

Annex B – Setting Up Financial and Governance Arrangements

We have put together a list of the main financial and governance arrangements that academies need to have in place, including highlighting the new requirements for academies. It may be that you have already set up many of these systems and processes, but this is an ideal opportunity to review all your school-based policies and to check their continuing suitability. The list below is intended to support your smooth start up and offers a helpful checklist but is not a substitute for published documents such as the Academies Financial Handbook, the Governors' Handbook and the Academies Accounts Direction which are available on the <https://www.gov.uk/schools-colleges/schools-types>.

As a new academy you will need to complete a Financial Management and Governance Self-Assessment (FMGS) within four months of opening, unless you agree an alternative with the ESFA. Feedback from academies that have completed the FMGS return shows that it is a very useful tool for new academies when setting up their financial management and governance arrangements, and provides helpful assurance to the board of trustees that arrangements meet the mandatory requirements. It will also help you create an action plan to address any areas of non-compliance identified.

ESFA's wall planner will help academy trusts plan for some of the requirements which are set out in more detail below.

1. Understanding the framework

- Be familiar with the statutory and regulatory basis of academy trusts. They are charitable companies and therefore must operate for public benefit rather than for the benefit of the people running them. They are also public sector bodies, and must apply high standards of accountability and transparency in the manner that Parliament expects. Much of this is set out in the Academies Financial Handbook (AFH).
- The Secretary of State is the Principal Regulator of Academy Trusts, Voluntary Aided Schools, Foundation Schools and Sixth Form Colleges. This duty requires him to promote and monitor the compliance of Academy Trustees with Charitable and Company Law and removed the requirement for them to register directly with the Charity Commission. There are some changes to an Academy's Memorandum and Articles that can only be agreed by the Commission. These are the amendments regulated by S198 of the Charities Act 2011. The Commission provides a significant amount of guidance on how Trustees should carry out their responsibilities on its website.
- Ensure that your governors know they are charity trustees **and** company directors and that they understand the responsibilities that this conveys. Again, the AFH, and also the Charity Commission's publication CC3: The Essential Trustee, provides information about this.
- It is important that you read both your **funding agreement** and the AFH thoroughly and review them regularly to ensure your academy remains compliant with all the terms of them. Non-compliance can happen simply because you fail or forget to do something which you are required to do, for example not getting approval to enter into a leasehold.

2. Reviewing your governance position

- Review your governance arrangements so that you are confident you have in place the skilled people, structures and delegated authorities you need to govern your academy effectively and ensure high standards of financial probity. It is particularly important that trusts, in their first year, review and improve their governance arrangements; you will need to set out in your first governance statement after conversion what you have done to review and develop your governance structure and the composition of the board of trustees.

- Establish a register of trustees' business interests so that any conflicts of interest can be identified and managed. Trustees should provide annual declarations of interest, as well as providing information on any changes which occur during the year. You will also need to ensure that future procurement contracts meet the Department's rules in relation to related party transactions and 'not for profit'. Further information can be found in the AFH.

3. Establishing roles

- You will need to appoint an **accounting officer**. This person is different to the school's bursar. In a single academy trust the accounting officer will normally be the head teacher. In a multi-academy trust it will normally be the chief executive or executive head teacher. The accounting officer is personally responsible for ensuring regularity, propriety and value for money in the use of the trust's funds. The role and responsibilities of academy accounting officers are set out in some detail in the AFH.
- Ensure that your **chief financial officer (CFO)** is suitably qualified or experienced to discharge the finance role required within the trust. It is not necessary for the CFO to perform the full range of financial duties personally - for example the CFO can be supported by an accountant to prepare your annual accounts; however, you should assess capacity against the requirements in the AFH and ensure that the right mix of qualifications and experience is available.

4. Developing controls

- Establish a scheme of financial delegations and have it approved by the board of trustees. This will also ensure the trust remains within its delegated authority limits set out in the AFH.
- As best practice put in place a financial procedures manual and have it approved by the board of trustees.
- Establish robust financial internal control arrangements (for example to cover segregation of duties; use of authorised signatories for ordering and payments; matching orders to invoices; monitoring and reconciliation of budgets and timely completion of VAT returns).
- Put in place a competitive tendering policy to ensure that all goods and services are procured by means of free and open competition.
- Set up a payroll system that includes adequate checks and controls to ensure the accuracy of data and that all statutory and contractual deductions are made.
- Set up and maintain a fixed assets register.

5. Handling money

- Set an annual budget, have it approved by the trustees and submit a copy to the ESFA in the form specified.
- Ensure that you can produce regular, reliable and accurate financial management information, based on accruals accounting principles, to inform your monitoring of the financial health of the academy and decisions.
- Reconcile all your bank accounts on a monthly basis as a minimum.
- Ensure correct accounting and monitoring of any restricted and unrestricted funds. For example, restricted funds should be used only for the purpose intended.
- Consider the need for a strategy for investing surplus cash that also ensures access to cash

when required.

6. Being transparent

- Do the work necessary to enable you to prepare and produce annual accounts and have them audited:
 - Appoint external auditors as soon as possible after opening to ensure you have access to the necessary financial advice on the production and audit of accounts.
 - Ensure your accounting period ends on 31 August, unless DfE has specified in writing that another date can be used, and ensure it is recorded as this date at Companies House.
 - In conjunction with your auditor review the Academies Accounts Direction and ensure you know when you need to start preparing the trust's first set of accounts.
 - Bear in mind that your accounts will need to be sent to the ESFA by 31 December and must be published on your website.
- From September 2012, *Schedule 4 of the School Information (England) (Amendment) Regulations 2012* requires all schools (including academies), to publish additional information online. This includes the schools: name, address, named contact for enquiries, admission arrangements, academic performance and how its Pupil Premium funding has been spent.
- Ensure you have a complaints procedure which is compliant with Part 7 of *The Education (Independent School Standards) Regulations 2010*. This factsheet can help you put in place a compliant procedure.
- You should also have a whistle blowing policy.
- You should tell the Information Commissioner's Office (ICO) in writing that the academy is opening and will now be responsible for processing personal and pupil data (*failure to do so is a criminal offence*).

7. Thinking about risks

- Ensure that the academy trust has in place an adequate risk management process to monitor and manage risks including financial risks.
- Establish an audit committee or, if permitted under the AFH, ensure that one of the academy's other committees (for example the finance committee) adopts terms of reference which will permit it to fulfil the responsibilities of an audit committee.
- Ensure that your audit committee (or other committee, as above) puts in place a process for independent checking of financial controls, systems, transactions and risks - for example the appointment of an internal auditor or equivalent, as described in the AFH.
- Make sure that you have adequate insurance cover in place before the academy opens or have opted into the Department's Risk Protection Arrangements.
 - If you don't already have a business continuity plan you will need to put one in place and have it approved by your board of trustees.

8. Other

- On opening please complete the online contacts form confirming to the ESFA the key people to contact in your academy.

- Remember that as an academy you will still need to comply with the School Admissions Code and School Admission Appeals Code.