



# KINGSTONE ACADEMY TRUST

## APPROVED DOCUMENT

<b>Financial Regulations Policy</b>	
<b>Relevant School/s:</b>	<b>KHS and KTPS</b>
<b>Policy Officer:</b>	<b>Academy Business Manager</b>
<b>Approval:</b>	<b>Board of Trustees</b>
<b>Date of approval:</b>	<b>xxx</b>
<b>Date of Next Review:</b>	<b>June 2024</b>
<b>Review cycle:</b>	<b>Annual</b>

## Change record from July 22 to July 23

Location of change	Details of change	Reason for change
Throughout	Executive Headteacher changed to Executive Headteacher/CEO	To allow for CEO in periods of vacancy
Throughout	Academy Business Manager changed to Academy Business Manager	To reflect change in personnel
Introduction	Removal of 2022 when referencing the Academies Trust Handbook	To keep document up-to-date with the current Academies Trust Handbook
3.1.3	Removed "All invoices....to be initialled by the Academy Business Manager"	Not required. All invoices are authorised by the budget holder.
3.5 Payroll and Personnel	Removed reference to HMRC P11D dispensation.	PAYE dispensations are no longer approved by HMRC
3.6 Bank Accounts	Change from 5 to 3 bank accounts	Voluntary income accounts for both schools deemed unnecessary and now closed
Appendix 2	Reserves policy	Re-written to explain holding of high level of reserves and to increase the minimum reserves from £250k to £350k.
Appendix 3	Investment Policy	Required by the Academy Handbook

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## Section 1: About the Trust

### Introduction

The Academies Trust Handbook sets out the duties and obligations of Academy Trusts that have a funding agreement with the Secretary of State for Education.

The objective of this policy is to safeguard the proper use of the Kingstone Academy Trust's finances and resources. KAT is committed to the highest ethical standards and acts with integrity in all its business activities. The Trust receives the majority of its income from public funds, however it may also receive charitable donations and income from parents. KAT has a responsibility to ensure that income is used solely for the purposes intended and the school is committed to implementing effective measures to monitor the use of the funds and to prevent misuse of funds.

The KAT Financial Regulations Policy provides detailed information regarding the accounting procedures it follows and should be read by all staff involved with the financial systems. It ensures the school has a current, clear and precise document which is tailored to the Trust's needs and is implemented consistently. The purpose is also to ensure the Trust maintains and develops systems of financial control, which conform to requirements of propriety, good financial management and in line with the Academies Trust Handbook.

KAT annually reviews and updates its internal financial management and governance via an evaluation process, or sooner if changes occur within the year. In addition to the internal controls, KAT continues to engage with an internal auditor who performs two visits a year. During the visits, the internal auditor assesses and provides an audit provision on many areas of the work performed within KAT. The visits are followed up with reports for each visit based on their findings – these reports are shared with the Trust senior leadership team (SLT) for review and the Finance, Personnel and Audit Committee of the Board of Trustees.

The Financial Regulations Policy is aimed to provide a framework which aids financial decisions and is a clear guidance for the trustees and members of staff who are responsible for finance. Areas of guidance in this policy may be superseded by changes and updates to the Academies Trust Handbook, which should be referred to for reference.

## Section 2: Governance and Accountability

### 2.1 The Board of Trustees

Trustees acknowledge they retain overall responsibility for the administration of the Academy's finances, ensuring that the school has an effective and appropriate system of control, financial and otherwise and is compliant with the Funding Agreement and the Academies Trust Handbook. Full terms of reference are within the Terms of Reference for the Finance, Personnel and Audit Committee.

The main responsibilities of the Board of Trustees include:

- Ensuring the funding is used for the purposes intended;
- Approval of the annual budget and consider any longer term financial forecasts (three-year budget), including the school's strategic aims and objectives of the schools' improvement plans;
- Approve the recommendation to appoint the auditors annually (external and internal/responsible officer);

- Approve the annual reports and accounts;
- Approve the financial limits of delegated authority;
- Approve the staffing complement and all salary payments are made to bona fide employees within the realms of the Pay Policy and Expenses and Additional Payments Guidance;
- Ensure best value for all expenditure and challenge within the remit of delegated responsibility;
- Review the range of financial competencies of trustees and staff involved in financial management, to ensure the school is not over-reliant on one individual; and
- Approve statutory and internal school policies that are monitored and recommended by the committees.

## **2.2 Finance, Personnel and Audit Committee**

Much of the financial management and monitoring is delegated to the Finance, Personnel and Audit Committee within the detailed terms of reference. The main responsibilities of the committee include:

- Review the school's annual budget setting and propose the budget to the Board of Trustees for approval;
- Ensure the annual accounts are produced in accordance with the Academies Trust Handbook and present the final audited accounts to the Board of Trustees for approval;
- Regular monitoring of income and expenditure against budget, oversight of the management accounts at least three times per year (management accounts also shared with the accounting officer, Chair of Trustees and Chair of Finance Committee monthly);
- Ensure accurate accounts are kept of all the school's finances and financial control systems are robust to comply with the statutory requirements and best value principles;
- Approval of changes to the opening, operation, signatories and transfers of the academies bank accounts. Including the operation of the school's credit cards and payment systems for cheques/BACS;
- Ensure the school has appropriate systems in place for awarding contracts and contracts are approved as per the limits of delegated authority
- Ensure best value for all expenditure and challenge within the remit of delegated responsibility;
- Appointment of the responsible officer (internal auditor) and review reports provided, especially if any recommendations are given;
- Oversee the financial limits of delegated authority;
- Review the register of business interests to ensure accuracy;
- Oversight of audit, risk management and fraud.

## **2.3 Chief Executive Officer (CEO)**

The CEO is the Accounting Officer; the CEO has overall responsibility for the Trust, including financial activities. Much of the day-to-day financial responsibility is delegated to the Academy Business Manager but the CEO retains responsibility for:

- Ensuring regularity and propriety;
- Ensuring prudent and economic administration and finances;
- Avoiding extravagance and waste, whilst evaluating transactions for 'vfm' (value for money);
- Efficient and effective use of available resources – this will lead in particular to the formulation of the school development plan, underpinned by sound resources planning which identifies priorities and targets for ensuring students make progress and achieve

high standards, increasing teacher effectiveness and maintaining the already high school standards.

## **2.4 Academy Business Manager**

The Academy Business Manager is the Chief Financial Officer (CFO), who works in close collaboration with the CEO as the Accounting Officer and the Head of the Primary School and the Head of the High School. The Academy Business Manager is required to be in attendance at the Finance, Personnel and Audit Committee and the annual AGM for the final audited accounts feedback. The Academy Business Manager is responsible for:

- Prepare the annual budget for approval by the CEO and the Trustees.
- Develop strategic budget plans over a three to five-year period.
- Monitor the Trust's budgets and produce monthly reports for the FP&A Committee.
- To carry out an annual financial benchmarking exercise against data from other schools and report to the CEO and the Trustees.
- To produce, on a monthly basis, monitoring reports, control and payroll account reconciliations, VAT returns and VAT reconciliation reports.
- To check and sign off reports produced by the Finance Officer e.g. bank reconciliations and debtor control accounts.
- Ensure all returns to the Local Government Pension Scheme and Teachers' Pension Scheme are prepared and submitted by due dates.
- Implement the Trust's financial regulations and ensure adherence to them.
- Update financial policies for perusal and ratification by the Trustees.
- Provide all such information as is reasonably requested by key budget holders.
- Monitor the Trust's cash flow, ensuring that payments are made within agreed time limits.
- Support the Trust's Finance Team in the processing and payment for all goods and services.
- Ensure maintenance of the Fixed Asset Register and monthly depreciation of assets.
- Manage the Trust bank accounts.
- Monitor the Trust's investments and advise the FP&A Committee on investment policy.
- Prepare all financial returns for the Education & Skill Funding Agency (ESFA) and other government agencies within statutory deadlines.
- Advise the CEO and Trustees as to sources of additional income and prepare bids as appropriate.
- Maximise the efficient use of the Trust's resources and apply 'best value methodology'.
- Advise the Directors/Trustees on all relevant aspects of Company and Taxation Law.
- To prepare papers for the Annual General Meeting.
- To update Company Books, ensure directors are appointed and removed at Companies House in a timely manner and that all changes are reported to the ESFA. To ensure that the Academy Annual Return is completed by the due date.
- Produce trial balance and funds analysis at year end and work with the External Auditors to produce the Annual Report and Accounts.
- Ensure that Final Accounts and Trust Accounts Return is completed to the required deadline and ensure it is lodged with Companies House by the due date,
- To oversee any internal audit processes, act upon recommendations and report findings to the Audit Committee.
- Oversee and contribute to the Trust Risk Register in liaison with Trustees.
- Oversee maintenance of the Trust Business Continuity Management Plan
- To prepare and maintain the Financial Procedures Manual.
- Ensure that a register of the Trust's assets is maintained and that fixtures, fittings and furniture are fit for purpose.

- Tender for and maintain the Trust property, employee, vehicle and travel insurance at suitable levels.
- Liaise with the ICT provider to ensure funds are indicated for a five-year strategic ICT renewal and upgrade process.
- To ensure that the annual Land and Buildings Data collection survey is submitted to the ESFA
- To monitor and improve recycling and renewal of Trust resources
- To monitor current utilities costs and charges and seek best value.
- To evaluate current energy consumption and advise the CEO with regards to energy conservation and renewable sources and options.

## **2.5 Other Staff**

The finance office has specific responsibilities for the accurate maintenance of the Academy's finance systems, records and compliance within the Financial Regulations Policy and Procedures and the Academies Trust Handbook.

All budget holders have financial responsibility for managing their delegated budgets and ensuring best value. All purchases are overseen by the Academy Business Manager to ensure the level of appropriate authorisation as per the limits of delegated authority have been applied and the expenditure is appropriate to the school. The specific responsibilities for finance related staff are detailed briefly below:

### **Finance Officer**

- Ensuring all accounting transactions are processed in a timely manner so that accurate financial reports can be prepared;
- Raising all computerised purchase orders from requisition forms and have an oversight of all purchase orders and invoices – following the correct internal procedures and ensuring appropriate authorisation is sought. Checking the budget level and expenditure before processing;
- Inputting all invoices into the finance system, checking coding and preparing authorisation;
- Authorising invoices – checking amounts match, correct account coding applied and supplier details are up to date;
- Collating monthly payment run for two signatories to authorise;
- Responsible for the production of debtor invoices and all credit control;
- Inputting internal ledger journals as and when required;
- Reconciling the procurement card monthly, producing the information for authorisation;
- Maintaining school income, including allocating to the appropriate bank account;
- Responsible for counting and banking all cash/cheques received and logging details;
- Responsible for all petty cash administration;
- Collating overtime claims and travel expenses monthly for authorisation, in the predefined format; and
- Responsible for maintaining school fund and appropriate records, including year-end transactions.

## **2.6 ESFA data requests on finance/governance**

If requested by the ESFA, the trust must provide it with written authority, giving permission for any third party to provide it with information and documents.

## Section 3. Accounting Systems and Controls

### 3.1 Purchasing - Orders

KAT uses IRIS as its accounting package. The system has nominated users and is password protected.

#### 3.1.1 Planned expenditure – Internal Order Requisitions

No expenditure should be incurred or commitment be entered into without formal delegated authority.

All Requisitions Forms raised for day to day expenditure within agreed budget levels to be signed by the budget holder or authorised electronically by the budget holder through IRIS. When a requisition is raised, there is an automatic check against the allocated budget on the system to show whether there are adequate funds available for the order.

All requisitions are forwarded to the Finance Officer for processing as Purchase Orders. This process is overseen by the Academy Business Manager where purchase orders are above the authorisation limit of the budget holder.

Any overspends on budgets are discussed by the budget holder and the Academy Business Manager. Any changes over £1,000 to budgets across budget headings will be noted and referenced for the Finance, Personnel and Audit Committee.

The Preferred Supplier List for regular premises service/maintenance costs is collated by Acivico with whom the Academy has an SLA. The SLA is reviewed annually.

#### 3.1.2 Receipt of goods

Once items ordered have been received, the person who has raised the purchase order must ensure that items delivered correspond to details contained in the delivery note and ensure that both quality and quantity are appropriate.

Budget holders are responsible for checking all the items are correct and if there are any discrepancies to notify the Finance office.

#### 3.1.3 Invoice check and authorisation

Invoices received must be checked to purchase orders and delivery notes to ensure that invoices relate to goods ordered and delivered. Invoices should also be checked for arithmetical correctness.

Invoices must be recorded promptly in the Trust's accounting system by the Finance Officer.

### 3.2 Purchasing - Procurement Card

The overall responsibility for the procurement cards lies with the Academy Business Manager. Overdraft facilities are not permissible on these cards.

#### **The Academy holds five procurement cards with an overall limit of £25,000:**

- Kingstone High School:
  - 2 cards. £10,000 limit. Names: Academy Business Manager and Head teacher
  - 1 card £1,000 limit. Name: Current Food Technology teacher



- Kingstone & Thruxton Primary School. 2 cards. £10,000 limit. Name: Academy Business Manager and Headteacher

The day-to-day purchases and monthly reconciliation is delegated to the Finance Officer. If it is deemed necessary to obtain immediate purchasing for the CEO, or the Headteacher the Head's PA is authorised to purchase items on their behalf and retain any confirmation/invoices for the Trust's records.

All purchases made via the credit card should ensure they meet 'best value' and must only be for the purpose of school business - at no time should personal expenses be purchased via the school procurement card. Also, personal loyalty cards should not be used in conjunction with the procurement cards issued by KAT. The procurement card should only be used for purchases that require immediate payment or cannot be invoiced, due to best value only available via internet purchases and should not ultimately supersede the purchasing via PFS.

The full card balance is paid in full via a direct debit from the school's current bank account. The monthly statements are reconciled by the Finance Office and authorised by the Academy Business Manager. Statements should be checked within a week of receipt and any unknown activity should be highlighted and investigated by the card issuer.

Cards are kept within the safe when not in use. The Academy Business Manager must be notified immediately if a card is lost or stolen or is suspected of being used for fraudulent purposes. Payment cards remain the property of KAT and in the event of termination of employment, or change of circumstances, the cardholder will surrender the card.

### **3.3 Procurement Requirements / Tendering**

The Academy Trust must be able to show that public funds have been used as intended by Parliament.

The academy trust must ensure:

- spending has been for the purpose intended and there is probity in the use of public funds
- spending decisions represent value for money
- internal delegation levels exist and are applied
- a competitive tendering policy is in place and applied,
- professional advice is obtained where appropriate

Goods purchased need to prove they are compared to ensure best value; therefore, the Trust has procurement limits to ensure all purchases of a nominal value can prove to be 'value for money'.

In conjunction with the internal auditor's guidance, goods purchased up to a value of £5,000 are at the discretion of the budget holder, however knowledge from the finance team of best value suppliers can be recommended to provide favourable prices.

Also, repetitive orders from the same supplier within a financial year, may be challenged by the Finance Officer if under the £1,000 value to ensure the supplier is still providing 'vfm'.

Goods valued between £5,000 and £30,000 should obtain at least two quotes, with goods valued over £30,000 should obtain at least three quotes in writing where possible.

Sometimes depending on the item in question, three quotes may not be possible due to the market options, therefore explanations should be given of the quotes obtained and retained for audit purposes. For any related party transactions that are deemed to exceed £20,000 in an individual amount or cumulative spend, there is a need to obtain prior approval from the ESFA.

All contracts assuming to be over £50,000 will be invited to tender in accordance with specific standing orders. The Academy will require prices from three appropriate contractors and by open competition.

Contracts in excess of £100,000 for the total contract life require approval from the Finance, Personnel and Audit Committee as per the delegated authority limits. The school would also engage with an external agency to ensure the full process is handled correctly in line with legislation.

### 3.4 Financial Limits of Delegated Authority

The limits below apply to the estimated aggregated total value of any contract whether the work falls in one financial year or is an enduring multi-year contract. (two signatures from this following list needed for £5,000+)		
<b>Total</b>	<b>Requirements</b>	<b>Shortlisting</b>
Up to £5,000	Value for money	Budget Holder
£5,000 - £30,000	2 written quotes	Head of School, CEO and ABM
£30,000 +	3 written quotes	CEO and ABM
£50,000 +	Formal written specification to at least 3 candidates	CEO, Finance, Personnel and Audit Committee (any emergency situation would require email approval from the committee if unable to meet in person)
Contracts in excess of £100,000 (for the lifetime value)	3 tenders and external professional engaged.	Finance, Personnel and Audit Committee

As well as ensuring that the above have been adhered to, it is the responsibility of the CEO to ensure that Chair of Trustees, Chair or Deputy Chair of the Finance Personnel & Audit Committee are consulted in the following circumstances: -

- 1) Review of quotations obtained where estimated costs exceed £30,000.
- 2) Review of quotations when the lowest quote is not the most suitable or the pre-requisite number of quotes could not be obtained. In such circumstances the Trustees should formally authorise a waiver of the regulations, either prior to the purchase or retrospectively, if necessary.

The school will accept the lowest tender or quotation in all purchasing decisions unless.

- 1) After following the procedures there is evidence that the lowest priced supplier cannot perform to specification.

- 2) A decision has been taken to judge quality and price together before prospective suppliers have been sought.
- 3) A specialist provider is required e.g. asbestos removal would be undertaken by the contractor linked to annual service contract and current asbestos risk management.
- 4) Information is received questioning the reputation of the supplier.

Where a single supplier is successful at winning a number of different procurement contracts leading to a total in-year value exceeding £50K consideration should be given to bringing additional scrutiny to any future procurement activity involving the same supplier.

Where a formal tendering procedure is used (>£50k), all tenders must be opened at the same time, in the presence of the CEO and a member of the Finance, Personnel and Audit Committee.

A list of all suppliers of goods and services with invoices totalling in excess of £30,000 (in any one financial year) shall be reported annually to the Finance, Personnel and Audit Committee.

### **3.4.1 Leasing**

There are two types of lease:

- finance leases: these are a form of borrowing
- operating leases: these are not borrowing

The Academy Trust must obtain ESFA's prior approval for the following leasing transactions:

- taking up a finance lease on any asset for any duration from another party
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party

Other than the above, trusts do not require ESFA's approval for operating leases.

The Academy Trust must ensure any lease maintains the principles of value for money, regularity and propriety. Advice should be sought from the internal or external auditor if there is any doubt over whether a lease involves borrowing.

### **3.4.2 Severance Payments**

The Trust must get ESFA approval before making severance payments where:

- A proposed special staff severance payment is for £50,000 or more
- An exit package which includes a special severance payment is at, or above, £100,000; and/or
- The employee earns over £150,000

### **3.5 Payroll and Personnel**

The payroll is outsourced from KAT and administered by Hoople Ltd (Herefordshire Council). Hoople Ltd is responsible for producing the monthly payroll, the electronic payslips and year end P60s. The associated monthly payroll summary reports and year-end payroll costing report, which shows the gross and net variances for the audited annual accounts.

The Finance Officer is responsible for performing all the administration of payroll, with authorisation for appointments to be as per the agreed delegated responsibilities.

Every six months, the payroll provider produces a timescale to show the deadlines for the release of the pre-BACS payroll reports. Authorisation is required from the Academy where the Academy Business Manager will check each employee's salary payment to ensure salaries are correct.

Salaries are paid by direct transfer into each individual's nominated bank account, on the 28th of each month (unless the date falls on a bank holiday or a weekend, when the payment will be paid on the last working day prior to the 28th).

The pre-BACS payroll report for authorisation is submitted via the secure file transfer site Anycomms+ and an email notification is received by the Academy Business Manager confirming it is available to view. The pre-BACS report includes a gross to net variance report. This is reviewed by the Academy Business Manager to ensure that all changes are correct and that all overtime, supply and expenses have been agreed to the signed claims. Any discrepancies are referred back to Hoople Ltd for investigation. Once the pre-BACS report has been agreed (and amended if necessary) it is electronically signed by the Academy Business Manager. The report is then sent to the relevant Head teacher for approval. The Head teachers e-mail approval to the Academy Business Manager, and the Academy Business Manager then e-mails approval to Hoople Ltd.

After the monthly payroll has been authorised, the Academy Business Manager is responsible for performing the monthly journals in IRIS to allocate the expenditure and ensure the control accounts are updated, in preparation for the monthly management accounts.

#### **a) Starters/variations/leavers**

Hoople Ltd has standard documentation for the following:

- setting up new employees on the payroll (starters)
- effecting variations to pay, including overtime
- taking existing employees off the payroll (leavers)

Forms should be completed by the Finance Officer and authorised by the CEO, or, in their absence, a Head of School on a timely basis. These are then approved on the portal by the CEO or the Academy Business Manager or the relevant Head teacher. Completed forms should be sent to the relevant pay and conditions contact as directed.

#### **b) Claim Forms**

For relevant staff, submitted claim forms must be authorised by the CEO, Head of School or the Academy Business Manager before being processed and submitted to the payroll provider (Hoople Ltd) by the deadline of the third day of each month. Authorised time sheets must be submitted directly to Hoople Ltd and never handed back to the employee.

**c) Pay-related expenses**

All pay-related expenses must be processed through the payroll system. Pay-related expenses must never be paid via petty cash, or by the creditor payment system. If any doubt exists about whether an item should be processed via the payroll system, the payroll provider (Hoople Ltd) should be contacted for advice.

**d) Internal Supply teachers**

The Board of Trustees will decide, on the basis of advice from the CEO, whether supply insurance cover shall be taken out, and the extent of the cover. All claims submitted by supply teachers must be authorised (signed) by the CEO, or in their absence, the Head of School. Reimbursement claims must be submitted on a monthly basis by the Trust Finance Office. The Academy Business Manager must check on a monthly basis that correct amounts have been charged.

**e) External Supply Teachers**

All external claims by supply agencies must be checked for correct working hours and authorised by the Headteacher. Claims must be submitted within a month of the working hours and checked by the Cover Manager.

### **3.6 Bank Accounts**

KAT has 3 bank accounts:

- Kingstone Academy Trust
- Kingstone High School
- Kingstone and Thruxton Primary School

Setting up direct debits, standing orders and other payments would be under the same regulation for delegated limits of authority and processing cheques and BACS.

Signatories are currently as below – each payment or amendment requires two signatures from the list below:

- Mr Lee Butler, Head of High School
- Mrs Elissa Vigus, Head of Primary School
- Mrs Kate Bayliss, Academy Business Manager

Note: Mrs Kate Bayliss will cease to be a signatory on 14 September 2023. The Board of trustees have approved the addition of Mr Matthew Morris, Deputy Head of High School as an additional signatory.

Financial regulations prohibit schools from accessing and using overdraft facilities, this applies to all funds/accounts. If there are insufficient funds available within the accounts, the Executive Headteacher/CEO must be notified immediately. A monthly cash flow forecast is produced as part of the management accounts and therefore this issue should not occur. The school bank accounts are under an agreement where there are no bank account charges for administration and all interest accrued is paid directly into the bank account it refers to.

The school has access to all bank accounts via online banking, which requires a two-step authorisation process for payments.

The Academy Business Manager has overall responsibility and the Finance Officer has partial access rights, to allow access for checking balances for all accounts, downloading statement

files to perform fortnightly reconciling by uploading the information directly into IRIS and also for uploading BACS payment files and submitting individual payments for authorisation.

### **3.7 Income**

The majority of school income is received directly into the bank from the ESFA, DfE and other government income.

Cash and cheques are recorded via the Finance Officer into the respective accounting systems and banked regularly.

Under the school's insurance policy, the school is covered to house a maximum total of £5,000 cash on site, at any one time.

Other income is from sales of resources to pupils, lettings within school or donations. Where appropriate an invoice will be raised via the Finance office, with instructions of who to invoice and how much. Invoices are raised and recorded in IRIS. When collecting money from students for resources or trips the school's preferential collection tool is ParentPay to ensure a level of security throughout by way of cashless payments – the option to pay by cash and cheque will still remain.

#### **a) Credit income**

Where payment for goods/services provided by the Trust is made after the provision takes place, an official invoice must be raised by the Finance Office in all cases and sent to the debtor as soon as possible after the provision of the goods/service, and no later than one week after the provision.

A file of copy invoices will be maintained by the Finance Office. The review of the Aged Debtor Report, produced on IRIS each month, will highlight the need to chase any unpaid invoices.

An official receipt may be issued to the debtor and a duplicate copy of the receipt should be retained in the Finance Office.

#### **b) Cash income**

An official receipt is issued to the payer, if requested at the time the payment takes place, and a duplicate copy retained at the Trust. All payments are listed and recorded on "Reason for Payment" forms. These are checked and signed by the Finance Officer and the Academy Business Manager.

#### **c) Banking**

All income received (cash or cheque) must be banked promptly and intact. No payments may be made out of income collected. A record to evidence the banking must be kept (e.g. stamped paying-in slip).

#### **d) Charging policy**

The full Board of Trustees will set charging policies to cover:

- Facilities – Lettings policy
- School trips – Charging and Remissions policy

The policies will be reviewed annually by the Finance, Personnel and Audit Committee. Charges levied by the Academy will be in line with these policies.

**e) Donations**

Donations from any sources must be acknowledged by the issue of an official receipt to the payer. All donations must be banked promptly and intact.

Donations may be paid into the general account or the School Voluntary Fund dependent upon the wishes of the donor, which must be ascertained beforehand. Funds should be designated "restricted" if the donor has given specific instructions for their use.

**f) Official Capitation and School Voluntary Fund Income**

All income used to offset expenditure incurred on the capitation budget (e.g. lettings, photocopying, telephone calls, music tuition, sales of work) must be paid into the general account and coded to an appropriate income code within the accounting system. Monies received from any sales of Academy equipment must similarly be paid into the general account and recorded in the accounting system.

**g) Cash received from pupils**

Cash received from pupils must be recorded and handed over to the Finance Office the same day. The Finance Office records the income in the School Voluntary Funds system.

**h) Security of receipt books and tickets**

All unused receipts and tickets to be used to acknowledge receipt of income, must be held securely in the Finance Office.

### **3.8 Debt management**

The Finance Officer will perform a monthly check of the unpaid invoices and issue reminders to those who have exceeded their payment terms.

The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow this guidance.

All debts will be recorded and non-payment will be followed up by issuing reminders at the following intervals:

- i. 31-60 days from date of account - 1st reminder
- ii. 61-90 days from date of account - 2nd reminder
- iii. 91 days from date of account - Final reminder

If the debt continues to be unpaid, a final reminder is issued clearly stating legal action will be taken if the debt is not settled in full within 14 days of the reminder. If the debtor requests to pay the amount due in instalments, they must apply in writing and the school is able to apply a percentage of interest for late payment in line with the Late Payment of Commercial Debts (Interest) Act 1998. If revised payment, or instalments of the debt are approved, the revised terms of payment should not exceed 60 days from the issue date of the invoice.

The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days. After four months from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.

If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures:

- i. The CEO or the Academy Business Manager on behalf of the Trust must provide 30 days' notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in Section 83 of Academy's Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education's approval (see below).
- ii. Those debts below the value set out in the Annual Letter of Funding can then be approved and written off by the Finance and Personnel Committee and reported to the next meeting of the Board of Trustees.
- iii. Any proposed write off of debts above the value set out in the Annual Letter of Funding require the prior written consent of the Secretary of State for Education in accordance with section 82 of Academy's Funding Agreement.

To ensure sound internal control, staff who raise invoices, will not have the authority to write off debts.

The Academy will retain a Bad Debt Write-Off Summary.

### **3.9 Investments**

If the school has available funds in the bank with cash surpluses, these may be invested by the Academy Business Manager in accordance with the Investments and Reserves Policy.

All recommendations will be notified to the CEO, the Chair of Trustees and the Chair of the Finance, Personnel and Audit Committee. Investments can be made only in accordance with written authorisation of the Board of Trustees. All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

### **3.10 Petty Cash**

Day to day operation of the petty cash account is the responsibility of the Finance Officer.

All members of staff who wish to purchase items using the petty cash account must obtain prior approval from the Budget Holder.

All personal expenses are to be reclaimed as below:

- Claims are only reimbursed on production of a valid receipt, which is to be attached to an authorised petty cash voucher.
- The limit for an individual claim is £50.
- In exceptional circumstances, payments up to £100 may be made, with the express prior approval of the CEO. Such payments should be for emergencies only and should not simply result from a lack of planning.

All petty cash expenditure, and reimbursement income, must be promptly recorded in the petty cash record. Petty cash is entered into IRIS and reconciled accordingly.

Reimbursement must be claimed monthly or when one-half of the imprest advance has been used. The Academy Business Manager (or the CEO in the Academy Business Manager's absence) must certify the reimbursement claim.



Each time a reimbursement claim is submitted, the Finance Officer must complete a reconciliation ensuring that cash expended, plus cash in hand or at bank, plus stamps held, equals the amount of the advance.

### **3.11 Audit Arrangements**

The Academy is subject to an annual external audit (Academy year-end is 31st August). Final accounts are prepared at the end of the financial year by the Academy Business Manager. The accounts are audited by an auditor appointed by the trustees at the full trustees meeting usually in December each year. The auditor will not be a member of the Board of Trustees. In appointing an auditor, the Trustees will follow the instructions laid down in the Academies Trust Handbook. The retendering for auditors will take place every five years where practicable.

The Academy will also arrange an external assessment from another body to confirm they meet audit requirements (internal audit). An important aspect of the audit is the requirement for the academy to have up to date, documented and approved detailed financial procedures that are tailored to the academy's needs and implemented consistently.

#### **a) External Audit**

The appointed external auditors arrange for an audit of the Academy's systems and procedures relating to finance, personnel and statutory requirements as part of their annual audit reviews. They perform a systems audit as well as their annual audit of the Academy's year-end statutory accounts. A draft report of their findings will be provided to the CEO for consideration and review. The final report (management letter) and any action plan required will be agreed by Trustees.

#### **b) Internal Audit**

Internal Audit is undertaken by the Responsible Officer (see below)

Internal audit should review inter alia information available from the following sources:

- Monthly print outs of cost centres
- Regular reports submitted to the Finance, Personnel & Audit Committee
- Departmental development plans (particularly income and expenditure plans)
- Departmental reviews conducted by Senior Management and link Trustee

Where issues over systems and procedures emerge from the above data, it is recommended that the Academy Business Manager conduct an investigation within the area of concern, and agree an action plan with the budget holder to reduce identified risks.

#### **c) Responsible Officer**

KAT has appointed an Internal Auditor to review the financial process and controls laid down by the Board of Trustees. The findings of these will be reported back by the Internal Auditor to the Accounting Officer (CEO) initially who will then report to the Finance, Personnel and Audit Committee.

The main responsibilities of the Responsible Officer are:

- Assurance that the financial responsibilities of the Trustees are being properly discharged
- Resources are being managed in an efficient, economical and effective manner
- Ensure systems of internal financial control are maintained
- Financial considerations are fully taken into account when reaching decisions

### **3.12 Tax**

All budget holders are aware of provisions concerning VAT, tax and the construction industry scheme. They are aware that they can obtain further information on how VAT on business activities and School trips should be accounted for from the Finance Office.

Only VAT invoices are paid for transactions involving VAT. Payments are only made to service providers, contractors and subcontractors who disclose VAT registration details on their invoices, in accordance with HMRC guidelines. In the case of the reimbursement of expenses, the VAT invoice must be in the name of the Academy, and not an employee, as VAT is due to the Academy.

The School completes a monthly VAT return 126 on IRIS, which is reimbursed. This is done on the first available day after month end.

## Section 4. Budgeting Procedure

The process of formulating the school's draft budget commences around January/February each year to ensure appropriate forward planning. The school prepares the budget well in advance of the notification from the ESFA and ensures it produces a three-year budget plan for trustees to approve each June/July.

There are a number of sources the school utilises when preparing the budget, including the incoming student numbers, the school improvement plan, the proposed capital plan and the previous year's expenditure for comparison and known on-going commitments. Consideration is also given to the short term and medium to long term implications. Namely funding implications with ESFA, recruitment and retention of staff and forecast pupil numbers.

The draft budget is prepared by the Academy Business Manager and then discussed in detail with members of SLT. The first consideration is the personnel costs and the feasibility of the current staffing structure compared to the incoming pupil intake and the curricular needs with the timetabling of the classes and subjects.

The annual department budgets are prepared on a formula basis, which takes into account the number of pupils taught per period, weighted for certain ages, and by department type (meaning the degree of practical work involved or additional cost of materials required for bulky expenses items).

Once a final budget is prepared, it is presented at the Finance, Personnel and Audit Committee and then passed to the Full Board of Trustees for formal ratification. Once approved the Academy Business Manager can submit the BFR3Y to the ESFA by the end of July each year.

### 4.1 Budget holders

Budget holders are given the annual capitation allowance for the financial year and they have the total discretion to spend the funds on resources they see fit for their department or area of responsibility.

The Academy Business Manager, alongside the monthly financial reporting required for management accounts, monitors the budgets half-termly. The monthly reports are shared with the CEO and Chair of Trustees.

## Section 5. Cash Flow Management

Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows trustees, the Academy Business Manager and staff to maintain financial control by reviewing the current position and taking any remedial action necessary, budgets are not set in stone and with agreement of the Finance, Personnel and Audit Committee they can be adjusted in year to take into account in-year developments.

The aim of the budgeted cash flow is to summarise the school's profile budget to demonstrate that the expenditure profile can be afforded from the school's expected income. The reports are produced as part of the management accounts suite of reports, which is presented to the CEO and the Chair of Trustees monthly. This is in line with the nominated other monthly procedures such as debtor and creditor control and the bank reconciliation.

## Section 6. Insurance

The School has a comprehensive insurance policy via Zurich, which is renewed on the 1st September each year. Copies of public liability certificates are displayed in reception and the staffroom; all other copies are kept in the Academy Business Manager's office.

## Section 7. Assets

### 7.1 Fixed asset register

The portable and desirable assets of the school, as well as any assets of intrinsic value (e.g. antiques) will be recorded in the school's inventory.

The Academy Business Manager has overall responsibility for keeping the inventory up to date; each department head is responsible for keeping their individual department's inventory up to date by adding new items when they are received into school. All items where possible should be security marked by a suitable system e.g. bar coding, warning stickers.

Acquisitions of assets are subject to the same authorisation procedures as other purchases. The auditors' check the entries on the asset register and check the physical assets and investigate discrepancies.

All asset disposals must ensure the best possible value is obtained. Items up to a value of £1,000 may be sold or written out of the inventory on the authority of the CEO.

Over this limit, the Board of Trustees must authorise and details of the item(s) should be recorded in the minutes. Reason must be recorded in the inventory together with the Academy Business Manager's or CEO's signature, or a copy of the Trustees minuted item. An official receipt for sale income must be issued to the purchases, VAT must be charged when required. The net income (i.e. excluding VAT) from sales of surplus or redundant assets or stores purchased from the Trust budget will be credited back to the Trust budget.

For disposal of fixed assets over £20k which have been funded by the ESFA, the Academy Business Manager must consult or advise the ESFA in advance.

### 7.2 Depreciation

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful life of the asset. Assets are capitalised for all single items above £1,000. A full year's depreciation is provided for in the year the asset is acquired and nil depreciation in the year of the disposal. The standard rates of depreciation are as follows:

- Computer equipment 33% straight line (assumes 3 year life)
- Motor vehicles 25% straight line (assumes 4 year life)
- Furniture, fittings and equipment 20% straight line (assumes 5 year life)
- Buildings 2% straight line (assumes 50 years life)

Note – the above are general standard depreciation rates. Individual capitalised fixed assets may need to have specific depreciation periods set; this will need to be specifically approved by the Finance, Personnel and Audit Committee.

## Section 8. Documentation and Security

Data stored on the school network is highly confidential both in respect of pupil records which are maintained using the SIMS administration system and the school's finances. No individual should have free access to all levels of the academy's financial data enabling them to complete all elements of a financial transaction, as per the Academies Trust Handbook and segregation of duties. There is no chain where one person can be responsible for all tasks and therefore checks can be made throughout any one process to ensure compliance and transparency.

The school has an external network provision which secures all the data the school holds electronically and ensures compliance with GDPR. Finance and student data is backed up hourly.

Currently the backup facility is via the server. There are no physical 'backup tapes' that can be taken offsite.

The Business Continuity Plan will be enacted in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by trustees of the major risks to which the Academy is exposed and the systems that have been put in place to mitigate those risks.

### 8.1 Cybercrime

The Trust will:

- Have in place proportionate controls
- Take appropriate action when a cyber-security incident has occurred
- Obtain permission from the Education and Skills Funding Agency (ESFA) to pay any cyber ransom demands

## **Section 9. Board of Trustees: Business Interests and Policy decisions**

The Board of Trustees, and staff, each year complete a business interest form, to ensure we capture all interests across the board whether they are pecuniary or non-pecuniary. Examples of such improper influence might be:

- To purchase goods or materials from a company in which a Trustee/senior member of staff has a financial interest without going through the correct procedures, re. obtaining competitive prices;
- Promoting a member of staff who has a close personal relationship (spouse, partner, son, daughter etc.) with a Trustee/senior member of staff, without going through correct procedures for recruitment and selection.

There is not a definitive list of interests that should be recorded, but the following is provided for some guidance:

- Having a financial, or other, interest in an organisation which could feasibly be in a position to supply goods/services to the school;
- Having a close personal relationship with a person in the above categories;
- Being in a position to potentially influence decisions made about the school; and
- Having a close personal relationship with a trustees or member of staff.

Bribery is a criminal offence and the Bribery Act 2010 introduces a clearer regime for tackling bribery. A definition is – inducement for an action that is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages.

The Academy has a Gifts and Hospitality Policy, which details the schools' position with regard to the acceptance of cash, gifts or other inducements. All gifts with a value of over £20 received by, or given to, any member of staff, governors, supplier or contractor must be disclosed to the Academy Business Manager who will record these on the 'gift register'. The register kept is also an annual standing item on the Finance, Personnel and Audit Committee's agenda to review and document as per audit guidelines.

The board as part of self-evaluation complete a competencies matrix, which is to objectively identify which members of the board have a responsibility for areas of financial management and identify what skills and knowledge base they have. This is to ensure that collectively they have the skills in all the required elements of the financial standard in order to understand and question the financial information presented to the committee for their approval.

### **9.1 Responsibilities**

The Board of Trustees has a duty to ensure that adequate financial controls and procedures are in place within the school, to reduce the ability of any individual or group of individuals within the school to commit fraud.

The trustees as part of the Finance, Personnel and Audit Committee have a responsibility to discuss fraud as part of the committee's responsibilities.

In recruitment for posts with financial responsibility, references should cover a reasonable continuous period, of a least three working years and any gaps should be explained. Under safer recruitment, all posts within the academy require a DBS and employment offers are subject to satisfactory references, which should cover character, in addition to academic and other achievements, with an official employer's reference from their current/most recent post.

# **Appendix 1. Anti – Fraud Policy**

## **1. Introduction**

Kingstone Academy Trust (the Trust) requires staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Fraud is an ever-present threat to those resources and therefore must be a key priority for staff to be aware of. The Trust will not accept any level of fraud or corruption; consequently, any concerns or suspicions of such issues existing will be thoroughly investigated and dealt with appropriately and any resultant action likely to be considered under the category of gross misconduct and referred to the police.

The purpose of this document is to set out the Trust's responsibilities regarding the prevention of fraud and the procedures to be followed where a fraud is discovered or suspected. This policy supplements the Trust's policies on Whistleblowing, Disciplinary Procedures, Fraud Response Plan (see section 6 of this document) and its Financial Regulations Policy and, as such, these should be read in conjunction with the Anti-Fraud Policy.

The Education Skills and Funding Agency (ESFA) also adopts a serious approach to such matters; the Academies Financial Handbook 2022 states that the ESFA will not tolerate fraud. Academy trusts must be aware of the risk of fraud, theft and/or irregularity occurring and address this in their internal control and assurance arrangements by putting in place proportionate controls. Trusts must take appropriate action where fraud, theft and/or irregularity is suspected or identified.

The Trust must notify ESFA if any instances of fraud, theft and/or irregularity 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.

## **2. Fraud, Corruption and Other Irregularity**

The Fraud Act 2006 came into force on the 15th January 2007, and fraud has been given a legal definition. The act introduces provision for a general offence of fraud, which is broken into three sections:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

### **Fraud by false representation**

This occurs where a representation is made dishonestly, and is made with the intention of making a gain or causing a loss or risk of loss to another. A representation is defined as false if it is untrue or misleading and the person making it knows that it is, or might be, untrue or misleading. Representation can be stated by words or communication by conduct i.e. written, spoken or by electronic means.

### **Fraud by failing to disclose information**

Fraud by failing to disclose information details that a fraud will have been committed, if a person fails to declare information which he/she has a legal duty to disclose. The person therefore acts dishonestly and intends to make a gain for himself/herself, whilst causing a loss to another or expose another to the risk of a loss.



### **Fraud by abuse of position**

Fraud by abuse of position occurs where a person who is in a privileged position, acts dishonestly by abusing the position held; and by doing so, fails to disclose to another person, information which he/she is legally required to disclose. The dishonest act will have occurred with the intention of making a gain for himself/herself or another. Alternatively, it may be with the intention of causing a loss or risk of loss to another. The offence may be committed by omitting to make a declaration as well as by an act.

The introduction of the Fraud Act 2006, does not prevent the prosecution of offences under the various Theft Acts and Forgery and Counterfeiting Act, e.g. theft, counterfeiting and falsification of documents.

### **Corruption**

Corruption is a specific type of fraud and involves:-

“The offering, giving, soliciting or acceptance of any inducement or reward which may influence the action of any person”

Corruption involves two or more people. Corruption does not always result in a loss, indeed the corrupt person may not benefit directly from their deeds.

### **Irregularity**

An irregularity may be any significant matter or issue, other than fraud or corruption, which is so defined and prescribed by the Trust as to fall within the general principles of this Policy and which may warrant consideration or investigation under the related Fraud Response Plan.

For example, an irregularity may be where a member of staff makes a genuine error or mistake in the course of their duties/responsibilities, but where this error or mistake is subsequently hidden from the Trust, perhaps to the on-going detriment to the Trust. Additionally, an irregularity may also involve consideration of the possible inappropriate use of Trust funds or assets, but which may not technically constitute fraud or corruption.

## **3. The Trust's Responsibilities**

Overall responsibility for dealing with fraud and corruption rests with the CEO (The Academy's Accounting Officer).

- As the Academy's Accounting Officer, the responsibilities of this post include;
- Establishing and maintaining a sound system of internal control to prevent fraud
- Establishing effective financial regulations, policies and procedures
- Establishing appropriate mechanisms for reporting fraud risk issues including reporting to the Chair of the Finance, Personnel and Audit Committee (F, P & A), the Academy's Responsible Officer, the Trustees and ESFA where appropriate.
- Ensuring that rigorous and prompt investigations are carried out
- Taking appropriate legal and/or disciplinary action where fraud is proven
- Ensuring that appropriate action to recover assets is taken and to minimise loss

Trustees and staff in positions of financial responsibility and authorisation are required to provide the Academy Business Manager with information concerning their direct or indirect pecuniary interest, and those of close family members, via the annual Declaration of Interest Form and to keep that information up to date.

## 4. Line Management Responsibility

**Line managers** are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility and that those controls are effective. The responsibility for the prevention and detection of fraud therefore, rests primarily with the managers. There is a need for all managers to assess the types of risk that their individual department is exposed to; to review and test those control systems regularly; to ensure that controls are being complied with; and to satisfy themselves that their systems continue to operate effectively.

**Line managers** must be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

**The Responsible Officer** is a valuable resource for advice and assistance on control issues. They are responsible for providing an opinion to the Heads of School, the Accounting Officer, the Chair of the F, P & A committee and to Trustees on the adequacy of arrangements for managing the risk of fraud and assisting in the deterrence and prevention of fraud by examining and evaluating the effectiveness of controls. In terms of establishing and maintaining effective controls it is generally desirable that:

- a) There is a separation of duties so that control of key functions does not rest with one staff member, and
- b) When new systems are being designed, safeguards against fraud are considered at an early stage and tested throughout implementation.

## 5. Staff Responsibilities

It is the responsibility of **all members of staff within the Trust** to ensure that public funds controlled by the Trust are safeguarded against fraud.

Staff must alert their line manager if they believe an opportunity for fraud exists because of poor procedures or controls. Staff must report any suspicion of fraud immediately to their line manager (or other person in authority where appropriate) who should record this and report it to the Head of School, or, in the event that the allegations of malpractice are to be made against the Head of School, to the Executive Headteacher/CEO and/or Chair of the F, P & A.

Staff are required to cooperate fully with any internal checks, reviews or fraud investigations and to comply with relevant policies and procedures. Failure to comply may result in disciplinary action.

All employees have the right to "blow the whistle" on what they perceive to be a cause of serious concern or malpractice. All staff should familiarise themselves with the Academy's Whistleblowing' policy and in particular the protection afforded them under the Public Disclosure Act 1998. The Trust assures all staff that they will not suffer in any way as a result of reporting reasonably held suspicions.

The Trust subscribes to the seven principles of public life set out in the Nolan Committee's first report, **Standard in Public Life**

## **The Seven Principles of Public Life**

**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 might 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 the decisions and 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 should promote and support these principles by leadership and example.

## **6. Fraud Response Plan**

The Trust would follow the Academy's Disciplinary Procedure and potentially involve, where necessary and appropriate the:

- a) Trustees
- b) Academy's external auditors and/or legal representatives
- c) Police
- d) ESFA contact

## **7. Creating an Anti-Fraud Culture**

The creation of an anti-fraud culture underpins all other work to counter fraud. Staff within the Trust must understand the risk to fraud faced by the organisation; that fraud is serious and that it diverts valuable resources from its intended objective.

The Trust recognises the importance of training in the delivery of high quality services and the Trust supports the concept of fraud awareness training for key staff involved with internal control systems, where this is deemed appropriate.

## **8. Detection and Investigation**

Where a fraud is detected or suspected, initial responsibility for investigating the matter rests with the Heads of School who have been nominated as the Trust's Investigating Officers. In their absence, or if a Head of School is in any way alleged to be involved in the fraud, responsibility for investigating the matter rests with the CEO and/or Chair of the F,P & A.

The Investigating Officer does not have authority to determine the process for undertaking the investigation independently of the CEO. The external auditor and/or legal representatives will be able to offer specialist advice and should be consulted at the first opportunity. If it is established that a fraud may have occurred then a comprehensive investigation must be carried out by an experienced fraud specialist or referred to the police.

It is essential that all material that may be of evidential value must be recovered and preserved for further investigation if required. Additionally, the Trust must consider whether to suspend any individual, under the Trust's Disciplinary Procedures, who is the subject of the investigation.

Suspension is a neutral act; it may be necessary to safeguard further evidence that may be used to prove or disprove the allegation. Suspension is with pay where there is no acceptable alternative e.g. removal from normal duties, imposition of restrictions to avoid future risk.

## **9. Sanction & Redress**

The Trust's Disciplinary Procedures provides for offences such as fraud, theft and deliberate falsification of Trust registers, reports, accounts, expense claims and self-certification forms to be regarded as gross misconduct which would be likely to result in dismissal.

The Trust will take disciplinary action in all cases where it is considered appropriate. In cases where fraud is proven the Trust will notify the police of the outcome.

The Trust will co-operate fully with the investigating body and will always seek to recover funds lost through fraud. It may be necessary for the Trust to initiate a civil action against the fraudsters.

If, during the course of the investigation any failure of supervision is identified, The Academy must consider whether disciplinary action is appropriate for those involved.

## **10. Learning from the Experience**

Where fraud has occurred it is vital that Trustees and management recognise the need to examine systems and procedures and make necessary changes to ensure that similar frauds will not occur. In addition to an internal control and scrutiny review, advice would be sought from outside bodies, e.g. auditors, ESFA, peers in other academies, to assist in the implementation of changes to systems and procedures.

## **11. Conclusion**

Whilst the circumstances of fraud will undoubtedly vary it is important that each individual case is subjected to the same rigorous process of investigation and redress. The Trust views fraud very seriously and will not hesitate to take the appropriate action in each and every case.

## **12. Review of Fraud Policy**

The Fraud Policy will be reviewed at least every three years.

## Appendix 2: KAT RESERVES POLICY

1. Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk generated by, for example;
  - income reduction due to Government funding changes
  - unexpected falls in student numbers
  - cash flow issues due to delays in receipt of funding
  - emergencies
2. In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the Trust wishes to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.
3. Trustees will monitor levels of reserves in financial reports provided by the Trust Academy Business Manager and in the annual financial statement prepared by the Auditor. Trustees will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high quality provision. In deciding the level of reserves Trustees will take into account the following:
  - one month salary bill.
  - the Trust's annual budget.
  - the need for any large project spends such as facilities development or building condition needs.
  - any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the Trust funding and its expiry date.
  - anticipated funding over the next three to five years.
4. For the year 23/24 the following have been considered:
  - One month's budgeted salary bill amounts to £352,000
  - One month's budgeted expenditure amounts to £465,000
  - A minimum reserve is set at £350,000
5. The ESFA set an upper reserve limit of 20% of total income which amounts to £1,126,000 based on the 23/24 budget. Explanations need to be provided to the ESFA for reserves held above this level. The carried forward reserves at the end of 23/24 are forecast to be in the region of £1,180,348. The trust is expecting to carry higher reserves than the 20% ESFA recommended amount for the following reasons:
6. Following on from the completion of an IT strategy, the High School is in urgent need of IT improvements requiring an investment of at least £200,000.
7. The High School is planning to return to a 120 annual intake. The fall in Gag income is expected to be in the region of £324,000. Holding high reserves in 23/24 and 24/25 will enable the trust to manage the decline in numbers.

## Appendix 3: KAT Investment Policy

### 1. Aims

This policy aims to ensure that:

- The academy trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the Academy Trust Handbook
- The trust's funds are used in a way that commands broad public support
- Value for money (economy, efficiency and effectiveness) is achieved
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors.

### 2. Legislation and guidance

The Academy Trust Handbook states that academy trusts are required to have an investment policy to:

- Manage and track their financial exposure
- Ensure value for money

This policy is based on the Academy Trust Handbook and guidance from The Charity Commission.

### 3. Roles and responsibilities

Academy trustees will ensure that investment risk is properly managed. When considering whether to make an investment, trustees will:

#### 3.1. Academy trustees

Academy trustees will ensure that investment risk is properly managed. When considering whether to make an investment, trustees will:

- Act within their powers to invest as set out in our articles of association
- Exercise caution in all investments, reducing risk and ensuring that the trust acts with the utmost integrity
- Take investment advice from a professional adviser, as appropriate
- Ensure that exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- Ensure that all investment decisions are in the best interests of the trust and command broad public support

Trustees will seek prior approval from the Education and Skills Funding Agency (ESFA) for investment transactions that are novel, contentious or repercussive.

**Novel transactions** are those of which the academy 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, the public, and the media.

**Repercussive transactions** are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

### **3.2. Finance, Pay and Audit committee**

Academy trustees delegate responsibility for the trust's investments to the finance, pay and audit committee.

The committee is responsible for:

- Controlling and tracking financial exposure
- Reviewing the trust's investments
- Reporting to trustees on investments

### **4. Investment principles**

The Kingstone Academy Trust only invest in funds in low risk accounts including instant access deposit variable interest accounts, fixed interest accounts and fixed term deposit accounts. Funds will only be placed with banking institutions that are regulated by the Financial Conduct Authority and with good credit ratings.

### **5. Procedures**

The Academy Business Manager will review interest rates and compare them with other investment opportunities annually.

Cash flow and current account balances will be monitored regularly by the Academy Business Manager to ensure immediate financial commitments can be met and that the current accounts have adequate balances to meet forthcoming commitments.

When there are funds surplus to immediate cash requirements in the current account, they will be transferred to a higher interest instant access deposit account.

Where, after considering any significant known future spend there is a surplus in the instant access deposit account higher than the minimum reserve requirement (for 23/24 this is set at £350,000), the Academy Business Manager should consider investing the excess in a higher interest-bearing fixed term deposit account. Investments will normally be for a fixed term that does not exceed 1 year, unless there is a clear rationale for longer-term investment that would benefit the trust.

Authorisation from at least two members of the Finance, Pay and Audit committee must be sought for any fixed term deposit. Authorisation can be provided during a committee meeting or by e-mail. The following information must be recorded about the investment:

- Date
- Amount and description of the investment
- Length of the investment
- Interest rates/expected return

### **6. Monitoring arrangements**

The Academy Business Manager monitors the implementation of this policy. Details of investments will be included in the notes to the cashflow forecast in the monthly management accounts.