

# Activate Learning Education Trust

## FINANCIAL REGULATIONS

*The EFA expect financial regulations to be reviewed annually. These financial regulations were approved by the Board on 9 December 2015*

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# **1 INTRODUCTION**

## **1.1 Purpose of this document**

1.1.1 The purpose of these financial regulations is to provide control over the totality of the resources of Activate Learning Education Trust (“the Trust”) and provide management with assurances that the resources are being properly applied for the achievement of the Trust’s strategic plan and business objectives on a sustainable basis including:

- ensuring financial viability;
- achieving value for money;
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
- ensuring that the Trust complies with all relevant laws and regulations; and
- safeguarding the assets of the Trust.

## **1.2 Status of these regulations**

1.2.1 This document sets out the financial regulations of the Trust. It translates into practical guidance of the Trust’s broad policies relating to financial control. This document was approved by the Trust Board on 9 December 2015.

1.2.2 These financial regulations are subordinate to the institution’s memorandum and articles of association and to any restrictions contained within the funding agreement with the funding body and the funding body’s *Academies Financial Handbook*.

1.2.3 Compliance with the financial regulations is compulsory for all staff. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the Trust’s disciplinary policy. Any such breach will be notified to the Board through the finance, resources and audit committee. It is the responsibility of managers to ensure that their staff are made aware of the existence and content of the Trust’s financial regulations.

1.2.4 The finance, resources and audit committee is responsible for reviewing the financial regulations and advising the Board of any additions or changes necessary. In exceptional circumstances, this committee may authorise a departure from the detailed provisions of

the regulations with such departures reported to the Board at the earliest opportunity.

## **2 FINANCIAL MANAGEMENT AND GOVERNANCE**

### **2.1 Board of Directors**

2.1.1 The Board has ultimate responsibility for the Trust's finances and it has put in place the following organisational structure to make sure this responsibility is effectively met.

2.1.2 The Board has wide responsibilities under statute, regulations and the Funding Agreement. It is specifically responsible for ensuring that the Trust's funds are used only in accordance with the law, the Board's powers under the Funding Agreement (including the Articles of Association which set out the powers of the trust and its governance arrangements), and the *Academies Financial Handbook*.

2.1.3 The Board has wide discretion over its use of the Trust's funds. It is responsible for the proper stewardship of those funds and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money. It must also ensure that it uses its discretion reasonably, and takes into account any and all relevant guidance on accountability or propriety.

2.1.4 The members of the Board have statutory duties as company directors, which are set out in sections 170 to 177 of the Companies Act 2006. These comprise the duties to:

- act within their powers;
- promote the success of the company;
- exercise independent judgment;
- exercise reasonable care, skill and diligence;
- avoid conflicts of interest;
- not to accept benefits from third parties; and
- declare any interest in proposed transactions or arrangements.

2.1.5 In addition, specific responsibilities of the Board are prescribed in the Funding Agreement.

### **2.2 Accounting Officer**

2.2.1 The Chief Executive is designated as the accounting officer and is responsible for the financial and administrative matters of the Trust and its academies. As accounting officer, the Chief Executive is personally responsible to Parliament, and to the accounting officer of

the funding body, for the resources under their control, and must be able to assure Parliament and the public of the high standards of probity in the management of public funds.

2.2.2 The *Academies Financial Handbook* states that essence of the role of accounting officer is a personal responsibility for regularity, propriety and value for money:

**Regularity:** dealing with all items of income and expenditure in accordance with legislation, the terms of the Trust's funding agreement and this Handbook, and compliance with internal trust procedures. This includes spending public money for the purposes intended by Parliament.

**Propriety:** the requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control. This covers standards of conduct, behaviour and corporate governance.

**Value for money:** this is about achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the trust's charge, the avoidance of waste and extravagance, and prudent and economical administration. A key objective is to achieve value for money not only for the Trust but for taxpayers more generally.

2.2.3 The accounting officer also has responsibilities for keeping proper financial records and accounts, and for the management of opportunities and risks.

## **2.3 Committee structure**

2.3.1 Finance, Resources and Audit Committee

The board has ultimate responsibility for the administration of the Activate Learning Education Trust's finances, but have appointed a finance, resources and audit committee, which will oversee the procurement of a range of checks on the trust's financial systems. The finance, resources and audit committee will report to the board on the operation of the systems of control and on the discharge of the board's financial responsibilities. The finance, resources and audit committee will undertake the audit committee role.

### 2.3.2 Local Governing Bodies

There is a local governing body for each academy in the trust. These local governing bodies operate as a committee of the trust.

## 2.4 Academy Principals

2.4.1 The post of Academy Principal is responsible to the Chief Executive for keeping proper financial records and accounts. This responsibility is normally delegated on a day to day basis to a finance business partner (or equivalent). However the Principal must ensure the requirements of financial governance set out in the "Statement of minimum requirements" are met.

2.4.2 Academy Principals have three key areas of overarching financial responsibility:

- Responsibility for the academy budget and longer term financial position, ensuring that the academy has a sustainable future and can continue to deliver high quality education in the long term.
- Ensuring that basic controls over the finances are in place and are operating.
- Making sure that all financial matters are conducted with due consideration for Regularity, Propriety and Value for Money.

2.4.3 Academy Principals have specific responsibilities for:

- Approving new staff appointments within the authorised staff establishment structure and budget, except for any senior staff posts, approved by the Board.
- Authorising transactions according to the Trust's scheme of delegated authority and tendering procedures.
- Managing the Academy's delegated budget.

## 2.5 Chief financial officer

2.5.1 The finance business partner works closely with the Chief financial officer. Responsibilities include:

- the management of the Academy financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Academy;

- the preparation of monthly management accounts;
- authorising orders above £2,000 in conjunction with Budget Holders and Senior Finance Officer
- signing cheques in conjunction with the Principal or other authorised signatory and
- ensuring forms and returns are sent to the funding body in line with the timetable in the funding body guidance.

## **2.6 Budget holders**

- 2.6.1 Budget holders are responsible for financial management for the areas or activities they control. They are advised by the finance business partner in executing their financial duties. Budget holders are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters.
- 2.6.2 Where resources are devolved to budget holders, they are accountable to their line manager for their own budget.
- 2.6.3 Budget holders shall provide the finance business partner with such information as may be required to enable:
- compilation of the Trust's financial statements;
  - implementation of financial planning; and
  - implementation of audit and financial reviews and projects.

## **2.7 Local governing bodies**

- 2.7.1 The Trust has established a local governing body for each academy. The local governing body is an Advisory Body according to the Funding Agreement. It should be apprised of the overall strategic financial position of the academy. It does not have any delegated authorities or responsibility for the operation of the Academy's finances.

## **2.8 Relationships between academies, the Trust and the Trust's sponsor**

- 2.8.1 Academies will contribute an agreed element of recurrent income towards the cost of the central services including infrastructure, Finance, ICT and governance. This will include Trust Finance and a range of other functions.
- 2.8.2 Academy contributions will be reviewed and approved by the Board.
- 2.8.3 Services provided by the Trust sponsor will demonstrate value for money and comply with the requirements of the EFA including those set out in the Academies Financial Handbook.

## **2.9 Risk management**

- 2.9.1 The Trust acknowledges the risks inherent in its business, and is committed to managing those risks which pose a significant threat to the achievement of its organisational objectives and financial health.
- 2.9.2 The Board has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout the Trust through the development, implementation and embedding within the organisation of a formal, structured risk management process.

## **2.10 Internal audit**

- 2.10.1 The internal auditor is appointed by the Board on the recommendation of the finance, resources and audit committee.
- 2.10.2 The *Academies Financial Handbook* requires that it has an effective process for independent checking of financial controls, transactions and risks.
- 2.10.3 The internal audit service remains independent in its planning and operation but has direct access to the governing body, principal and chairman of audit committee. The internal auditor will also comply with relevant professional standards.

## **2.11 External audit**

- 2.11.1 The external auditors should be reappointed annually by the Board, advised by the finance, resources and audit committee. It is good practice for a competitive tendering exercise to be held at regular intervals, at least every five years.
- 2.11.2 The primary role of external audit is to report on the Trust's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the *Academies Financial Handbook* and the Auditing Practices Board's statements of auditing standards.

### **3 FINANCIAL REPORTING, PLANNING AND CONTROL**

#### **3.1 Recording transactions**

- 3.1.1 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual.
- 3.1.2 All journal entries must be documented on the appropriate journal form, and authorised by the finance business partner.
- 3.1.3 Bank transactions should be input by the Finance Officer and the input should be checked, and signed to evidence this check, by the financial accountant.

#### **3.2 Financial plans and budgets**

- 3.2.1 The Academy prepares both medium term and short-term financial plans.
- 3.2.2 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.
- 3.2.3 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.
- 3.2.4 The finance business partner, in combination with the Academy principal, is responsible for preparing the annual budget and three year financial plan for approval by the Board after consideration by the local governing body.
- 3.2.5 The budgetary planning process will be agreed each year and incorporate the following elements:
  - forecasts of the likely number of pupils to estimate the amount of grant receivable;
  - review of other income sources available to assess likely level of receipts;
  - review of past performance against budgets to promote an understanding of the 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.

- 3.2.6 Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.
- 3.2.7 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.
- 3.2.8 The finance business partner is also responsible for preparing financial planning returns for submission to the funding body.

### **3.3 Monitoring and review**

- 3.3.1 Monthly financial reports will be prepared by the finance business partner. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for Academy senior management and Trust Board.

### **3.4 Budgetary control**

- 3.4.1 The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively.
- 3.4.2 Significant departures from agreed budgetary targets must be reported immediately to the finance business partner by the budget holder concerned and if necessary, corrective action taken.
- 3.4.3 The accounting system will not allow payments to be made against an overspent budget without the intervention of the finance business partner.
- 3.4.4 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.
- 3.4.5 If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements between cost centres must be authorised by the Trust Board where they exceed 5% of budgeted income.

## **4 INCOME**

### **4.1 General**

- 4.1.1 The financial accountant is responsible for ensuring that appropriate procedures are in operation to enable the Trust to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the finance manager.
- 4.1.2 The financial accountant is responsible for the prompt collection, security and banking of all income received.
- 4.1.3 The financial accountant is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the Trust's accounts.
- 4.1.4 The finance business partner is responsible for ensuring that all claims for funds are made by the due date.

### **4.2 Trips**

- 4.2.1 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 Team.
- 4.2.2 Students should make payments in accordance with the Academy's financial procedures. 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.
- 4.2.3 The Finance Officer 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.

### **4.3 Lettings**

- 4.3.1 The Admin team is responsible for maintaining records of bookings of sports and other facilities. They will identify the sums due from each organisation. Payments must be made in advance for the use of facilities.
- 4.3.2 The Finance Team is responsible for chasing outstanding debts and ensuring no further use is made of the facilities unless payment has been made.

4.3.3 Organisations using the sports facilities should be instructed to send all payments to the Finance Office.

#### **4.4 Invoiced income**

4.4.1 The financial accountant should ensure that:

- debtors invoices are raised promptly on official invoices, in respect of all income due to the institution;
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account;
- any credits granted are valid, properly authorised and completely recorded;
- VAT is correctly charged where appropriate, and accounted for;
- monies received are posted to the correct debtors account;
- swift and effective action in collecting overdue debts, in accordance with the protocols noted in the financial procedures;
- outstanding debts are monitored and reports prepared for management.

4.4.2 No debts should be written off without the express approval of the finance business partner. The Chief financial officer will also notify the Board of any write-offs over £1,000 which should be authorised as being non-collectable.

#### **4.5 Cash income**

4.5.1 All cash and cheques must be kept in a safe prior to banking. Banking should take place at least bi-weekly with more frequently if the sums collected exceed the insurance limit on the safe.

4.5.2 Monies collected must be banked in their entirety in the appropriate bank account. The Finance Team is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system.

### **5 EXPENDITURE**

#### **5.1 General**

5.1.1 The financial accountant is responsible for making payments to suppliers of goods and services to the institution.

5.1.2 The Trust wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct

quality, quantity and time at the best price possible. As most goods and services are purchased with public funding, the principles of regularity, propriety and value for money as set out above.

## **5.2 Ordering**

5.2.1 Purchase orders should be used to initiate and document purchase commitments in order to:

- ensure that the Academy has a record of what has been ordered which can be compared against items delivered;
- record that the purchase was approved by authorised signatory; and
- allow the Trust, academy and budget holder to monitor purchase commitments.

5.2.2 Official uniquely-numbered orders must be used for initiating purchases of goods and services with the following exceptions:

- emergency order;
- recurring charges for public utilities;
- periodic payments under contracts detailed on the centrally held contracts register;
- petty cash purchases;
- exam fees;
- supply cover (where there is a robust process for recording requests for staffing and for hours or days delivered); and
- any other exceptions approved by the Chief financial officer.

5.2.3 The key requirements for order approval are:

Up to £5,000	Relevant departmental budget holder
Up to £25,000	As above plus Principal
Orders over £25,000	As above plus CEO of the Trust
Orders over £75,000	As above plus the Chair or Vice Chair of the Trust or (in their absence) two non-staff Directors of the Board of the Trust
Large purchases over EU procurement threshold	Compliance with EU procurement rules, including advertising in the Official Journal of the European Union, will be necessary.

### **5.3 Quotes and tenders**

5.3.1 The key requirements for quotes and tenders are:

Purchases under £5,000	Value for money must be sought in such purchases. Quotes may be obtained if appropriate. A preferred supplier should be used where possible.
Purchases between £5,001 and £25,000	Evidence of three written quotes with these documents attached to the purchase order requisition. If three quotes have not been received, evidence of suppliers who were offered but declined to quote should be submitted.
Purchases over £25,000	The Trust's tendering procedures must be applied. Where this is not practical. i.e. there is only one potential supplier, such as renewed contracts, this situation should be documented and approved by the finance manager and reported to the Board.
Large purchases over EU procurement threshold	Compliance with EU procurement rules, including advertising in the Official Journal of the European Union, will be necessary.

5.3.2 Purchases must not be artificially split to avoid these thresholds.

### **5.4 Payments**

5.4.1 The BACS/cheque payments and associated paperwork must be authorised by two of the nominated bank mandate signatories. The BACS payment list must be authorised and signed by the financial accountant prior to releasing payment.

### **5.5 Purchasing cards, credit and debit cards**

5.5.1 The operation and control of the institution's purchasing cards, credit and debit cards is the responsibility of the financial accountant. There will be appropriate oversight of the distribution of such cards and the associated card limits.

5.5.2 Holders of cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Such

cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. Cards must not be loaned to another person or PIN numbers shared. Cards should not be used for personal or private purchases. Cardholders should obtain approval to purchase from the relevant budget holder and should ensure that there is sufficient budget available to meet the costs. The financial accountant shall determine what information is required on purchases made with cards from cardholders and deadlines for receipt in the finance section to enable financial control to be maintained and cardholders must provide that information. There should be appropriate segregation of duties with those reviewing and reconciling cards not holding and using those cards.

5.5.3 Details of the operation of the scheme are set out in financial procedures.

## **6 PAYROLL**

### **6.1 Board of Directors**

- 6.1.1 All Trust staff will be appointed to the salary scales approved by the Board and in accordance with appropriate conditions of service. All letters of appointment must be issued by the personnel office.
- 6.1.2 The Academy Principals have delegated authority to appoint staff within the approved establishment.
- 6.1.3 Salaries and other benefits for senior management will be determined by the Board.

### **6.2 Wages and salaries**

- 6.2.1 The payroll manager is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered.
- 6.2.2 All contracts of service shall be concluded in accordance with the Trust's approved personnel practices and procedures and all offers of employment shall be made in writing by the Principal.
- 6.2.3 Senior Management is responsible for informing the payroll officer of any terminations, and providing a letter of resignation. The Finance Team complete a termination form which is sent to an appointed subcontractor.

- 6.2.4 The payroll officer maintains a Master Staff List. This list is updated continually for starters, leavers and for changes in role, hours or salary.
- 6.2.5 All time sheets and other pay documents will be in a form prescribed or approved by the payroll manager.
- 6.2.6 The payroll manager will be responsible for keeping the financial accountant and finance business partner informed of all matters relating to personnel for payroll purposes. In particular these include:
- appointments, resignations, dismissals, supervisions, secondments and transfers;
  - absences from duty for sickness or other reason, apart from approved leave;
  - changes in remuneration other than normal increments and pay awards;
  - information necessary to maintain records of service for superannuation, income tax, and national insurance; and
  - visa checks where relevant in accordance with legislative requirements.
- 6.2.7 The payroll manager shall prepare a reconciliation between the current month's and the previous month's net salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by the financial accountant.
- 6.2.8 The payroll manager is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.
- 6.2.9 The payroll manager shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- 6.2.10 All payments must be made in accordance with the Trust's detailed payroll financial procedures and comply with HM Revenue & Customs requirements.

### **6.3 Pension schemes**

- 6.3.1 The Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
- 6.3.2 The payroll manager is responsible for day to day superannuation matters including:

- paying of contributions to various authorised superannuation schemes;
- preparing of the annual return to various superannuation schemes;
- administering the institution's pension fund.

6.3.3 The payroll manager is responsible for administering eligibility to pension arrangements and for informing the financial accountant when deductions should begin or cease for staff.

## **6.4 Expenses**

6.4.1 All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the payroll manager.

6.4.2 Claims by members of staff must be authorised by their line manager. This certification shall be taken to mean that:

- the journeys were authorised;
- the expenses properly and necessarily incurred;
- the allowances are properly payable by the institution;
- consideration has been given to value for money including in choosing the mode of transport.

6.4.3 All expenses must be in accordance with the Trust's expenses policy.

## **6.5 Severance and other non-recurring payments**

6.5.1 Severance payments shall only be made in accordance with relevant legislation and funding body guidance and under a scheme approved by the Board. Professional advice should be obtained where necessary. No amounts shall be expended which exceeds the budget allocated for the purpose. All such payments shall be authorised by the Chief Executive and calculations checked by the payroll manager. In exceptional circumstances this approval may be given by the Chair in consultation with the Chief Executive, to be reported to the next meeting of the Board. Amounts paid should be declared in the financial statements in accordance with funding body guidance.

6.5.2 All matters referred to an employment tribunal shall be notified to the Board at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

## **7 CASH AND BANKING**

### **7.1 Appointment of bankers and opening of accounts**

- 7.1.1 The Board is responsible for the appointment of the Trust's bankers and other professional financial advisers (such as investment managers).
- 7.1.2 The financial accountant is responsible for liaising with the Trust's bankers in relation to the Trust's bank accounts.

### **7.2 Managing bank accounts**

- 7.2.1 All cheques and other instruments authorising withdrawal from Trust bank accounts must bear appropriate signatures in accordance with the authorised bank mandate.
- 7.2.2 The financial accountant 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 cash book;
  - reconciliations are prepared by the a member of the Finance Team;
  - reconciliations are subject to an independent monthly review carried out by the finance manager; and
  - adjustments arising are dealt with promptly.

### **7.3 Appointment of bankers and opening of accounts**

- 7.3.1 The Board is responsible for the appointment of the Trust's bankers and other professional financial advisers (such as investment managers).
- 7.3.2 All bank accounts shall be in the name of the Trust or one of its subsidiary companies.

### **7.4 Petty cash**

- 7.4.1 In the interests of security, petty cash payments will be limited in general terms to £25 unless approved by the financial accountant. Higher value payments should be made by cheque or BACS directly from the main bank account as a cash book payment.
- 7.4.2 Petty cash reimbursement must be supported by receipts or vouchers where available.

- 7.4.3 The financial accountant shall make available to departments such imprests as he or she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.
- 7.4.4 No more than £1000 will be held in petty cash at any Academy.
- 7.4.5 The member of staff granted a float is personally responsible for its safe keeping. The petty cash box must be kept locked in a safe in compliance with the requirements of the Trust's insurers when not in use and will be subject to periodic checks by the finance manager or another person nominated by him or her.
- 7.4.6 Standard institution petty cash books are supplied by the finance manager and must be used for recording all imprest accounts.
- 7.4.7 At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and counter signed by the head of department.

## **8 TREASURY AND CASHFLOW MANAGEMENT**

### **8.1 Policy**

8.1.1 The objectives of treasury management include:

- providing a means by which the Trust can meet its commitments;
- ensuring that sufficient sums are available at short or no notice to meet foreseeable requirements;
- earning an acceptable rate of return on surplus funds without undue risk; and
- spreading risk between differing types of investment and institutions.

### **8.2 Delegation and reporting**

8.2.1 All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the finance business partner and an appropriate reporting system set up.

8.2.2 All borrowing shall be undertaken in the name of the Trust and shall conform to any relevant funding body requirements, including any requirements for approval by the funding body

8.2.3 The finance business partner will report to the Board termly in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him.

8.2.4 The finance business partner is responsible for preparing cash flow forecasts to ensure that the Trust has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds.

## **9 FIXED ASSETS AND INVENTORY**

### **9.1 General**

9.1.1 Fixed Assets are defined as “assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably”. Fixed Assets may be categorised as follows: land and buildings; plant and machinery, furniture and equipment; computer equipment and software, assets under construction.

### **9.2 Fixed asset register**

9.2.1 The financial accountant is responsible for maintaining the Fixed Asset Register which will list of items (or specific group of items purchased within the accounting period) which require capitalisation in accordance with the Trust’s accounting policies.

9.2.2 The fixed asset register is to include:

- Description of asset
- Cost of Asset
- Date of acquisition
- Budget Holder for the asset
- Location of the asset
- Expected useful economic life of the asset
- Date of disposal or change of use
- Proceeds of disposal
- Security-mark the asset where practicable.

### **9.3 Inventories**

9.3.1 Managers are responsible for maintaining inventories, in a form prescribed by the financial accountant for equipment with a value in excess of £500 where they are not capitalised.

### **9.4 Safeguarding assets**

9.4.1 Managers are responsible for the fixed assets and other Trust property under their control. They will consult the financial accountant in any

case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 9.4.2 Assets owned by the institution shall, so far as is practical, be effectively marked to identify them as institution property.
- 9.4.3 Physical counts are undertaken against the Fixed Asset Register annually and the evidence presented to the Auditors.
- 9.4.4 Discrepancies between the physical count and the registers are investigated by the financial accountant. Any discrepancies over the value of £1,000 are reported to the Trust Board.
- 9.4.5 The Board will authorise the disposal of individual items of equipment and materials with an original purchase value of more than £5,000 and the Local Governing Body should authorise those with an individual value of less than £5,000.

## **10 INTEGRITY AND OPENESS**

### **10.1 General**

- 10.1.1 The Trust is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee) which governing body members and members of staff at all levels are expected to observe:

**Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

**Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that may influence them in the performance of 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 merit.

**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 their decisions and the actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest 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 interest.

**Leadership:** Holders of public office should promote and support these principles by leadership and example.

10.1.2 Novel payments or other transactions are those of which the Trust has no experience, or are outside the range of normal business activity for the Trust. Contentious transactions are those which might give rise to criticism of the trust by Parliament, and/or the public, and/or the media. The Trust will always refer novel and/or contentious transactions to the EFA for explicit prior authorisation in accordance with regulatory requirements.

## **10.2 Register of interests**

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

10.2.2 The Trust maintains a register of interests including relevant business and pecuniary interests of Board members, local governing body members, senior employees and other staff with significant financial authority or influence. Relevant interests include:

- directorships, partnerships and employments with businesses that provide goods or services to the Trust and its Academies;

- trusteeships and governorships including at other educational institutions and charities irrespective of whether there is a trading relationship with the trust; and
- for each interest: the name of the business, the nature of the business, the nature of the interest, and the date the interest began.

10.2.3 This register will be open to public inspection with a copy on the Trust website.

10.2.4 Where Board members, local governing body members, senior employees and other staff with significant financial authority or influence are connected (for example, parent, spouse, civil partner, cohabitee and child) with relevant interests, these should be disclosed.

10.2.5 The register must be updated as necessary and at least once a year.

10.2.6 The existence of a register of interests does not, of course, detract from the duties of Board members, local governing body members, and staff to declare interests whenever they are relevant to matters being discussed by the Board or local governing body or any duly established committee. Where an interest has been declared, those involved should not attend that part of any committee or other meeting.

### **10.3 Connected parties**

10.3.1 As well as demonstrating propriety in its relationships, the Trust will comply with the funding body's requirements and restrictions in transactions with "connected persons".

### **10.4 Receiving gifts or hospitality**

10.4.1 The Bribery Act 2010 came into force on 1 July 2011. The Act introduced new offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act which could mean a criminal record with ten years imprisonment and unlimited fines.

10.4.2 The guiding principles to be followed by all members of staff must be:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest;
- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they

have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

- 10.4.3 Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the institution would be likely to provide in return.
- 10.4.4 When it is not easy to decide between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant head of department. Guidance on acceptable hospitality is contained in the detailed financial procedures. For the protection of those involved, the Head of Compliance will maintain a register of gifts and hospitality received where the value is in excess of £25. Members of staff in receipt of such gifts or hospitality are obliged to notify the Head of Compliance promptly.

## **10.5 Fraud and corruption**

- 10.5.1 It is the duty of all members of staff, management and the Board to notify the Head of Compliance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. The Trust fraud policy sets out the organisation's zero tolerance of fraud.
- 10.5.2 The Head of Compliance shall immediately invoke the fraud response plan. If the suspected fraud is thought to involve the Chief Executive, the member of staff shall notify the Chair of the Audit Committee direct of their concerns.
- 10.5.3 All instances of fraud or theft committed against the Trust, whether by employees or trustees or third parties, above £5,000 must be reported by the Trust to the funding body. (Lower thresholds may apply to certain categories of fraud e.g. bursary fraud.) Any unusual or systematic fraud, regardless of value, must also be reported.

## **10.6 Whistle blowing**

- 10.6.1 Whistle blowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice in the workplace. A whistle blower can blow the whistle about crime, civil offences (including negligence, breach of contract etc.), miscarriage of justice, danger to health and safety or the environment or breach of the financial regulations and the cover up of any of these. It does not matter whether or not the information is confidential and the whistle blowing can extend to malpractice occurring in the UK and any other country or territory.
- 10.6.2 Normally, any concern about a workplace matter should be raised with the relevant member of staff's immediate line manager or head of department. However, the Trust recognises that because of the seriousness or sensitivity of some issues, together with the knowledge of whom the member of staff thinks may be involved, may make this difficult or impossible.
- 10.6.3 A member of staff may, therefore, make the disclosure to one of the staff designated for this purpose, for example the Trust Secretary. If the member of staff does not wish to raise the matter with the member of staff, or with the Chief Executive or the Chair of the Board, it may be raised with the Chair of the Audit Committee.
- 10.6.4 The full procedure for whistle blowing is set out in the Trust Whistleblowing Policy.

## **10.7 Severance payments**

- 10.7.1 Severance payments shall only be made in accordance with relevant legislation and funding body guidance including the *Academies Financial Handbook*.
- 10.7.2 Professional advice should be obtained where necessary.
- 10.7.3 All such payments shall be authorised by the Chief Executive.
- 10.7.4 Any individual amounts which do not fall within the parameters above or are in excess of £20,000 require approval by the Board.
- 10.7.5 Where the Trust is considering severance payments in excess of the statutory or contractual entitlement by the threshold set by the funding body (£50,000 by the funding body in the *Academies Financial Handbook 2014*), prior approval must be sought from HM Treasury via the funding body.

## **11 OTHER MATTERS**

### **11.1 Insurance**

- 11.1.1 The Chief financial officer is responsible for the Trust's insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management arrangements, the Trust will review all risks annually with a centrally agreed insurance provider and at all times in the light of specialist professional advice, to ensure that the sums insured are commensurate with the risks. This portfolio of insurances will be considered and approved by finance committee on an annual basis.
- 11.1.2 The Chief financial officer is responsible for effecting insurance cover as agreed by the Board. He or she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The financial accountant will keep a register of all insurances effected by the Trust and the property and risks covered. He/she will also deal with the Trust's insurers and advisers about specific insurance problems.
- 11.1.3 It is the responsibility of each Academy and other location to inform the Trust of all new risks, property equipment and vehicle, which require insurance or of any real or potential situations which require alterations to existing insurance policies. Each location has the responsibility of ensuring that Trust property such as musical instruments or computers are insured when off site.
- 11.1.4 All Academy and other locations shall display such notices regarding insurances as shall be required by statute, in particular, the statement of Employer's Liability Insurance. At no time shall any location give any indemnity to any third party without the written consent of the insurers.

## **APPENDIX A: FRAUD POLICY AND RESPONSE PLAN**

### **FRAUD POLICY**

#### **Background**

1. This Trust has a commitment to high legal, ethical and moral standards. All members of staff are expected to share this commitment.
2. The Board is committed to strong internal financial control and has procedures in place that reduce the likelihood of fraud occurring. These include Financial Regulations and documented procedures. In addition the Board seeks to promote that a risk and fraud awareness culture exists in the Trust.
3. This document, together with the Fraud Response Plan is intended to provide direction and help to those who find themselves having to deal with suspected cases of theft, fraud or corruption. These documents give a framework for a response and advice and information on various aspects and implications of an investigation.

#### **Policy statement**

4. The Fraud Policy and the Fraud Response Plan apply to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, and/or any other parties with a business relationship with the Trust. Any investigative activity required will be conducted without regard to any person's relationship to the Trust, position or length of service.

#### **Actions constituting fraud**

5. The Fraud Act 2006 defines fraud in terms of three classes: false representation, failure to disclose information and abuse of position introduces. In all three cases, fraud involves dishonest acts with the intent of gain for the perpetrator (or another party) or of inflicting loss (or risk of loss) on another.
6. The Bribery Act 2010 introduces criminal offences of offering, promising or giving of an advantage and of requesting, agreeing to receive or accepting an advantage. These are forms of fraud and corruption.
7. All managers have a duty to familiarise themselves with the types of improprieties that might be expected to occur within their areas of responsibility and to be alert for any indications or irregularity.

### **The Trust's commitment**

8. The Board is absolutely committed to maintaining an honest, open and well-intentioned atmosphere within the Trust. It is therefore also committed to the elimination of any fraud within the Trust, and to the rigorous investigation of any such cases.
9. The Board wishes to encourage anyone having reasonable suspicions of fraud to report them. Therefore it is also the Board's policy, which will be rigorously enforced, that no employee will suffer in any way as a result of reporting reasonably held suspicions.
10. All members of staff can therefore be confident that they will not suffer in any way as a result of reporting reasonably held suspicions of fraud. For these purposes reasonably held "suspicions" shall mean any suspicions other than those, which are raised maliciously and found to be groundless. The Trust will deal with occurrences in accordance with the Public Interest Disclosure Act.

### **Review and revision of this Policy**

11. This Policy will be reviewed on a three year cycle.
12. If the Board's review of risk management or other factors require changes before the next scheduled policy review, the review will be brought forward.

# FRAUD RESPONSE PLAN

## **Purpose**

1. The purpose of this plan is to define authority levels, responsibilities for action, and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the institution to:
  - prevent further loss
  - establish and secure evidence necessary for criminal and disciplinary action
  - notify the Trust's funding body as appropriate
  - recover losses
  - punish the culprits
  - deal with requests for references for employees disciplined or prosecuted for fraud
  - review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
  - keep all personnel with a need to know suitably informed about the incident and the institution's response
  - inform the police
  - assign responsibility for investigating the incident
  - establish circumstances in which external specialists should be involved
  - establish lines of communication with the police.
2. These matters are dealt with below.

## **Initiating action**

3. Suspicion of fraud or irregularity may be captured through a number of means, including the following:
  - requirement on all staff to report fraud or irregularity to the internal auditor;
  - public interest disclosure procedure;
  - planned audit work; and
  - operation of proper procedures.
4. All actual or suspected incidents should be reported without delay to the Head of the Internal Audit Service and the Chair of the Audit Committee.
5. The Chair of the Audit Committee should determine with the Principal whether the actual or suspected incidents will be investigated by Trust staff, the Internal Auditors or other specialists.

Where there is a requirement to notify the funding body, the Trust will not commission an investigation until the Chief Executive of the funding body has been informed and agreed the most appropriate course of action.

### **Preventing further loss**

6. Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, senior management will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.
7. In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the Trust's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the Trust. Any security passes and keys to premises, offices and furniture should be returned.
8. Relevant premises and IT managers shall be required to advise on the best means of denying access to the Trust, while suspects remain suspended (for example by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, the head of IT/Networks should be instructed to withdraw without delay access permissions to the Trust's computer systems.
9. Senior management shall consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the Trust's assets. This issue will also be subsequently considered by the Audit Committee.

### **Establishing and securing evidence**

10. A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The Trust will follow disciplinary procedures against any member of staff who has committed fraud. The Trust will normally pursue the prosecution of any such individual.
11. Those investigating the actual or suspected incidents will:
  - maintain familiarity with the Trust's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation;
  - ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

## **Interviewing**

12. The interviews need to be carried out with a degree of formality with the recognition that potentially something could later become court evidence. The following minimum requirements must be adhered to:
- All interviews should be conducted in an appropriate setting
  - All interviews should be conducted in the presence of two people
  - Extreme care should be taken to avoid making allegations
  - Notes must be taken during the interview, signed statements should be obtained where possible
  - The individual may be accompanied by a Trade Union representative or work colleague of their choosing
  - Protocols of the Disciplinary Procedure should be followed

## **Notifying the funding body**

13. The Trust will comply with any requirement to inform the Trust's funding body of all <sup>1</sup>significant cases of fraud or suspected fraud or irregularity.

## **Recovery of losses**

14. Recovering losses is a major objective of any fraud investigation. The Audit Committee shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought.
15. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The Trust would normally expect to recover costs in addition to losses.

## **References for employees disciplined or prosecuted for fraud**

16. The staff handbook includes a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the personnel officer. The Director of Human Resources shall prepare any answer to a request for a reference having regard to employment law.

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<sup>1</sup> The Academies Financial Handbook states:

*The trust 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 the trust 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.*

## **Reporting to governors**

17. All actual or suspected incidents should be reported without delay to the Head of the Internal Audit Service and the Chair of the Audit Committee. The Chair of the Board should also be informed.
18. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Board and the Audit Committee.
19. On completion of a special investigation, a written report shall be submitted to the Audit Committee, Internal Audit and External Audit containing:
  - a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
  - the measures taken to prevent a recurrence
  - any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.
20. This report will normally be prepared by those who undertook the investigation.