opening Procedures**

All tenders should be opened at the same time and tender details should be recorded and signed. Two persons should be present at the opening of the tenders this would normally be the Trust Business Manager and the Head Teacher, in some circumstances this could be delegated to an agent who has been employed by the trust to undertake the tendering process i.e. a firm of architects.

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

## **10.9 Tender Evaluation Procedures**

The evaluation process should involve at least two people. Those involved should disclose all interests, which may influence their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

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

Full records should be kept of all criteria used for evaluation and for contracts over £25,000; a report should be prepared to the Board of Directors.

The accepted tender should be one that is economically most advantageous unless it can be demonstrated that this is not the best option for the trust and other factors outweigh any monetary savings. All parties should then be informed of the decision.

## **11. Purchasing**

As a general principal trust procedures for purchasing should ensure that purchases are as required and are for bone-fide purposes and Value For Money (VFM) is obtained in respect of all goods and services.

The Trust Business Manager will ensure that there is a clear separation of duties within the finance teams, which would, if combined, enable one individual to record a complete transaction.

Budget holders will be informed of the budget available to them as soon as the budget is formally ratified and approved by the Board of Directors. It is the responsibility of the budget holder to manage their element of the budget and to ensure that the funds available are not overspent. A report detailing actual expenditure against budget will be supplied to each budget holder on a monthly basis and budget holders are encouraged to keep their own records of orders placed but not paid for.

### **11.1 Orders for Goods and services**

Budget Holders should raise an order for goods or services using a requisition form available from the finance officer. Where the value of an order is over £1,000, the requisition must be accompanied by evidence of appropriate number of quotes / or proof that VFM exercise has taken place – as per section 9. Orders will be authorised only if the VFM documentation is present and correct. Advice about suppliers or obtaining best value is available from the SBMs / Finance Officers.

The Budget Holder must obtain authorisation for the order, in line with the Scheme of Financial Delegation (Appendix 1), before submitting the requisition form to the SBMs / Finance Officers for processing.

Requisition forms will be faxed, emailed or posted to the supplier by the SBMs / Finance Officers or School Secretary. FMS generated purchase orders will be produced, attached to the requisition form and filed.

Telephone / direct verbal ordering will be permitted only in situations where raising an official order is not practicable and with prior approval from the SBMs / Finance Officers or Trust Business Manager. In such cases, a written confirmation order will be raised as soon as possible.

Orders may only be used for goods and services provided to the trust. Private individuals and other organisations may not use the purchasing system to obtain work, goods, materials and services net of VAT.

## **11.2 Delivery of Goods**

On receipt of the goods, a nominated person must undertake a detailed check of the goods received against the delivery note and sign the delivery note as confirmation. Any discrepancies should be reported to the SBMs / Finance Officers who must contact the supplier of the goods without delay.

The nominated person must ensure that the goods received are of acceptable quality. If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the SBMs / Finance Officers should be notified immediately. Any unwanted goods that have not been reported to the SBMs / Finance Officers in time to be returned, will be charged to the Budget Holder responsible.

The SBMs / Finance Officers will check the delivery note against the original order to ensure the correct goods have been dispatched and then attach the delivery note to the original requisition form in the file; any discrepancies must be investigated immediately.

## **12. Payment of Accounts**

### **12.1 Payment of Invoices**

Payment for supplies and services will be paid upon receipt of an invoice when:

- it is confirmed that goods or services have been received
- supporting documents ie the delivery note and requisition form are attached
- the quantity and quality are as expected
- the invoice is arithmetically correct
- prices match the original order; unless subsequent discussions have been had with the supplier and the Budget Holder has approved the difference
- VAT has been treated correctly

No photocopied or faxed invoices will be paid but invoices sent electronically by email are acceptable.

At least two people must be involved in the process of agreeing invoices and authorising payment. The SBMs / Finance Officers will do the above checks and enter the invoices on to FMS as soon as possible. The Head Teachers or Trust Business Manager (for central fund transactions) will authorise the payment of the invoices and cheques/BACS payments will be generated via FMS. Cheque and BACS transactions will be signed by two authorised signatories in line with the bank mandate and the Scheme of Financial Delegation (Appendix 1).

### **12.2 Payments to individuals**

Payments can be made to individuals on production of an invoice. An enquiry must be carried out on the individual using the HMRC, Employer Status Indicator Tool, available on the HMRC website. Evidence of the check must be kept by the school. If the enquiry shows that the payment cannot be made to the individual via the invoice produced, the appropriate payroll form should be completed and the individual paid through the trust's payroll provider.

## **13. Other Purchases**

The trust recognises that there are instances when it is not possible to process orders for goods and services in the normal way and items such as ingredients for cookery may have to be purchased and claimed back by the employee. Purchasing goods and services over the internet which requires payment at the time of ordering is also becoming more common in practice.

### **13.1 Internet Purchases**

Requisitions are required for internet orders and must be clearly marked - *Ordered On-line*. Credit card holders must authorise and process any payments for goods ordered using their card details. Credit cards must be kept securely by the named individual at all times and PIN codes must not be disclosed to any other party. The transaction should be recorded in FMS as soon as possible and receipts attached to the requisition form.

### **13.2 Reimbursements to individuals**

Requests for reimbursement to individuals **MUST** be supported by receipts for the goods/services received and should be authorised by the Head Teacher on an official reimbursement form.

Reimbursement may be refused if the budget holder has already spent their full allocation and did not seek prior approval to exceed the funds available.

All reimbursements will be issued by cheque; it is The Pathway Academy Trust's policy not to operate a Petty Cash facility.

## **14. Income**

The main sources of income for the trust are the grants from the ESFA and the Local Authority. The receipt of these funds are monitored by the SBMs / Finance Officers who are responsible for ensuring all grants due to the trust are collected.

### **14.1 Income collected by the Trust**

The trust collects income from parents or the public for:

- school meals
- trips and residential visits
- uniform
- breakfast club
- lettings
- voluntary contributions to school fund

### **14.2 Custody**

Receipts (including electronic receipts) should be issued for all cash received where no other formal documentation exists. All cash and cheques must be kept in the office safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed £1000 in cash.

Monies collected must be banked in their entirety into the appropriate bank account. The SBMs / Finance Officers are responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The accounting system must be updated promptly after each banking and reconciled during routine month end procedures.

### **14.3 Trips / Activities**

A lead teacher must be appointed for each trip. For every trip or activity, a trip request form must be completed which will calculate the total cost of the trip and the individual cost to each pupil. There must be evidence that there is no intention to make a profit from any trip or activity. The cost of each trip must be approved by the school's Education Visits Coordinator or Head Teacher prior to requests for contributions being issued to parents.

Cash/cheques sent in via pupils must be placed in the class register folder which is taken to the office each morning. Parents may also pay in person at reception. The value of the receipt is recorded against the pupil making the payment. Payment cards must be issued for any trip that may be paid by instalments.

Parents will be encouraged to make a full contribution towards a trip however children should not be discriminated against if their parents are unwilling or unable to pay. Full details of subsidies available can be found in The Pathway Academy Trust's Charges and Remissions Policy.

#### **14.4 Lettings**

The SBMs / Finance Officers are responsible for maintaining records of lettings, identifying the sums due and raising an invoice for each organisation. Payments must be made in advance for the use of facilities.

All third parties using the facilities must provide the school with a copy of their public liability insurance prior to the start of the letting.

The SBMs / Finance Officers will be responsible for chasing outstanding debts. Debts may only be written off in accordance with the Scheme of Financial Delegation (Appendix 1). The DfE's prior approval is also required if the debt to be written off is above the value detailed in the funding agreement.

#### **14.5 Debtors**

The following debt recovery policy will be applied:

- if payment has not been received 30 days after invoice, a reminder will be sent asking for payment within 7 days
- if payment is not forthcoming, a further reminder will be sent, requesting immediate payment or contact to arrange repayment by instalment
- if payment is still not forthcoming, for debts over £500, a threat will be issued to put the matter into the hands of a nominated solicitor if payment is not received within the next 7 days  
if not received after 7 days, the nominated solicitor will be asked to pursue the debt and the debtor will be notified accordingly
- debts of £500 and less will be pursued without reference to the nominated solicitor and will be reported on at board meetings where directors will decide on action to be taken
- details of any debts written off and solicitor's letters sent will be provided for each board meeting

### **15. Cash Management**

#### **15.1 Bank Accounts**

The Pathway Academy Trust have appointed Lloyds Bank PLC as their bankers. The Scheme of Financial Delegation sets out the arrangements covering the operation of the accounts including any internet transfers between accounts, cheque signing arrangements and the operation of systems such as BACS, which must also be subject to the same level of control.

#### **15.2 Deposits**

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

#### **15.3 Payments and withdrawals**

All cheques and other instruments authorising withdrawal from trust bank accounts must bear the signatures of two authorised signatories in accordance with the Scheme of Financial Delegation (Appendix 1). This provision applies to all accounts, public or private, operated by or on behalf of the Board of Directors of the trust.

#### **15.4 Bank Reconciliations**

The SBMs / Finance Officers must ensure that bank statements are received regularly and reconciliations are performed on a monthly basis, in accordance with the schedule in Appendix 3. Reconciliation procedures will ensure:

- all bank accounts are reconciled to the FMS system
- reconciliations are subject to an independent termly review, either by the Trust Business Manager or during the internal audit
- adjustments are dealt with promptly

#### **15.5 Corporate Credit Card Accounts**

Head Teachers will allocate approved corporate credit card users according to the requirements of their role. Examples of positions where this would be acceptable include, but are not restricted to, a caretaker, breakfast club leader, school secretary or finance officer. Each cardholder is personally responsible for the safe custody of their card. The card should be held securely at all times and any loss of cards should be reported immediately. Both the cardholder and Head Teacher are jointly liable for the integrity of all transactions and proper and controlled use of the charge card. Corporate credit card holders will:

- not disclose PIN or card details to other persons
- ensure cards are held securely and not kept at the school overnight
- complete a requisition form before purchasing goods
- supply receipts for every transaction to the SBMs / Finance Officers
- report any instances of unauthorised card use to the Trust Business Manager
- report the loss of the card or PIN to Lloyds Bank PLC immediately, followed by the Trust Business Manager

The SBMs / Finance Officers will:

- reconcile receipts to the credit card statement monthly
- report any instances of unauthorised transactions or losses to the Trust Business Manager, who will inform the Board of Directors

The annual fee for all corporate credit cards will be charged direct to each school.

#### **15.6 Operating Lease**

The Pathway Academy Trust is the legal entity of all of the schools within the trust therefore all leases and contracts are made with the trust, not individual schools. Schools that wish to pursue an operating lease (minibus, photocopiers etc) must inform the Trust Business Manager who will review the details of the agreement on behalf of the school. The term of the lease cannot extend beyond a three year term and three quotations must be obtained in order to demonstrate the general principles of probity, accountability and fairness. The trust must be satisfied that the school has the necessary financial resources to pay the lease over the given period and will need to demonstrate this within their budget planning. The maximum total value of the operating lease must not exceed £25,000 for the entire term. Final approval for all operating leases must be sought in accordance with the limits stated in the Scheme of Financial Delegation. Financial leases are not permitted.

#### **15.7 Contracts/Service Level Agreements**

Schools may enter into contracts and service level agreements to the maximum single value of £25,000 per contract. Three quotations must be sought to ensure value for money. The Trust Business Manager must be informed and will review the details of the agreement on behalf of the school. Final approval for all contracts and Service Level Agreements must be sought in accordance with the limits stated in the Scheme of Financial Delegation.

### **15.8 Cash Flow Forecasts**

The Trust Business Manager is responsible for preparing cash flow forecasts to ensure that the trust has sufficient funds available to cover day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile annual spending plans to cover potential cash shortages.

### **15.9 Investments**

Investments must be made only in accordance with written procedures approved by the Board of Directors under a separate Investment Policy.

### **15.10 Reserves**

Future plans need to be considered when setting the trust's budget, in particular any uncertainty over future income or the risk of unexpected calls on the trust's funds, balanced with the current needs of the trust. The trust believes that the funding received in any one year should be used to support the children on roll at the time, unless there is a specific project which will require the accumulation of funding over more than one year. In looking at future plans, projects or other spending, needs might be identified that cannot be met from the income of a single year's budget alone. The identification of these factors might point to a need for reserves.

Schools within MATs are not subject to a balance control mechanism however the DfE monitors the trust's combined annual reserves. Schools' final balances will be monitored and reviewed by the finance committee who will question significant surplus excesses regularly carried forward.

#### **Level of reserves**

A school should aim to hold at least one month's operational costs in reserves wherever practicable. It is expected that no more than three month's operational costs would be required to be held in reserves unless the school is saving for a substantial building project. This will be discussed with the Trust Business Manager and recorded in the minutes of relevant Finance Committee meeting.

#### **Monitoring of Reserves**

The level of reserves should be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to:

- identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- identify when reserve levels rise or fall significantly, the reasons and any corrective action, if any, that needs to be taken;
- review the statement on reserves in the trustees' annual report where there have been significant changes in the level of reserves held.

## **16. VAT**

### **16.1 VAT 126 Claims**

Under legislation VAT claims can be made on expenditure supporting the trust's core business purpose of providing education. The SBMs / Finance Officers will email the VAT 126 report produced by FMS to the Trust Business Manager during the month end procedures, in accordance with the schedule in Appendix 3. A monthly consolidated claim will be made to HMRC by the Trust Business Manager for all schools within The Pathway Academy Trust. Reimbursement will be made to each school by the trust upon receipt from HMRC via an internal bank transfer.

### **16.2 VAT Registration**

Separate to the activities mentioned above the trust may choose to register for VAT in relation to its non- business activities. i.e. production of adult meals.

The Pathway Academy Trust is not registered for VAT at present. This is kept under ongoing

review with the trust's external auditors.

Guidance on VAT can be found at <http://www.hmrc.gov.uk/vat/start/introduction.htm>

## **17. Fixed Assets**

### **17.1 Asset register**

All items purchased with a value over the trust's capitalisation limit (individual value of £1,000) must be entered in the school's fixed asset register.

The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse
- to manage the effective utilisation of assets and to plan for their replacement
- help the external auditors to draw conclusions on the annual accounts and the trust's financial system
- support insurance claims in the event of fire, theft, vandalism or other disasters

### **17.2 Security of assets**

Items of value are stored in a locked cupboard / cabinet where practicable and only accessed by authorised members of staff.

All the items in the register should be permanently and visibly marked as the school'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 Head Teacher. Inventories of school property should be kept up to date and reviewed regularly. Where items are used by the school but do not belong to it this should be noted.

Safes must be kept locked and the key removed. Keys to safes and cash boxes must be carried on the person of the nominated key holder at all times. The loss of such keys should be reported to the Head Teacher immediately.

Money left on the premises shall be secured in a locked safe, where provided, or in a locked secure cabinet. The limit for cash held in a safe is £1000, unless a higher limit is specifically agreed with the Trust Business Manager.

Losses due to theft of stocks or cash shall be promptly reported to the Police, the Trust Business Manager, Head Teacher and Board of Directors.

Arrangements should be made to ensure that only authorised staff have access to computer hardware and software used for school management. Passwords should not be disclosed or shared and should be changed regularly. Access rights of any staff leaving the school should be promptly revoked. The management of IT security and data protection will be part of the IT support contract with the relevant outsourced provider as well as employed staff as necessary.

### **17.3 Disposals**

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Head Teacher and, where significant, should be sold following competitive tender. The school must seek the approval of the ESFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid. The Trust Business Manager must be notified of any disposals valued over £500.

Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the school obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the school would need to ensure licences for software programmes have been legally transferred to a new owner.

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

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

#### **17.4 Loan of Assets**

Items of school property must not be removed from the premises without the authority of the Head Teacher or Trust Business Manager. A record of the loan must be recorded in a loan book and booked back into the school when it is returned.

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 trust's auditors.

### **18. Annual Accounts**

As a charitable company the trust must comply with company law as set out in the Companies Act 2006. This includes a requirement to prepare a directors' report and financial statement and for these to be independently audited by a registered auditor. Guidance of what information is required in the annual accounts can be found in the Academies Accounts Direction published by the ESFA for the current year. Financial statements should be prepared to **31 August** and should include:

- incoming resources from all sources receivable in the period
- resources expended on all activities within the period
- all assets and liabilities of the trust at the balance sheet date
- all cash received and expended within the period
- notes to the accounts

The audited accounts must be submitted to the DfE by **31 December**. As soon as the DfE deadline, but by no later than **31 May** (9 months after the end of the accounting year), a copy of the annual accounts report must be sent to the Companies Register and Charity Commission.

Details of the annual accounts must be published on the trust's website by **31 January**.

The Annual Accounts Return transfers the data in the audited accounts into a format required by the ESFA and must be submitted by **31 January**.

### **19. Self-Assessment of Management and Governance**

Every academy trust must have in place a process for independent checking of financial controls, systems, transactions and risks. The Board of Directors has appointed William Giles accountants to carry out checks on the trust's systems of internal control and on the adequacy of the trust's arrangements for financial management and governance. Williams Giles will undertake termly reviews and report its findings to the Board of Directors.

The Accounting Officer will present the ESFA with a statement of regularity, propriety and compliance as part of the trust's annual report. This will be reviewed by the trust's external auditors.

## **20. Investigation of Fraud and Irregularity**

The personal responsibilities of the accounting officer extend to the prevention of loss through fraud and irregularity. However, in addition to the accounting officer's responsibilities, the members of a trust are also responsible for preventing such losses of public funds, and this means that members, directors and governors must be aware of the risk of fraud and irregularity to occur within their organisations and they must, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. The trust is also responsible for ensuring appropriate action is taken where fraud and irregularity is suspected or identified.

All instances of fraud or theft committed against the trust, whether by employees, directors, governors or third parties, above £5,000 must be reported to the ESFA. Any unusual or systematic fraud, regardless of value, must also be reported.

## **21. External Auditors**

The Board of Directors have appointed William Giles accountants as their external auditors. A letter of engagement is in place which stipulates the services to be provided and the fees to be charged.

The external auditor will certify that the accounts present a true and fair view of the trust's financial performance and position and produce audited accounts.

## **22. Central Services**

### **21.1 Services to be provided**

The Pathway Academy Trust will provide and arrange a selection of central services for all schools with the trust. These include, but are not limited to, finance software, legal support, personnel provision, Health & Safety management and external auditors. A detailed list of the services provided will be updated annually by the Trust Business Manager and included in the Service Level Agreement (SLA).

The Trust Business Manager will be available to any school within the trust at the request of the Head Teacher to provide assistance on a particular project or general support with the business management of the school. The Trust Business Manager will complete the required duties to ensure that the business management of the trust operates efficiently and effectively and that all deadlines are met in accordance with the Academies Financial Handbook and other DfE regulations.

### **21.2 Fees**

Contributions to the central fund will be made on a quarterly basis, in advance, via an internal on-line bank transfer. An invoice will be issued by the Trust Business Manager for authorisation by the Head Teacher.

The formula for calculating the required contributions will be reviewed annually by the Board of Directors; or on confirmation from the ESFA that a new school will be joining the trust. Head Teachers will be notified of any changes in advance and a revised SLA will be issued.

The central fund is not intended to make a profit and any proceeds remaining at year end will be carried forward and used to sustain or improve the provision of services in the following year.

### **21.3 Appeals Process**

If a Head Teacher feels that they have been unfairly treated in regard to the level of contribution requested for the central funds they must present their concerns in writing to the Board of Directors. If after review their grievance is not resolved, then they can appeal to the Secretary of State, via the ESFA, whose decision will be final. The Secretary of State can dis-apply the trust's provision to pool resources for a central fund.

## SCHEME OF FINANCIAL DELEGATION

### Authorising orders for goods and services

Position	Limit/Restriction
Board of Directors	Over £10,000 – decision recorded in minutes  If the Board of Directors have formally approved an order, but the variation in a later quote or the final invoice is greater than £1,000 above the originally-authorized amount, that quote or invoice must be referred back to the Board of Directors for formal approval.
Head Teacher	£10,000
Trust Business Manager	£10,000
Deputy / Assistant Head Teacher	£1,000

### Bank Accounts – The Pathway Academy Trust

Position	Authority
Executive Head Teachers (x2)	Cheque Signatory - one of two to sign
Trust Business Manager	Cheque Signatory - one of two to sign

### Bank Accounts – Individual schools within the trust

Position	Authority
Head Teachers	Cheque Signatory - one of two to sign
Deputy / Assistant Head Teacher or nominated member of the Senior Leadership Team	Cheque Signatory - one of two to sign
Trust Business Manager	Cheque Signatory - one of two to sign
SBMs / Finance Officer / School Secretary	Cheque Signatory - one of two to sign

### On-line Banking

Position	Authority
Accounting Officer	Administrator and authorised signatory
Trust Business Manager	Administrator and authorised signatory
SBMs / Finance Officers	Authorised signatory for their own school only

### Financial Management System (FMS)

Position	Limit/Restriction
Trust Business Manager	System Administrator
Head Teachers	System user – Enter and Authorise
SBMs / Finance Officers	System Administrator

### Certification of Personnel/Payroll documents

<b>Position</b>	<b>Limit/Restriction</b>
Chairman of the Board of Directors	Authorises recruitment forms relating to Chief Executive Officer (CEO) and Director of Education (DoE)
Executive Leadership Performance Panel	Authorises variations to CEO/DoE salary
CEO/DoE and Chair of Local Governing Body	Authorises recruitment forms and variations to Head Teachers salary
Head Teachers	Authorises all appointment forms, leaver forms and variations to contracts Authorises monthly payroll related forms/reports eg overtime, supply, leave, travel etc.
Trust Business Manager	Authorised signature for all payroll forms
Deputy / Assistant Head Teacher or nominated member of the Senior Leadership Team	Authorised signature for all payroll forms

### Authorisation to write-off bad debts

<b>Position</b>	<b>Limit/ Restriction</b>
Head Teacher	£100
Board of Directors	Over £100 – recorded in minutes
Secretary of State	Detailed in Academies Financial Handbook

### Completion of VAT returns

<b>Position</b>	<b>Limit/ Restriction</b>
Finance Officers	Produce the VAT 126 report and submit to the Trust Business Manager
Trust Business Manager	Responsible for submitting trust claim to HMRC

## Annual Budget Cycle

January	<p>The Trust Business Manager will submit the audited Annual Accounts Return to the Education Funding Agency (ESFA) by 31 January.</p> <p>Accounts must be published on the website by the end of this month.</p>
February	<p>The Senior Leadership Team start work on next year's priorities and possible staffing needs.</p>
March	<p>The trust receives its draft General Annual Grant statement for the next academic year from the ESFA.</p> <p>A mid-year review of the current budget takes place.</p>
April/May	<p>The Trust Business Manager starts to construct next year's budget.</p>
May	<p>Trust Accountants file previous year's audited accounts with Companies House by 31 May.</p>
June	<p>The Head Teachers and Trust Business Manager produce draft budget to be submitted to the Board of Directors for approval.</p> <p>Trust Business Manager monitors current budgets for predicted year-end forecasts.</p> <p>Trust Business Manager and Head Teachers support the Board of Directors in preparation of Directors Annual Report.</p>
July	<p>Board of Directors approve final budget for the next academic year.</p> <p>Trust Business Manager completes the budget forecast return to the ESFA by 31 July.</p> <p>Appointed auditors start planning work on the annual accounts process.</p>
Aug/Sept	<p>Current budget year end (31 August).</p> <p>Start of new budget year (1 September).</p>
October	<p>Trust Business Manager oversees the census return which is used by the ESFA as the basis for the funding for the following year.</p> <p>Appointed auditors continue audit field work and produce draft Annual Accounts for Directors to review.</p>
Nov/Dec	<p>Trust Business Manager presents final monitoring report for current year.</p> <p>Appointed auditors present audited accounts to the Board of Directors</p> <p>Directors approve Financial Statements.</p>
December	<p>The Trust Business Manager will submit the audited accounts to the ESFA by 31 December.</p>

Monthly Finance Procedures**MONTHLY TASKS****During the month:**

ESFA - Monthly advance entered  
 KCC - Monthly advance entered  
 check payroll pre-run report & investigate discrepancies  
 Salary spreadsheet reconciled to payroll report  
 Salary breakdown entered onto monitoring template  
 Salaries entered onto FMS  
 VAT reimbursement entered separately  
 VAT ledger codes reconciled  
 Process direct debits on FMS  
 Reconcile credit card statement & enter on FMS

**Complete by:**

10th
20th
immediately
25th
25th
25th
on-receipt
on-receipt
before due
28th

Invoice income - Generate invoices due, eg lettings  
 Process income on FMS

as required
on-receipt

**First working day of the month:**

View VAT full report (check 20p tolerance)  
 Export VAT full report and save as excel spreadsheet  
 View VAT 126 Report and print pre-view  
 Complete any missing VAT numbers and update FMS  
 Re-print the VAT 126 pre-view and export to excel (Don't print)  
 Confirm VAT 126 submittal and print (Confirm print)  
 Print VAT submittal for the period  
 Close the period  
 email VAT 126 Report to TPAT Business Manager

1st working day but no later than the 5th of the month - unless returning from a school holiday period
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**On receipt of the bank statement:**

Reconcile bank statement  
 Review unreconciled receipts/payments - how long & why ?  
 Complete manual reconciliation report  
 Print Income & Expenditure report - file  
 Export CEA and save to monitoring template  
 Complete monitoring and present to H/T  
 email monitoring report to Trust Business Manager

5th
8th
8th