



Truro and Penwith  
**Academy Trust**

# Financial Procedures Manual

October 2018

# Financial Procedures Manual (FPM)

## Truro and Penwith Academy Trust (TPAT)

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### Contents

1. Roles, responsibilities and financial oversight .....	1
Framework.....	1
Roles and responsibilities.....	1
Financial oversight.....	5
2. Financial planning and monitoring .....	6
Strategic plan projections .....	6
Budget .....	7
Budget monitoring .....	8
Risk management.....	9
Internal control.....	10
Nominal ledger/accounting system .....	10
Income and debtors.....	12
Purchases, payments and creditors .....	14
Payroll.....	17
Bank and cash.....	21
3. Proper and regular use of public funds .....	23
Handbook requirements .....	23
Register of interests.....	23
Payments to Trustees, Governors, employees or other related parties.....	24
Abnormal transactions and delegated authorities .....	24
Other matters.....	25
4. Annual accounts and audit .....	25
Overview of audit arrangements.....	25
Appendix A - Scheme of delegation.....	27
Table of powers and duties .....	27
Appendix B – Financial risk register .....	32
Appendix C – Controls assurance programme .....	34
Appendix D – Abbreviations.....	37

## **1. Roles, responsibilities and financial oversight**

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### **Framework**

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- 1.1** Under the Funding Agreement (FA) with the Secretary of State TPAT must comply with the principles of financial control set out in the Academies' Financial Handbook ('Handbook' or AFH), issued by the Education Funding and Skills Agency (ESFA).
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### **Roles and responsibilities**

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#### **1.2 The Governing Bodies**

As a Charitable Company, TPAT is governed by its Trustees, collectively referred to as the Board of Trustees. In addition, each school is governed by its appointed Governors, collectively referred to as the Local Governing Body (LGB).

The Board of Trustees' responsibilities include:

- Ultimate responsibility for the proper stewardship of funds, ensuring value for money and compliance with the Funding Agreement, the Articles of Association and the Academies Financial Handbook
  - Approval of the annual TPAT budget, to include all schools budgets
  - Approval of the annual financial statements and external auditors report
  - Approval of orders/contracts in excess of the levels specified at 1.5 below

#### **1.3 The Audit Committee**

The TPAT Board of Trustees has established an Audit Committee. The Audit Committee meets twice a year. The responsibilities of the Audit Committee are set out in written terms of reference, authorised by the Board of Trustees. The main responsibilities include:

- To monitor and advise the Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, including oversight of financial controls and risks at constituent academies.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- To advise the Board on the appointment, reappointment, dismissal and remuneration of the external auditor and the internal audit service.
- To advise the Board on the scope and programme of work of the external auditor and internal audit service.
- To advise the Board on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor, and management's responses to these.
- To monitor, within an agreed timescale, the implementation of agreed recommendations arising from audit reports.
- To consider and advise the Board on relevant reports by external agencies and funding bodies and where appropriate, management's response to these.
- To establish, in conjunction with management, relevant performance measures and indicators, and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

#### **1.4 Search and Governance Committee**

The TPAT Board of Trustees has established a Search and Governance Committee. The Committee meets as needed on a cycle consistent with the activities and requirements of the Trust. The responsibilities of the Committee are set out in written terms of reference, authorised by the Board of Trustees. The main responsibilities include:

- To advise on the appointment of trustees to the Board and its committees, to determine the process whereby candidates are nominated, to gather, screen, shortlist and recommend appointments.
- To advise on governance arrangements, including e.g. committee structure, taking account of policy developments and best practice.
- To consider and make recommendations to the Board of Trustees on the composition and balance of the Board and its committees and to ensure adequate succession planning.
- To consider and make recommendations to the Board of Trustees on the appointment of the Chairs and Vice-Chairs of committees.
- To undertake a regular skills audit in order to test the range of skills and experience of the Board of Trustees and to ensure that the membership offers a comprehensive range of skills, as necessary for effective governance.
- To ensure compliance with relevant regulations and other requirements determined by the DfE, Charities Commission, Companies House and other bodies.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- To regularly review the effectiveness of governance arrangements including obtaining trustees' views via a self-assessment questionnaire.
- To monitor trustees' attendance records and take action to address poor attendance as appropriate.
- To promote equality and diversity, adopt open and inclusive recruitment processes and aim to achieve a diverse range of viewpoints on the Board and committees.
- To deal with such other matters relating to membership, appointments and governance arrangements as the Board of Trustees may from time to time refer to the Committee.

#### **1.5 The Local Governing Bodies**

Each LGB chooses whether to appoint a school Finance Committee. Each Finance Committee must meet at least once a term. The responsibilities of each Finance Committee must be set out in written terms of reference, authorised by the LGB as appropriate. If there is no Finance Committee, the responsibilities remain with the LGB. The main responsibilities of the LGB include:

- Initial review and agreement of the annual school budget
- Monitoring of actual income and expenditure against the school budget
- Authorising changes to the school personnel establishment

#### **1.5 The Accounting Officer**

The TPAT Chief Executive is the Accounting Officer (AO), who takes overall responsibility for financial control. The TPAT Director of Business and Finance is the nominated Chief Financial Officer (CFO) and Financial Director (FD).

Much of the financial responsibility of the Chief Executive as AO has been delegated to the CFO/FD, but the Chief Executive retains responsibility for:

- Approving new staff appointments within the authorised establishment for TPAT
- Signing cheques in conjunction with the CFO/FD or other authorised signatory

#### **1.6 The Finance Director**

The Finance Director (FD) is TPAT' Director of Business and Finance the specific responsibilities of this role are:

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- Approval of orders/contracts with a total value of: between 3% of a school's GAG funding and the lower of 5% of a school's GAG funding or £100,000 per individual academy
- Orders/contracts above these levels will require approval of the Board of Trustees.
- management of TPAT's financial position at a strategic level, reflecting the longer term financial needs of the TPAT as determined by the Board of Trustees

#### **1.7 The Chief Financial Officer**

The CFO is TPAT' Director of Business and Finance who has direct access to the Board of Trustees, and to each school's LGB either directly or through the school's Finance Committee. The specific responsibilities of this role are:

- The preparation of monthly management accounts, including the monitoring of actual income and expenditure against budgets
- The day to day management of finance matters including the establishment and operation of a suitable accounting system
- The maintenance of effective systems of financial control
- Authorising payments and signing cheques in conjunction with other authorised signatories
- The preparation of annual accounts, if necessary with the assistance of TPAT's external auditor
- Ensuring all required forms and returns are sent to the ESFA in line with the ESFA timetable

#### **1.8 Other staff**

Other members of staff including School Business Managers, Finance Assistants, School Secretaries, Head's PA and budget holders, will have some specific financial responsibilities and these are detailed in the following sections of the manual. All staff are responsible for the security of TPAT property, for avoiding loss or damage, for ensuring economy and efficiency and for conformity with TPAT's financial procedures.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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#### **Financial oversight**

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**1.9** The following requirements of the AFH must be in place:

- Bank accounts, financial systems and financial records must be operated by more than one person
  - Measures must be in place to safeguard assets, to prevent loss or misuse
  - Full and accurate accounting records must be maintained
  - Annual accounts must be prepared
  - There must be a written scheme of delegation of financial powers so that it is clear who is responsible for what
  - The Board of Trustees must be satisfied that TPAT's finance staff are suitably qualified and/or experienced
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## **2 Financial planning and monitoring**

### **2.1** TPAT prepares financial plans as follows:

- 3 year financial plans for submission to the ESFA annually through the Budget Forecast Return (BFR) - high level projections linking anticipated income levels to resource planning taking into account the expectations for budgeting set out in the AFH
- Annual budget - detailed budget identifying revenues by source and expenditure. Budget set in accordance with principles set out in the AFH

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## **Strategic plan projections**

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### **2.2** The strategic plan projections, once established, should be updated annually when the budget for the coming year is prepared, with Year 1 being the annual budget for the next year. The strategic plan projections will run alongside TPAT's narrative plan, and must reflect the allocation of resources to achieve TPAT's longer term plans and should include:

- Income and expenditure projections
- Pupil led income based on anticipated future pupil numbers
- Other income based on documented assumptions
- Proposed use of accumulated surpluses (GAG plus unrestricted funds)
- Documented assumptions supporting expenditure
- Capital expenditure projections, based on planned capital schemes and anticipated funding sources, including accumulated surpluses and unspent capital funds
- Balance sheet projections, showing the build-up and use of accumulated surpluses, and the retention of reserves for contingencies, as appropriate.



## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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#### Budget

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- 2.3** Where there is no School Business Manager (SBM) in place, the CFO will be responsible for preparing the budgets for each school in consultation with Headteachers. If there is an SBM in place, the SBM will be responsible for preparing their school's budget in consultation with the CFO and the Headteacher. Each school's budget plan must be agreed by its Headteacher, Finance Committee and/or Governing Body (LGB), ratified by the Board of Trustees and submitted to the ESFA by 31 July as part of TPAT's overall budget submission. Schools which are new to TPAT have to submit their budget by the later of 31 July or 6 weeks from the date of their Final Funding letter from ESFA. TPAT's overall budget must be approved by the Board of Trustees prior to submission to the ESFA.
- 2.4** Any significant changes to a budget post submission to the ESFA must be agreed by the LGB and ratified by the Board of Trustees and notified to ESFA.
- 2.5** The finalised budget (or extracts from it) must be communicated to all members of staff with budgetary control responsibilities.
- 2.6** The budget must be balanced, taking into account TPAT's reserves policy; the use of accumulated surpluses to subsidise current year operations; or the planned retention of current year surpluses.
- 2.7** The budgeting process will include:
- Forecasts of likely pupil numbers and the latest estimate of GAG receivable
  - Latest estimates of other ESFA/LA funding, based on expected levels (e.g. Pupil Premium, SEN)
  - Estimates for other income, based on prior years and known variations
  - Use of accumulated surpluses (GAG plus unrestricted funds)
  - Review of past expenditure performance against budgets; identification of efficiency savings and consideration of known changes (pay increases, inflation)
  - The pay budget to be supported by a list of known and planned staff, fully costed
  - A statement of the principal assumptions, highlighting areas of vulnerability and outlining possible remedial actions should a shortfall arise if these assumptions do not hold.

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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#### Budget monitoring

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- 2.8 Monthly monitoring reports and narrative for each school must be prepared by the CFO, detailing actual income and expenditure against budget, for review by the Headteachers (monthly) and the LGB Finance Committees (each meeting).
- 2.9 Monthly management accounts to be shared with the Chair of Trustees monthly and with other trustees six times a year. The board must consider these when it meets and ensure appropriate action is being taken to maintain financial viability
- 2.10 Summary financial reports should be presented at least termly to each full LGB.
- 2.11 Budget holders must not initiate transactions on a budget which would result in a budget overspend, without prior approval of the Headteacher and, if the Headteacher is responsible for the budget heading, the CFO.
- 2.12 If a potential or actual overspend against budget (or underachievement of income) is identified (either by the budget holder or CFO), the reason for the overspend must be established and reported to the Headteacher and the Finance Committee/LGB, together with a recommendation for mitigating action.

#### Cash management

- 2.13 The CFO must prepare monthly cash flow forecasts to help ensure that the bank account is not overdrawn and TPAT abides by its contractual obligations (pays on time). The forecast should be updated monthly to reflect the actual revised opening cash balance. It should comprise a month by month rolling forecast of income and expenditure and should reflect:
  - Known opening balance
  - Known receipts from ESFA, LA and other grants
  - Estimates of pay cost including NIC and pension contributions
  - Estimates of routine non-pay expenditure
  - Known/expected non-routine expenditure
  - Receipts and payments re capital schemes
  - VAT
  - Forecast closing balances for the following twelve month ends

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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**2.14** In the event that these forecasts identify any potential cash shortfalls, the CFO must notify the AO and report to the Board of Trustees.

#### **Capital schemes**

**2.15** Capital schemes expose TPAT to substantial risks. In many cases, the expertise required to oversee such schemes will not be available from within TPAT's staff. Whenever a scheme is initiated, the Board of Trustees must decide whether to engage external specialists to manage the project on behalf of TPAT. The TPAT Estates and Facilities Manager advises and monitors Capital Schemes for the Board of Trustees. This may be in conjunction with external advisors where necessary due to complexity and size of the capital scheme.

**2.16** If external project managers are not appointed, the CFO and TPAT Estates and Facilities Manager in consultation with the Headteacher, must establish project management procedures, in writing, for approval by the Board of Trustees. These procedures must cover the following:

- Plans and planning consents
- VAT recovery
- Tender procedure, Contractor selection and contract structure
- Project timetable with milestones
- Monitoring construction progress/quality assessment
- Payment profile and cash flow management (including VAT)
- Final sign off.

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#### **Risk management**

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**2.17** The AFH requires that each school has risk management arrangements in place. The risk management plan and register must be updated annually and submitted to the Audit Committee for review.

**2.18** A contingency and business continuity plan is required for each School. The plan and register must be updated annually and submitted to the Board of Trustees for review.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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**2.19** Adequate insurance cover must be in place. This is the responsibility of the CFO/FD and is reviewed by the Board of Trustees.

#### **Risk register**

**2.20** The Audit Committee must agree the main risks that TPAT faces and assess the likelihood of occurrence and materiality of each risk. The finance risk register is attached at Appendix C

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#### **Internal control**

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##### **Segregation of duties**

**2.21** It is the responsibility of the CFO to ensure adequate segregation of duties. Annually the CFO must present a brief report to the Board of Trustees demonstrating how segregation of duties is assured. This should show, for each valuable asset category (computers, other fixed assets, stock, cash), how the custody of these assets is segregated from the accounting for them.

##### **Ensuring delegated financial authorities are respected**

**2.22** The Scheme of Delegation is included at Appendix A

##### **Fraud and theft**

**2.23** The establishment of effective segregation of duties combined with the detailed controls set out in this section are designed to minimise the risk of fraud and theft. In the event that fraud or theft of any level is identified, the Headteacher must report this to the CFO (if the CFO is not already aware), the LGB, the Audit Committee, and, if the amount involved exceeds the sum notified by the ESFA annually in the AFH, the ESFA must be notified.

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#### **Nominal ledger/accounting system**

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##### **System security**

**2.24** Entry to the accounting system is password protected and the CFO is responsible for implementing an appropriate level of system security. Only appropriate staff should be granted access, determined and authorised by the CFO. Passwords should be changed at least every 120 days.

**2.25** The CFO is responsible for ensuring that a daily back up of the system is taken.

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## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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**2.26** A list of staff with access to the system, detailing the level of access granted must be reviewed by the Finance Director annually for approval.

#### **Journal entries**

**2.27** All journal entries must be documented and the journal audit trail together with the supporting documentation should be reviewed and authorised regularly by the CFO evidenced by a signature on the audit trail. To the extent that a journal entry involves the allocation of costs against restricted funds, the CFO must be satisfied that the funds have been spent in accordance with the fund restrictions.

#### **Transaction reports**

**2.28** The CFO will obtain and review system reports on a monthly basis to ensure that only regular transactions are posted to the accounting system. Any irregular transactions should be documented and authorised. The reports obtained and reviewed will include:

- The monthly audit trail report. To the extent that a transaction involves the allocation of costs against restricted funds, the CFO must be satisfied that the funds have been spent in accordance with the fund restrictions.
- Additions/removals to master-files for payroll, purchase ledger and sales ledger.

#### **Reconciliations**

**2.29** The CFO is responsible for ensuring the following reconciliations are performed each month, and ensuring that any reconciling items are cleared:

- Sales ledger control account
- Purchase ledger control account
- Wages control account
- Suspense account
- Bank balance/s per the nominal ledger to the bank statement

**2.30** Any unusual or long outstanding reconciling items must be brought to the attention of the FD and the FD shall review all reconciliations and sign as evidence. All reconciliations should be retained.

#### **Funds**

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- 2.31** The ledger should be maintained so as to enable all revenues and costs to be allocated to the appropriate category of funds. These categories will include GAG (for the majority of costs, managed through the main budgetary control system), Pupil Premium, SEN, Specific Capital Projects, Devolved Capital, Trips, Clubs, and Unrestricted funds.
- 2.32** The CFO must ensure that there is a system in place to allocate costs against restricted funds and monitor the level of unspent amounts per school, and must report on this process to the Board of Trustees/LGB.
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### **Income and debtors**

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#### **Grant income**

- 2.33** The CFO is responsible for ensuring that all grants due to the Trust are received. The CFO should maintain a record of the total income expected and, as part of the review of monthly budget monitoring reports, establish that the correct amount of grant income has been received.

#### **Other income and debtors**

- 2.34** Sales invoices should be raised within each school by the SBM/Finance Assistant/School Secretary and can also be raised by the CFO as appropriate.

#### **Catering**

- 2.35** If the school has its own catering operation, cash/tills must be reconciled on a daily basis by the catering manager and the till reports signed as evidence of reconciliation. The totals are then to be entered onto a banking sheet. The cash is to be kept in the safe prior to weekly collection for banking. The SBM/Finance Assistant/School secretary must reconcile the catering manager's banking sheet to actual receipts banked. If an online payment system (cashless catering) is used, appropriate reconciliations will be prepared by the SBM/Finance Assistant/School Secretary on a regular basis. If an external operator provides the school's catering, responsibility for cash collection and appropriate controls rests with the external operator. However, any payments received by the school through cashless catering will need to be controlled and reconciled regularly by the SBM/Finance Assistant/School Secretary, as those amounts will need to be paid across to the external operator.

#### **School trips**

- 2.36** A lead teacher must be appointed to take responsibility for each trip, and for preparing costings and advising the amount to be collected from each student. The lead teacher must advise the SBM/Finance Assistant/School secretary if money is to be collected for the trip. 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 SBM/Finance

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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Assistant/School Secretary. This record is likely to be in spreadsheet format and held electronically on central school files which can be accessed by all relevant staff.

- 2.37** Students should make payments to the School Office/School Secretary. Payments should not be taken by class teachers. All monies collected must be recorded on the payment record of the student making the payment and on a cash collection sheet/spreadsheet.
- 2.38** The SBM/Finance Assistant/School Secretary should maintain an up to date record for each student showing the amount paid via the cash collection sheets/spreadsheets and the amount outstanding. This record should be sent to the lead teacher on a regular basis and the lead teacher is responsible for chasing the outstanding amounts.
- 2.39** Trips should be run at cost price. Any surplus which is greater than £10 per pupil should be redistributed to the parents. If the school decides to subsidise school trips, the amount of subsidy must be approved by the Headteacher in advance of the booking being made.

#### Uniforms

- 2.40** Schools normally use external suppliers to provide uniform direct to parents. If any uniform is purchased by the school for resale to parents, it should not be sold below cost price, and VAT will need to be taken into consideration for larger sizes and items not subject to zero rating. All stock should be held securely, and payments for sales of stock should all be made to the School Office/School Secretary, recorded on a cash collection sheet and banked regularly (see 2.45 below).

#### Lettings

- 2.41** Responsibility for maintaining records of bookings of the facilities and for identifying the sums due from each organisation will vary from school to school. The responsible person may be a Site Supervisor, Caretaker, School Secretary, Finance Assistant or SBM. Unless approved by the CFO, payments must be made in advance for the use of school facilities.
- 2.42** For approved credit users, details of the organisation using the facilities should be passed to the SBM/Finance Assistant/School Secretary/CFO who will establish a sales ledger account and produce a sales invoice. It is the SBM/Finance Assistant/School Secretary's responsibility to chase outstanding debts and ensure that no use is made of the facilities unless payment has been made.

#### Other sundry income

- 2.43** All income raised from other sources (e.g. educational consultancy, shared services, sponsorship, contributions) must be priced in consultation with the CFO and a sales invoice raised. No value must pass (goods, services) until the price has been agreed and the credit worthiness of the customer assessed, taking into account the materiality of the transaction involved. It is the responsibility of the CFO to approve all credit arrangements.

#### VAT

- 2.44** The CFO will prepare the quarterly VAT return. The CFO will provide VAT advice to TPAT staff.

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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#### Collection, custody, and banking

- 2.45** A reminder is sent for outstanding debts 6 weeks after the original invoice. A second reminder is to be sent after a further three weeks. Debts outstanding over 10 weeks and £200 in value are to be reported to the LGB/CFO.
- 2.46** Official pre-numbered receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the school/finance office safe prior to banking. Banking should take place at least weekly or earlier when the value of cash and cheques held exceeds £500. Monies collected must be banked **in their entirety** in the appropriate bank account. The sums collected, deposited at the bank and recorded on the accounting system should be reconciled after each banking, and these reconciliations should be reviewed and signed by the CFO to confirm accuracy.

#### Unrecoverable debts

- 2.47** Debts under £250 can be written off on the approval of the Headteacher. Debts exceeding £250 but less than £500 require the approval of the LGB. Debts above this level to the Board of Trustees. The ESFA's approval is also required if debts to be written off are above the value set out in the AFH.
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### Purchases, payments and creditors

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#### Routine purchases

- 2.48** Routine purchases within delegated budgets can be initiated by budget holders, but all orders require authorisation.

#### Ordering

- 2.49** A Purchase Order Request Sheet (PORS) must be raised by the budget holder for all proposed orders. The budget holder must check that they have the available funding within their budget. The PORS should contain details of supplier, the items, reference number, unit cost and quantity.
- 2.50** A quote price must always be obtained before any PORS is placed.
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## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- 2.51** The form must bear the signature of the budget holder and should include details of the cost centre/department code and expense/nomina code to be charged. The completed form must be authorised by the Headteacher, Deputy Headteacher, FD or the CFO.
- 2.52** Once the PORS has been authorised, a sequentially numbered Purchase Order (PO) is generated on the Resource Finance System and the order is placed. A copy of the PO and the PORS is kept in the orders placed file.

#### ***Goods received***

- 2.53** On receipt of the goods, which the budget holder must organise, the budget holder must undertake a detailed check of goods against the PO and any accompanying goods received note. Any issues should be addressed by the budget holder with the supplier and details notified to the school office/finance office, to be recorded on the PO/goods received note.
- 2.54** Budget holders (or designated representatives) must confirm receipt of the goods by signing the 'Received' box on the invoice. They should check that only goods/services received have been invoiced. This must occur within 7 days of the invoice receipt. The completed documents must then be returned to the school/finance office.

#### ***Invoices***

- 2.55** All invoices should be sent to the school/finance office. Where there has been no related order (eg, for ongoing services), the invoice will be marked as 'Non-order'. However, the Budget holder or other relevant person will still be required to sign the invoice to show that the goods or service have been received. Where there has been an order, the invoice is then matched to the completed PO and PORS and the quantity and price checked. At this point the order and the PORS must be removed from the orders placed file and attached to the invoice.
- 2.56** Any invoice that does not agree to the original order must be signed by the budget holder to confirm acceptance and annotated accordingly.
- 2.57** After the budget holder has confirmed that the invoice is correct and the 'Received' box on the invoice has been signed, the invoice will be authorised for payment by the Headteacher, Deputy Headteacher, SBM, CFO or FD by way of signature on the invoice. The invoice may then be posted onto the purchase ledger and filed in the invoices awaiting payment file. The invoice will also be scanned and filed in the appropriate electronic cabinet.
- 2.58** To the extent that the purchase involves expenditure against restricted funds, and is therefore to be coded to the relevant restricted fund nominal ledger account, the budget holder must be satisfied that the funds have been spent in accordance with the fund restrictions.
- 2.59** At each month end a list of orders > 30 days old that remain unfulfilled will be reviewed by the SBM/School Secretary/Finance Assistant and followed up with the budget holders.

#### ***Payments***

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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- 2.60** At least twice a month a list of invoices due for payment will be generated and reviewed by the CFO or TPAT Finance Assistant, along with the invoices awaiting payment (which may be reviewed physically or electronically), to determine which invoices may be paid and check that all control procedures have been properly actioned.
- 2.61** The CFO/TPAT Finance Assistant should ensure that invoices are paid to obtain any discounts offered where possible.
- 2.62** A BACS run will then be generated for payment of the invoices for which supplier bank details are held. This will be checked by the CFO/TPAT Finance Assistant for accuracy before authorisation and payment take place. Remittance advices will be sent to suppliers being paid, either electronically, or by post if an appropriate 'accounts' email address is not held. A cheque payment run will take place for payment of invoices where supplier bank details are not held.

#### Orders between £1,000 and £25,000

- 2.63** Where possible, at least 3 written quotations should be obtained for orders within this range. Evidence of the quotations received must be retained and attached to the PRF. All such orders must be authorised by the Headteacher/FD depending on individual school authorisation limits. Where 3 quotations are not possible the order must be authorised by the FD.

#### Orders over £25,000

- 2.64** All orders with a value of over £25,000, or for a series of contracts with a total value of over £25,000 must be subject to a formal tendering procedure. Tender advertising and award authorisation levels are set out in the Scheme of Delegation (Appendix A). Purchases over the prevailing financial threshold for public procurement may fall under EU procurement rules which require advertising in the official journal of the EU.

#### Tendering

- 2.65** There are three forms of tender procedure: open, restricted and negotiated:
- Open Tender - This is the preferred method. All potential suppliers are invited to tender. The budget holder together with the CFO must decide how to advertise for suppliers.
  - Restricted Tender - Suppliers are specifically invited to tender. This is appropriate where there is a need to maintain a balance between the contract value and admin costs; only specific suppliers can be expected to satisfy the requirements or where the costs of an open tender are expected to outweigh the benefits.
  - Negotiated Tender - Terms are negotiated with one or more chosen suppliers. This is appropriate where the above methods have resulted in no acceptable responses, only very few suppliers are available, extreme urgency exists or additional deliveries by an existing supplier are justified.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- 2.66** Where an invitation to tender is used this should include the project background, scope, technical requirements, implementation of the project, terms and conditions of the tender and a form of response. The invitation should also include the date and time that the completed tender document should be received by TPAT.
  - 2.67** Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be marked with the time and date of receipt and stored in a secure place prior to tender opening.
  - 2.68** Tenders received after the submission deadline should not normally be accepted.
  - 2.69** All tenders submitted should be opened at the same time in the presence of two of the following people: the CFO, the AO or the FD.
  - 2.70** A separate record of the name of each firm tendering and the value should be established and signed by both people present at the opening.
  - 2.71** The evaluation process should involve at least two people. They must disclose any interests that may impact on their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process. Those involved must not accept gifts or hospitality from potential suppliers. Full records must be kept of all criteria used for evaluation.
  - 2.72** Approval of the tenders should follow the authority levels set out in 1.5 above.
  - 2.73** ESFA approval must be obtained before acceptance where this is required by the conditions attached to a grant.
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## **Payroll**

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### **Staff appointments**

- 2.74** TPAT have delegated responsibility for the school staffing budget to the LGBs. Changes can only be made to this establishment with the express approval of the School's Finance Committee/LGB (as appropriate) who must ensure that adequate budgetary provision exists. Each LGB has authority to appoint staff within the authorised establishment except for Headteachers, whose appointment must be authorised by the Board of Trustees. All personnel changes must be notified to the School's Finance Committee/LGB and the CFO.
- 2.75** The AO has the authority to appoint directly funded TPAT staff as long as there is adequate budget to cover the related costs.
- 2.76** All staff vacancies must be advertised, internally and/or externally.

### **Payroll administration**

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## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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- 2.77** Personnel files are maintained within each school by the SBM/Head's PA/School Secretary, and these must contain signed contracts of employment for all staff. Files for directly employed TPAT staff will be maintained by TPAT HR .
- 2.78** Payroll processing is administered by Cornwall Council (the Payroll Provider) under a Service Level Agreement. All staff are paid monthly.
- 2.79** The CFO is responsible for checking that all payroll information is correctly entered onto the personnel system and any changes or amendments are supported by appropriately authorised documentation.
- 2.80** All changes to the salaries of the Headteachers must be authorised by the Board of Trustees.
- 2.81** All annual pay awards for other staff must be authorised by the Board of Trustees who will inform the LGB's of their recommendations.
- 2.82** The CFO is responsible for reviewing the payroll on a monthly basis and ensuring that the changes notified are reflected in the payroll.
- 2.83** The SBM/Finance Assistant/School Secretary must ensure that the Payroll Provider/TPAT HR has (in time for monthly processing) complete details of: absences or unpaid leave; new appointments, contract amendments; terminations; discretionary pay; overtime, casual pay or other payments (including expenses). This information must be authorised by the Headteacher/or in line with the School's Delegation level, prior to despatch to the Payroll Provider. All authorised documents must be retained within the school, and all relevant authorised documents on individual personnel files. Copies of all documents provided to the Payroll Provider will also be sent/securely emailed to the CFO/TPAT HR.

#### Payments

- 2.84** After the payroll has been processed but before payments are made, the Payroll Provider will send various reports for review/checking. The gross pay and tax code for each individual will be compared to the previous month. Starters, leavers, overtime, discretionary pay, casual pay and expenses as notified will also be checked to the reports provided. Any queries arising should be noted and emailed to the Payroll Provider, and any amendments then checked through on to the revised reports provided by the Payroll Provider. This version of the reports must be reviewed by the CFO prior to authorising the Payroll Provider to make payment.
- 2.85** After the payroll has been processed, the Payroll Provider will send summary payroll reports to the CFO. The CFO will arrange for the payroll journal to be processed and will compare the amounts to budgets and reconcile to the wages control account. From the information provided, the CFO will prepare a third party BACS payment run to pay the pension agencies, HMRC and any other third parties identified by the payroll provider's summary.
- 2.86** The monthly payroll summary should be signed by the CFO as evidence of review.

#### Expenses

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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**2.87** Travelling expenses will be paid at the rates to be agreed from time to time. All expense claims should be approved as follows:

- Headteachers – Chair of LGB
- All other staff – Headteacher or CFO
- Trustees – Finance Director

#### Staff severance payments

**2.88** The guidance on staff severance in the context of the proper use of public funds is detailed in the AFH and must be referred to in all cases where staff severance payments are being considered. All such arrangements must be authorised by the Headteacher and AO. ESFA approval must be sought in line with the AFH requirements.

#### Annual review of payroll arrangements

**2.89** On an annual basis the CFO must check that, for each member of staff, the gross pay per the payroll system agrees with the contract of employment held in the personnel file in the school.

### Fixed assets

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#### Capital schemes

**2.90** See Section 2.14 above.

#### Fixed asset register (FAR)

**2.91** All capital items purchased over the capitalisation limit of £1,000 must be entered in an asset register. This must record:

Asset description  
Asset number  
Serial number  
Date of acquisition  
Location  
Name of member of staff responsible for the asset (if appropriate)  
Asset cost

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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Expected useful economic life  
Depreciation  
Current book value

#### Asset security

- 2.92** All items included in the FAR should be permanently and visibly marked as TPAT/School property.
- 2.93** An annual check should be carried out to ensure that all assets included on each school's register exist and are unimpaired. Any differences should be investigated and, if significant, reported to the LGB.

#### Disposals

- 2.94** The guidance on asset sales in the context of the proper use of public funds is set out in the AFH, which should be referred to whenever assets are being considered for disposal.
- 2.95** Items which are to be disposed of by sale or destruction must be authorised for disposal by the School's Finance Committee/LGB for assets with original cost of less than £10,000 and by the Board of Trustees for assets with an original cost in excess of this. For all asset disposals where expected proceeds exceed £2,500, the CFO must ensure that a competitive bidding/tendering process is undertaken if the nature of the asset permits. If this cannot be achieved the method adopted to ensure value for money must be approved by the appropriate Finance Committee/LGB.

#### Loan of assets

- 2.96** If a member of staff wishes to borrow an asset for personal use this must be organised through the CFO. The CFO must keep a record of the loan and ensure the condition of the asset is checked on its return. Loans must be for short periods only to avoid potential benefit-in-kind tax consequences.

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#### Stocks

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- 2.97** Regardless of whether stocks of goods for resale (e.g. uniforms, sports equipment) are to be included within TPAT's annual balance sheet, a formal stocktake should be undertaken in each school at 31 August if stocks are held. The stocktake should record each type of item held, and the number in stock. This should then be extended to record the associated cost of each item to give a closing stock figure.

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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- 2.98** A reconciliation should then be performed to this year-end figure, adding opening stock at cost to purchases at cost and deducting sales (reduced to cost by reducing sales value by an estimate of the known mark-up on goods sold). Any significant shortages should be identified by this reconciliation.

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## Bank and cash

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### Bank accounts

- 2.99** The opening of all bank accounts must be authorised by the Board of Trustees who must set out in a memorandum the arrangements covering the operation of the accounts including any transfers and cheque signing arrangements/BACS authorisation arrangements.

### Deposits

- 2.100** Particulars of any bank deposit must be entered on a copy paying in slip, counterfoil or listed in a supporting book. The details must include the amount and a reference such as the name of the debtor, invoice number or other information regarding the deposit

### Payments and withdrawals

- 2.101** Payments are only to be made against a certified invoice, expenses claim, petty cash requisition or payroll report.
- 2.102** Payments must be authorised by two of the following current signatories:
- AO
  - CFO/FD (TPAT)
  - Truro & Penwith College Director of Admin and Finance
  - Truro & Penwith College Finance Officer
- 2.103** Authorised signatories must not sign relating to goods or services for which they have been the sole authoriser of the expenditure.

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust (TPAT)**

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- 2.104** Cheques are to be kept in a safe.

#### **Reconciliations**

- 2.105** The CFO must ensure that bank statements are received regularly and that reconciliations are performed on a monthly basis by the TPAT Finance Assistant. These should be subject to an independent monthly review by the CFO and any adjustments should be dealt with promptly.

#### **Petty Cash**

- 2.106** The petty cash held on each school site should be a maximum of £500. The SBM/Finance Assistant/School Secretary must enter all transactions into the petty cash records on a regular basis.
- 2.107** Petty cash is administered by the SBM/ Finance Assistant/School Secretary and kept in a cash box which is kept in the school safe when not in use.
- 2.108** The only deposits to petty cash should be cheques cashed for that purpose. The receipt should be recorded in the petty cash system with the date, amount and reference. All other cash received for whatever reason should be paid directly to the bank.
- 2.109** Petty cash payments are limited to £50, unless the school's Headteacher has authorised in advance a larger amount for a specific transaction.
- 2.110** Periodic and unannounced checks must be made by the CFO to ensure that the balance reconciles
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### **3 Proper and regular use of public funds**

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#### **Handbook requirements**

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- 3.1** The AFH sets out the requirements of TPAT to put in place procedures to ensure regularity and propriety in the use of public funds. To comply, TPAT must:
- Establish controls to ensure that spending has been for the purpose intended
  - Maintain a register of trustees' business interests (3.3)
  - Establish controls to ensure no payments are made to Governors or other related parties, unless permitted.
  - Ensure any related party transactions are reported in line with the AFH and prior permission sought from ESFA where they exceed the pre-set limits as set out in the AFH
  - Ensure payments made to senior employees/executive pay comply with the ESFA's requirements set out in the AFH
  - Ensure a competitive tendering policy is in place and applied
  - Assets are not disposed of without appropriate consent
- 3.2** The Accounting Officer's statement on governance, regularity, propriety and compliance must be included in TPAT's annual Financial and Governance Statements. The AO also has a responsibility to advise the Board of Trustees and the ESFA on any instances of irregularity or impropriety, or non-compliance with the terms of the Funding Agreement.
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#### **Register of interests**

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- 3.3** Trustees, Governors and staff with significant financial powers must declare any financial interest they have in organisations or individuals from which TPAT may be making purchases. The registers of these are open to public inspection. All Trustees, Governors and relevant staff will be asked to confirm on an annual basis that the register of interest is up to date and complete.
- 3.4** The registers should include all business interests, such as directorships, shareholdings and other appointments within a business or organisation which may have dealings with TPAT. The disclosures should also include business interests of relatives or business partners where influence
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## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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could be exerted. The register must also incorporate details of close family relationships between Members or Trustees, and between Members or Trustees and TPAT employees.

- 3.5** The registers of business interests do not detract from the duties of Trustees, Governors and staff to declare interests whenever they are being discussed by the Board of Trustees, LGB or other Committee. Where an interest in a matter has been declared, Trustees, Governors and staff should not attend the part of the meeting dealing with the matter.

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### Payments to Trustees, Governors, employees or other related parties

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- 3.6** Trustees, Governors and staff will avoid accepting excessive hospitality, entertainment or other services from existing or prospective suppliers. A register of hospitality and gifts received will be maintained.
- 3.7** Unless an individual has provided clear evidence of self-employed status all payments to individuals will be processed only through the payroll system.
- 3.8** Trustees and Governors will receive no remuneration for their work in this capacity other than payment of reasonable out of pocket expenses such as travel or accommodation charges incurred in connection with their duties as a Trustee or Governor.
- 3.9** Trading with connected parties ensure compliance with requirements set out within the AFH.

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### Abnormal transactions and delegated authorities

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- 3.10** The following non-routine transactions are identified in the AFH and must be disclosed in line with AFH requirements:
- Special payments – compensation (AFH 3.3.8)
  - Special payments ex-gratia AFH 3.3.11
  - Special payments – staff severance AFH 3.3.2
  - Writing off debts and losses AFH 3.4
  - Guarantees, letters of comfort and indemnities AFH 3.4
  - Acquisition or disposal of freehold of land and buildings AFH 3.5
  - Disposal of heritage assets AFH 3.5
  - Taking up or granting a leasehold on land and buildings AFH 3.6
  - Gifts or hospitality received or given

## Financial Procedures Manual (FPM)

### Truro and Penwith Academy Trust (TPAT)

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- Staff severance payments and compensation
- Asset sales, leases and tenancy agreements

**3.11** If TPAT is involved in any of the above non-routine transactions, the guidance (including prescribed delegated limits) in the AFH must be followed.

**3.12** Novel, contentious and /or repercussive transactions with related parties must always be referred to the ESFA for approval in line with the AFH

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### Other matters

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#### Fees and charges

**3.13** Fees for chargeable services should normally be set at full cost, but a higher amount may be used when in a commercial environment.

#### Borrowing

**3.14** ESFA approval is required for borrowing and certain other similar liabilities (leases, tenancies, indemnities). In the event that TPAT /LGB considers entering into any such transaction, approval of the full Board of Trustees is required prior to seeking approval from the ESFA in line with the AFH

#### Credit cards

**3.15** TPAT permits the use of credit cards, issued to nominated individuals within each school and the CFO, with purchasing categories, credit limits and individual transaction limits set at appropriate levels. The balance is repaid monthly in full, via a direct debit, to avoid any borrowing risk.

#### Managing surplus GAG

**3.16** The AFH sets out the ESFA's guidance on the use of GAG 'carry-forward' and its monitoring arrangements. This is required reading for the AO, FD, Headteachers and the CFO. There must be a clear plan, approved by the LGB, which demonstrates how the surplus funds are to be used for the benefit of the current pupils of each school. This plan must be put to the Board of Trustees and approved formally at the time of the approval of the annual report and accounts.

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## **4 Annual accounts and audit**

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### **Overview of audit arrangements**

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- 4.1** Audit requirements are set out in detail in the AFH they must be complied with and are not reproduced in this FPM.
- 4.2** External auditors must be appointed (and if necessary removed) in accordance with the guidance given in the AFH.
- 4.3** TPAT must have in place a process for independent checking of financial controls, systems, transactions and risks. To achieve this (depending on its size and complexity), TPAT must choose to have either a separate audit committee or a committee which fulfils the role of an audit committee.
- 4.4** The role of this committee is set out in the AFH. Arrangements must be put in place to deliver the controls assurance work required and may be carried out by:
- an internal audit service
  - a supplementary programme of work performed by the external auditors
  - an unpaid volunteer, usually a governor
  - a peer reviewer from another academy trust
- 4.5** TPAT must set up appropriate arrangements and the appointed body/person must follow the programme of work required is attached at Appendix C.
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## Appendix A - Scheme of delegation

Table of powers and duties

Activity	Board of Trustees	Audit Committee	Accounting Officer (AO)	Chief Financial Officer (CFO)	LGB	Headteacher	Others
<b>Planning, risk management &amp; entity level internal control</b>	<ul style="list-style-type: none"> <li>Formulate plans for the use of surplus funds (GAG and other unrestricted), including reserves policy</li> <li>Ensure insurance arrangements adequate (a)</li> <li>Approve strategic plan (a)</li> </ul>	<ul style="list-style-type: none"> <li>Review and recommend approval of risk register (a)</li> <li>Agree and monitor a programme of work to address and provide assurance</li> <li>Review School contingency &amp; business continuity plans (a)</li> <li>Review CFO confirmation of effective segregation of duties (a)</li> <li>Recommend for approval Scheme of Delegation (a)</li> </ul>	<ul style="list-style-type: none"> <li>Overall responsibility for security of assets, information and records in compliance with AFH and FA</li> <li>Sign Statement of Regularity, Propriety &amp; Compliance (a)</li> <li>Sign Governance Statement (a)</li> <li>Advise Board on the use of surplus funds (GAG and other unrestricted)</li> <li>Prepare strategic plan (a)</li> <li>Prepare Risk Register</li> </ul>	<ul style="list-style-type: none"> <li>Prepare strategic plan projections (a)</li> <li>Prepare financial risk register (a)</li> <li>Arrange insurance cover (a)</li> <li>Notify Board of Trustees of events which could affect the insurance arrangements</li> <li>Confirm effective segregation duties (a)</li> <li>Ensure FPM is up to date and staff are trained appropriately</li> </ul>	<ul style="list-style-type: none"> <li>Formulate plans for the use of surplus funds in accordance with the TPAT reserves policy</li> <li>Approve School Scheme of Delegation in accordance with TPAT Scheme of Delegation</li> <li>Agree School contingency &amp; business continuity plans (a)</li> <li>Agree school risk register and agree a programme of work to address and provide assurance</li> </ul>	<ul style="list-style-type: none"> <li>Prepare School contingency &amp; business continuity plans (a)</li> <li>Overall responsibility for security of school assets, information and records</li> <li>Advise the LGB on the use of surplus funds in accordance with the TPAT reserves policy</li> <li>Prepare school risk register</li> </ul>	
<b>Budgetary control</b>	<ul style="list-style-type: none"> <li>Approve Trust budget (a)</li> <li>Monitor budgetary control reports (t)</li> </ul>			<ul style="list-style-type: none"> <li>Prepare individual school and overall Trust budget (a)</li> <li>Prepare budgetary control reports (m)</li> <li>Monitor income, expenditure &amp; cashflow against budget (m)</li> </ul>	<ul style="list-style-type: none"> <li>Agree school budget (a)</li> <li>Consider reports from Finance Committee (em)</li> <li>Authorise all budget virements over threshold</li> </ul>	<ul style="list-style-type: none"> <li>Prepare school budget in conjunction with CFO</li> <li>Review budgetary control reports to identify any overspending risk (m)</li> </ul>	<b>Finance Director:</b> <ul style="list-style-type: none"> <li>Monitor expenditure against budget (m)</li> <li>Report any expected overspend or irregularity to Trustees</li> </ul>

Activity	Board of Trustees	Audit Committee	Accounting Officer (AO)	Chief Financial Officer (CFO)	LGB	Headteacher	Others
				<ul style="list-style-type: none"> <li>Report on budget monitoring to Board of Trustees) and LGB's (t)</li> </ul>	<ul style="list-style-type: none"> <li>Monitor budgetary control reports (t)</li> </ul>	<ul style="list-style-type: none"> <li>Authorise budget virements &gt;£10K &amp; notify Finance Committee</li> </ul>	
Nominal ledger & accounting system				<ul style="list-style-type: none"> <li>Ensure system security (a)</li> <li>Ensure internal controls are designed to operate (and are operating) in accordance with the FPM (a)</li> <li>Monitor use of restricted funds for specified purposes (m)</li> <li>Review list of staff system access authorities (a)</li> </ul>			
Income & debtors	<ul style="list-style-type: none"> <li>Authorise write off of debts in accordance with limit set in AFH</li> </ul>			<ul style="list-style-type: none"> <li>Ensure internal controls are designed to operate (and are operating) in accordance with the FPM (a)</li> <li>Check and confirm that all grant income due has been received (m)</li> <li>Raise sales invoices where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Review debtor list (t)</li> <li>Authorise write off of debts over £250 but less than £500</li> </ul>	<ul style="list-style-type: none"> <li>Authorise write off of debts under £250</li> <li>Review debtor list (m)</li> </ul>	<ul style="list-style-type: none"> <li>SBM/finance assistant /school secretary raise sales invoices and monitor debt</li> </ul>
Purchases, payments & creditors	<ul style="list-style-type: none"> <li>Maintain register of business interests</li> <li>Authorise advertising &amp;</li> </ul>		<ul style="list-style-type: none"> <li>Authorise orders &amp; contracts within limits</li> </ul>	<ul style="list-style-type: none"> <li>Ensure internal controls are designed to operate (and are operating) in</li> </ul>	<ul style="list-style-type: none"> <li>Maintain school level register of business interests</li> </ul>	<ul style="list-style-type: none"> <li>Open tenders in the presence of another authorised person</li> </ul>	<ul style="list-style-type: none"> <li>Budget holders authorise orders within limits</li> <li>Budget holders and nominated</li> </ul>

Activity	Board of Trustees	Audit Committee	Accounting Officer (AO)	Chief Financial Officer (CFO)	LGB	Headteacher	Others
	award of tenders over threshold <ul style="list-style-type: none"> <li>• Authorise acceptance of all late &amp; not most financially favourable tenders</li> </ul>			accordance with the FPM <ul style="list-style-type: none"> <li>• Open tenders in the presence of another authorised person</li> <li>• Authorise orders &amp; contracts within prescribed limits</li> <li>• Ensure there is adequate segregation of duties</li> </ul>	<ul style="list-style-type: none"> <li>• Authorise advertising &amp; award of tenders within limits</li> <li>• (Chair) Open tenders in the presence of another authorised person</li> </ul>	<ul style="list-style-type: none"> <li>• Authorise orders &amp; contracts within limits and in accordance with FPM and SODA</li> </ul>	administrators are authorised to receive and check goods <ul style="list-style-type: none"> <li>• <b>Finance Director</b> Responsibility for approval of orders/contracts with a total value of: between 3% of a school's GAG funding and the lower of 5% of a school's GAG funding or £100,000 (level 1 autonomy) or between 1.5% of a school's GAG funding and the lower of 5% of a school's GAG funding or £100,000 (level 2 autonomy). Orders/contracts above these levels will require approval of the Board of Trustees</li> </ul>
<b>Payroll</b>	<ul style="list-style-type: none"> <li>• Authorise appointment of Headteachers</li> </ul>		<ul style="list-style-type: none"> <li>• Approve staff appointments within authorised establishment</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure internal controls are designed to operate (and are operating) in accordance with the FPM</li> </ul>	<ul style="list-style-type: none"> <li>• Approve personnel establishment (a)</li> <li>• Approve staff appointments, except Headteachers,</li> </ul>	<ul style="list-style-type: none"> <li>• Approve staff appointments as delegated by LGB, within authorised establishment</li> </ul>	<b>Finance Director:</b> <ul style="list-style-type: none"> <li>• Approving the payment of salaries (with CFO) (m)</li> </ul>

Activity	Board of Trustees	Audit Committee	Accounting Officer (AO)	Chief Financial Officer (CFO)	LGB	Headteacher	Others
				<ul style="list-style-type: none"> <li>Manage the contract with the payroll service provider</li> <li>Approve the payment of salaries (with FD)</li> </ul>	within authorised establishment and budget provision (some support staff roles may be delegated to the Headteacher)		
<b>Fixed assets</b>	<ul style="list-style-type: none"> <li>For any capital schemes, approve the project management plans</li> <li>Authorise disposal of surplus assets with original purchase value &gt; £10k</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>For any capital schemes, approve the project management plans prepared by the CFO</li> </ul>	<ul style="list-style-type: none"> <li>Ensure internal controls are designed to operate (and are operating) in accordance with the FPM</li> <li>For any capital schemes, prepare detailed project management plans</li> <li>Ensure asset disposals in accordance with FPM</li> </ul>	<ul style="list-style-type: none"> <li>For any capital schemes, approve the project management plans</li> <li>Authorise disposal of surplus assets with original purchase value &lt; £10k in accordance with FPM</li> </ul>	<ul style="list-style-type: none"> <li>For any capital schemes, approve the project management plans prepared by the CFO</li> </ul>	
<b>Bank and cash</b>			<ul style="list-style-type: none"> <li>Sign cheques with one other signatory</li> </ul>	<ul style="list-style-type: none"> <li>Ensure internal controls are designed to operate (and are operating) in accordance with the FPM</li> <li>Sign cheques with one other signatory</li> </ul>			<ul style="list-style-type: none"> <li><b>Finance Director</b> can sign cheques with one other signatory</li> </ul>
<b>Accounts and audit</b>	<ul style="list-style-type: none"> <li>Approve Annual Financial and Governance Statements (a)</li> </ul>	<ul style="list-style-type: none"> <li>Appoint Internal Auditor (IA)</li> <li>Appoint External Auditors (EA)</li> <li>Receive reports from IA and EA</li> </ul>		<ul style="list-style-type: none"> <li>Prepare annual accounts (a) (with assistance from EA)</li> <li>Prepare AAR</li> </ul>			<ul style="list-style-type: none"> <li><b>Finance Director</b> Oversee the CFO in connection with accounts and audit arrangements</li> </ul>



Activity	Board of Trustees	Audit Committee	Accounting Officer (AO)	Chief Financial Officer (CFO)	LGB	Headteacher	Others
		<ul style="list-style-type: none"> <li>Review and recommend Annual Financial and Governance Statements (a )</li> </ul>		<ul style="list-style-type: none"> <li>Produce information needed by EA (a)</li> </ul>			

Key (a) = annually (em) = each meeting (t) =termly (m) = monthly

## Appendix B – Financial risk register

The register below sets out the key financial risks currently identified. The register will be reviewed by the Audit Committee annually.

TPAT – Financial Risk Register					
Risk no	Financial risk	Likelihood (high / med / low)	Significance (high / med / low)	Key controls	Assessment of control quality and comment on action needed
1.	Overspend budget, caused by weak expenditure management or poor budgeting	M	M	<ul style="list-style-type: none"> <li>Strategic plan updated and approved annually by Board of Trustees</li> <li>Annual budget and three year budgets approved by Board of Trustees</li> <li>Finance reports received by Board of Trustees and position monitored by CFO/FD</li> <li>Capital monitor reports received by Board of Trustees</li> </ul>	<p>Strong</p> <p>Good financial reports produced and monitored regularly</p> <p>Capital monitor reports produced regularly</p>
2.	Receive less income than budgeted, caused by poor budgeting	L	L		
3.	Overspend on capital schemes	L	L		
4.	Short term cash shortages	L	L	<ul style="list-style-type: none"> <li>Cashflow monitored by CFO</li> </ul>	<p>Strong</p> <p>ESFA payment profiles are beneficial to cashflow</p>
5.	Long term cash shortages – insufficient reserves	L	L	<ul style="list-style-type: none"> <li>Cash flow forecasting and management</li> </ul>	<p>Strong</p> <p>Commitments will be restricted to reserves available</p>
6.	Improper or irregular use of funds	L	L	<ul style="list-style-type: none"> <li>Termly Controls Assurance checks</li> </ul>	<p>Strong</p>

TPAT – Financial Risk Register					
Risk no	Financial risk	Likelihood (high / med / low)	Significance (high / med / low)	Key controls	Assessment of control quality and comment on action needed
7.	Errors in accounts caused by inadequately skilled or experienced finance staff	L	L	<ul style="list-style-type: none"> <li>• Scheme of delegation in place</li> <li>• Annual confirmation by CFO and Audit Committee that effective segregation of duties in place</li> <li>• Annual confirmation by CFO that bank accounts and financial records are being operated by more than one person</li> <li>• Annual confirmation by CFO that FPM is up to date</li> <li>• Expenditure authorisation procedures</li> <li>• AO/CFO confirmation of familiarity with the AFH</li> <li>• CFO/Board of Trustees monitor use of restricted funds</li> <li>• CFO checks monthly that all grant income due has been received</li> <li>• Plans are formulated by the AO for the use of surplus funds (GAG and unrestricted) and approved by Board of Trustees</li> <li>• Termly Controls Assurance checks in place and reports reviewed by Audit Committee</li> </ul>	Strong
8.	Fraudulent payments to suppliers	L	L	<ul style="list-style-type: none"> <li>• Termly Controls Assurance checks</li> </ul>	Strong
9.	Fraudulent payments to staff	L	L	<ul style="list-style-type: none"> <li>• Annual review of effectiveness of internal controls</li> <li>• Expenditure authorisation procedures</li> <li>• Monthly approval of payroll summary by CFO</li> </ul>	Strong
10	Insufficient insurance cover	L	L	<ul style="list-style-type: none"> <li>• Annual CFO/Board of Trustees review of insurance arrangements</li> </ul>	Strong

## Appendix C – Controls assurance programme

The programme below will form the basis of the programme of internal control checks performed by the appointed Controls Assurance Auditor.

Controls Assurance Programme		
Tests	Findings	Recommendations
<b>Programme of work</b> <ol style="list-style-type: none"> <li>This programme covers the following system areas: <ul style="list-style-type: none"> <li>Income</li> <li>Purchases and payments</li> <li>Payroll</li> <li>Nominal ledger and management reporting</li> </ul> </li> <li>The programme needs to be designed so that the work is spread across the year. This can be organised quarterly or termly. Unless it is specified below that a test has to be completed on each Audit visit, the tests set out need to be performed once in each financial year. This will require a work plan splitting the work between planned visits.</li> <li>Following each visit, a report must be prepared and submitted to the Audit Committee. This report can comprise the completed portion of the programme below together with any additional narrative deemed necessary by the Auditor. To assist the Audit Committee, this could include a brief summary of the FPM controls relevant to the area(s) subject to Audit review.</li> <li><b><u>Before the Controls Assurance Auditor embarks on the completion of this work, it is essential that they familiarise themselves with the procedures set out in the FPM covering the areas they are reviewing</u></b></li> </ol>		
<b>Income</b>		
<b>Grant income</b> – review the grant income accounts in the nominal ledger and check that the CFO is monitoring that income from grants in accordance with the FPM		
<b>Miscellaneous income</b> – obtain from the CFO a list of all sources of miscellaneous income (i.e. income not covered in the		

Controls Assurance Programme		
Tests	Findings	Recommendations
grants category above). On a cyclical basis select one income area (e.g. catering, lettings, uniform etc) and check that procedures have been followed in accordance with the FPM		
<b>Purchases and payments</b>		
<p><b>Supplier purchases and payments</b> – select from payments records 5 non-pay supplier payments and check that:</p> <ul style="list-style-type: none"> <li>• Approval for payment is in accordance with TPAT's financial procedures and scheme of delegation</li> <li>• The payment is supported by a valid invoice or invoices</li> <li>• The invoice(s) has been matched with a valid, authorised purchase order(s) and there is evidence that this has been checked</li> <li>• Where appropriate, there is evidence that the related goods or service has been received</li> <li>• The related purchase invoice(s) is posted to the correct nominal ledger account.</li> </ul>		
<b>Contracts</b> – <u>at each visit</u> establish from the contracts register if any contracts have been awarded in the period. If so, check that all contracts have been awarded in accordance with the FPM.		
<b>Capital Projects</b> – for all capital projects in progress or completed during the period, review project management		

Controls Assurance Programme		
Tests	Findings	Recommendations
documentation to check that procedures have been followed in accordance with the FPM		
<b>Petty cash</b> - select 5 payments from petty cash and check that procedures have been followed in accordance with the FPM		
<b>Payroll</b>		
<b>Payroll review</b> – review the final payroll print for one month to check that it has been appropriately authorised		
<b>Salaries to contracts</b> – select 5 employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct.		
<b>Payroll changes</b> – check 5 amendments to payroll to ensure appropriately authorised source documentation exists.		
<b>Staff expenses</b> – check 5 expense claims in each quarter (used for supply teachers, additional hours for staff and travel expenses) to ensure that procedures have been followed in accordance with the FPM		
<b>Nominal ledger and management reporting</b>		
<b>Bank reconciliations</b> - review 3 monthly bank reconciliations to check that the reconciliation works; that there are no old outstanding items; and that there is evidence of CFO and FD review		

Controls Assurance Programme		
Tests	Findings	Recommendations
<p><b>Other reconciliations</b> - Review for one selected month the following control account reconciliations to check that the reconciliations work; that there are no old outstanding items; and that there is evidence of CFO review:</p> <ul style="list-style-type: none"> <li>• Salaries control account</li> <li>• Payroll deductions control account</li> <li>• VAT control account</li> <li>• Purchase ledger control account</li> <li>• Sales ledger control account</li> </ul>		
<p><b>Management reporting – <u>at each visit</u></b>, check that budgetary control reports / management accounts are prepared monthly, are reviewed by the CFO and AO, and presented termly to the Board of Trustees</p>		
<p><b>Key controls checklist - <u>at each visit</u></b>, confirm that the CFO is maintaining the Key Controls Checklist and report on any key controls which have not been signed off as completed.</p>		

## **Financial Procedures Manual (FPM)**

### **Truro and Penwith Academy Trust**

## **Appendix D – Abbreviations**

AAR	Annual Accounts Return
AFH	Academies' Financial Handbook
AO	Accounting Officer
CE	Chief Executive
CFO	Chief Financial Officer
DFE	Department for Education
EA	External Auditors
ESFA	Education Funding and Skills Agency
FD	Finance Director
FPM	Financial Procedures Manual
IA	Internal Auditors
LGB	Local Governing Body
RO	Responsible Officer
SBM	School Business Manager
TPAT	Truro and Penwith Academy Trust