

FRAMEWORK OF FINANCIAL DELEGATION FOR GOVERNING BODIES AND SCHOOL STAFF

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Framework of Financial Delegation for Governing Bodies and School Staff

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All of the above templates can be accessed by clicking on the following link:
<http://www.birminghameducationsupportservices.co.uk/Services/3644>

Framework of Financial Delegation for Governing Bodies and School Staff

1 Purpose

- 1.1 The purpose of this guidance note is to assist governing bodies to devise a clear and workable framework of financial delegation through a committee structure, with responsibility for day-to-day management delegated to the Head Teacher.
- 1.2 There is separate guidance, available from key contacts listed at the front of this chapter, on the roles and responsibilities of the committees of the Governing Body

2 Organisation of responsibility and accountability

- 2.1 Through its Fair Funding Scheme of Delegation, the Local Authority delegates the responsibility for managing the school's budget to governing bodies. It is important for governing bodies to consider the management of finance by setting a framework that ensures accountability and by defining responsibilities. Responsibilities of the Governing Body, its committees, the Head Teacher and other school staff should be clearly defined in writing.

In the context of financial management good leadership is about ensuring and demonstrating that resources are used efficiently and effectively. A school that is well managed financially will not only use its resources properly but will be seen by others to do so.

If a school is to be seen by others as well run, it must be willing and able to show how it has used its financial resources and be able to respond honestly to questions about its financial probity. A school's financial management practices should be open, transparent and have integrity, and these are seen to be the key underpinning principles of good corporate governance.

- 2.2 The Governing Body should:

- plan and conduct its affairs to remain solvent;
- establish proper financial management arrangements, accounting procedures and maintain a sound system of internal controls;
- approve a Statement of Internal Control, on an annual basis, confirming that resources have been properly managed.
- ensure that funding from the Local Authority and any other sources is used in accordance with any relevant conditions
- provide such information as the Local Authority may reasonably require to satisfy the Local Authority that financial management and organisation of the Governing Body is such as to enable it to fulfil the obligations specified for it;

- formally approve the annual Budget Plan or delegate the responsibility for this area of work to the Finance Committee
- Work towards compliance with and achievement of the Schools Financial Value Standard. See '**Schools Financial Value Standard**' chapter

See Appendix D Guide to the Statement of Internal Control

2.3 The Finance Committee is non-statutory and, as such, the governors are able to determine their individual requirements and to delegate the financial responsibilities of the governing body to one or more committees. In schools where a Finance Committee has been set up the Governing Body will define the Terms of Reference for the committee and the extent of its delegated authority. Finance Committee reports and minutes must be presented to the full governing body. Terms of Reference for the Finance Committee would normally include:

- Recommendation or approval of the annual Budget Plan, including delegation of budget responsibilities to the Head Teacher and other school staff, (note: if the formal approval of the Budget Plan has been delegated by the full Governing Body to the Finance Committee this must be reflected in the Committee's Terms of Reference)
- regular monitoring of actual expenditure and income against the budget, including any revisions, approved by governors;
- awarding of contracts up to a specified limit;
- reviewing of reports by Internal Audit as to the effectiveness of financial monitoring procedures and controls and ensuring implementation of audit recommendations.

See Appendix B Template for the Terms of Reference for the Finance Committee

2.4 The Head Teacher has overall executive responsibility for all of the school's activities on a day to day basis, including financial management. The Head Teacher should ensure that the Governing Body is provided with financial information and advice, that proper and adequate financial systems and controls are in place and that accounts are prepared and maintained as required by the Governing Body and the Local Authority. Broadly the Head Teacher will have responsibility for management of:

- the school's financial position at a strategic and operational level;
- effective systems of internal control;
- other financial issues.

2.5 In practice, the Head Teacher will often delegate much of the day to day financial management of the school to the School Business Manager (if one is in post), whilst retaining overall responsibility. Other members of staff in a school may also have responsibility for finance. This could include Deputy Head Teachers, Assistant Head Teachers and other members of the school

staff and/or a financial support service bought from the Local Authority or external provider. They will be responsible to the Head Teacher for day-to-day management of specific functions and/or budget areas.

- 2.6 The Local Authority's Internal Audit Team will undertake a review of financial systems and controls at individual schools on a rolling 3-year basis or on a risk assessment basis. Governing bodies may also commission an audit review of systems and controls to provide assurance and act as a mechanism for self-improvement. Such an audit may be appropriate at a time of change in key personnel e.g. Head Teacher or School Business Manager/Bursar.
- 2.7 Governing bodies should be able to provide evidence of:
- the roles and responsibilities of the Governing Body, its committees, the Head Teacher and other staff, all of which should be defined in writing;
 - the definition of limits of delegated authority, which should be revised annually, and channels of reporting to the Governing Body.

See Appendix A – Template for the Head Teacher’s Delegation Statement

See Appendix B – Template for the Terms of Reference for a Finance Committee

3 Roles and responsibilities

- 3.1 The Governing Body is responsible for ensuring that systems and procedures are in place to support efficient financial management and to ensure probity. The Governing Body should seek to implement and work with a Statement of Internal Control (SIC). The SIC sets out the processes that are in place in school to ensure efficient and effective financial management practices are in place and identifies key areas of weakness and the proposed actions taken to address issues around financial control and probity.

See Appendix D Guide to the Statement of Internal Control

- 3.2 It is a matter for individual governing boards to decide the extent to which the Finance Committee is given delegated powers and to this end membership, including non-voting co-opted members, quorum and frequency should be considered.
- 3.3 It is the responsibility of the Governing Body to review the establishment, terms of reference, constitution and membership of all the committees on an annual basis.
- 3.4 The school's budget is delegated to the Governing Body. Roles and responsibilities should be defined in writing to ensure that there is no omission or duplication and that the relationships between the Governing Body, its

committees, the Head Teacher and other school staff are appropriate for the individual school.

3.5 In deciding roles and responsibilities, consideration needs to be given to the following functions:

- preparation of the statement of financial aims and objectives;
- establishment of guidelines for delegated responsibility;
- preparation of initial budget plans;
- preparation of final budget for approval;
- approval of the annual Budget Plan
- authorisation of day to day expenditure;
- authorisation of virements between budget headings;
- preparation of Budget Monitoring Reports;
- monitoring the budget;
- planning and implementation of major projects;
- preparation of projected year end balances;
- preparation of budget forecast for the following year;
- maintenance of financial records;
- reconciliation of expenditure with the City's General Ledger (Non-Cheque Book and External Payment of Accounts schools)
- monitoring of reconciliation with the City's General Ledger (Non-Cheque Book and External Payment of Accounts schools)
- ordering of goods and services on the school's system;
- authorisation of orders;
- confirmation of delivery of goods;
- checking of invoices;
- entry of invoices on school's system;
- authorisation of invoice payments
- administration of the Petty Cash Account;
- monitoring of Petty Cash Account reconciliation;
- educational visits;
- cheque book accounting; (full cheque book schools)
- maintenance of register of business, pecuniary and personal interests;
- preparation of non-public funds accounts;
- arrangements for the auditing of non-public fund accounts;
- approval of non-public fund accounts.

4 Division of duties

- 4.1 Duties should be properly segregated between individuals to ensure that more than one person is involved in a financial process. Division of duties reduces the risk of error or intentional manipulation through checks built into the routine. Functions which should be separated include:
- the raising of an order and its authorisation;
 - the authorisation of a purchase order and a payment;
 - the placing of an order and the confirmation of delivery;
 - the collection of income and its banking.
 - the raising of invoices and debt collection
 - the authorising of changes to pay and updating the personnel module
- 4.2 In practice, the division of duties will need to be considered in relation to the staff available and their levels of responsibility in the financial organisation of the school. In most cases, it will not be necessary to separate the functions between more than two or three staff. Internal auditors will review division of duties as part of their audit visit and will advise schools if alterations to their systems or procedures are required.
- 4.3 Division of duties can be simplified if it is possible to centralise the execution and recording functions to be carried out by a person who has no authority to authorise transactions. For example, a school administrator can place and record an order, which is authorised by the Head Teacher. Following receipt of the goods, the school administrator can record the invoice, which is authorised for payment by the Deputy Head Teacher. Thus, the person authorising a transaction can never execute or record the transaction and if the payment is authorised by a third person there should be adequate division of duties.
- 4.4 The finance function is only a small part of the school's overall activities. Nevertheless, many schools are funded at a level comparable with the income of a small business and, especially given their use of public money, must implement sound financial controls. Therefore, even when it is not possible to have a full separation of all responsibilities, the Governing Body must satisfy itself that the risk of error or fraud is minimised.

5. Limits of Delegated Authority

- 5.1 In considering the limits of delegated authority, a balance needs to be drawn between ensuring accountability, while at the same time not imposing unrealistic constraints on the Head Teacher and staff of the school.
- 5.2 A Governing Body may wish to delegate extensive powers to its Finance Committee, reporting back to the Governing Body for information only, and this must be reflected in its Terms of Reference. On the other hand, the responsibility of a Finance Committee may be to make recommendations, which need the approval of the Governing Body before action can be taken.

This is a matter for individual governing bodies and, in deciding what is appropriate, care should be taken to avoid repeating Finance Committee discussions and debates at the full Governing Body meeting, and to ensure that decisions legally required to be made by the Governing Body are so made.

5.3 A Governing Body is able to delegate much of the responsibility for budget management to the Head Teacher. It is recommended that limitations to the Head Teacher's powers reflect:

- the level of expenditure which may be incurred without prior approval of the Governing Body or the Finance Committee;
- the nature of expenditure that may be incurred without prior approval of the Governing Body or the Finance Committee. For example, a Governing Body may wish to approve commitments of an on-going or recurring nature, such as staffing and contracts covering more than one year;
- the level of virement that may be actioned without prior approval of the Governing Body or its Finance Committee;
- the requirement to obtain quotations or tenders for expenditure in excess of specified limits. Note: The City Council's Financial Regulations requires three quotations to be obtained for expenditure between £10,000 and £214,904 (inclusive of VAT and European Threshold level); with the requirement to obtain tenders for expenditure in excess of £214,904 (inclusive of VAT), Governing Bodies may set lower limits if they wish.

6 Example of a framework of delegation

6.1 The framework of financial delegation will vary between schools in terms of delegated authority and in terms of who does what. However, it may be helpful for governing bodies to have an example of a framework of financial delegation, such examples are attached at **Appendix A and Appendix B**. These appendices shows how power might be delegated from the Governing Body to the Finance Committee and on to the Head Teacher, with channels for reporting on action taken under delegated powers.

6.2 While there is no legal requirement to establish a Finance Committee, in practice the vast majority of schools have done so. The example in this guidance note is intended to be for a Finance Committee, although it could equally apply to a Governing Body that chooses to retain responsibility for budget management.

7 Business Ethics

7.1 It is important that governors and school staff not only act impartially but are also seen to act impartially. All holders of public office are expected to abide by the 7 Key Principles of Public Life:-

- Selflessness

- Holders of public office should act solely in terms of the public interest
- Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships

- Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias

- Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny to ensure this.

- Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing

- Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

7.2 One important means by which a school demonstrates that it is applying these 7 principles is by the requirement to maintain a Register of Pecuniary and Personal Interests.

7.3 The purpose of the Register is to make public officers, school staff and fellow governors aware, in a timely fashion, of interests that are held and which could, potentially, give rise to conflicts of interest. A Register is an important supplement to the requirement to declare interests because it is a standing document which can be consulted when or before an issue arises, and enables others to take a view on whether a conflict may exist.

7.4 A Register of Pecuniary and Personal Interests must be maintained for the Head Teacher, Governors and **all** staff in school. It must be freely available for inspection by governors, staff and parents or any other stakeholders. The Register must include all business interests such as directorships, share holdings and other appointments of influence within a business or other

organisation that may have dealings with the school. The disclosures should also include business interests of relatives and other individuals who may exert influence. Additionally, personal interests of governors and staff, and of relatives and other individuals who may exert influence, must be declared where the governor or member of staff feels that a member of the public might reasonably think the personal interest could influence the actions of the individual concerned, the Governing Body as a whole, or the decision making process.

- 7.5 Schools should ensure that the Register is up to date and complete, and includes all governors and all staff. In this regard, each governor and member of staff should provide signed and dated returns on an annual basis. Where there are no declarations to be made governors and schools staff must put either 'Nil' or 'N/A' against each question.
- 7.6 Schools should introduce in-year declaration procedures to enable Governors, the Head Teacher and staff to declare interests as they become aware of them. For instance, for Governors this can be achieved by having the declaration of interests as a standing item on the agenda for all Governing Body and Committee meetings. Members of staff should be advised that any in-year declarations must be reported to the named person in school that is responsible for maintaining the Register.

See Appendix C Declaration of Pecuniary and Personal Interests

- 7.7 Schools should avoid practices, such as obtaining goods and services, which may include an element of private use for governors or staff. Governors and staff should also avoid accepting hospitality, entertainment, or other services, from existing or prospective suppliers. A register of gifts and hospitality should be established and governors and staff must ensure that this is updated, in all instances, where hospitality, entertainment, gifts or other services are received, due to their position within the school. See '**Gifts and Hospitality**' chapter.

FINANCIAL DELEGATION STATEMENT FOR THE HEAD TEACHER

The Governing Body formally delegated the day to day financial management of the budget to the Head Teacher of ***(insert school name)*** School on ***(insert date)***

1.0 **BUDGET**

- 1.1 The Head Teacher will prepare (by reference to the School Improvement Plan) and submit an annual Budget Plan to the Finance Committee/Governing Body ***(delete as applicable)*** for approval during the second half of the Spring Term. If final budget settlements by the Local Authority are awaited, a draft budget will be prepared for approval, to be adjusted in the new financial year.
- 1.2 The Head Teacher will prepare the end of year accounts and reconcile them to the accounts from the Local Authority.
- 1.3 The Head Teacher will prepare Budget Monitoring Reports for the Finance Committee to be submitted to the full Governing Body for approval termly. The Budget Monitoring Reports submitted to the Finance Committee must include the following system reports.
- A Cost Centre Group Report or Account Summary Report (or equivalent)
 - A Virement Report,
 - A copy of the latest Suspense File (non cheque book and EPA schools only)
 - A system report showing cumulative expenditure of £10,000 or more with an individual supplier. **Note: This must not be restricted to an individual financial year and may cross a number of financial years**
 - A Bank Reconciliation and Cash Flow Statement (Full Cheque Book schools only)
- 1.4 The Head Teacher will prepare an annual 3 Year Strategic Financial Plan in line with the School Improvement Plan and reflecting the financial and resource consequences for each year including options, where appropriate, for consideration by the Finance Committee.
- 1.5 The Head Teacher may undertake virements and budget revisions up to a value of £ ***(insert amount)*** which should be retrospectively reported to the Finance Committee.
- 1.6 The Head Teacher will recommend virements and associated budget revisions between £ ***(insert amount)*** and £ ***(insert amount)*** to the Finance Committee for approval. Should there be emergency requests relating to staff costs the

Head Teacher may obtain the approval of the Chair of Finance until a Finance Committee meeting can be arranged.

- 1.7 The Head Teacher will recommend virements and budget revisions above a value of £ **(insert amount)** to the full Governing Body for approval.
- 1.8 The Head Teacher may adjust cost centre budgets in response to the receipt of additional funding during the year. These adjustments will be reported back to the Finance Committee
- 1.9 On a yearly basis, by the end of December, the Head Teacher will ensure that the following checklist is produced and presented to the full Governing Body for discussion and approval:
 - Governors Financial Assurance Checklist

2.0 **EXPENDITURE**

- 2.1 The Head Teacher can authorise orders to a value of £ **(insert amount)** subject to there being appropriate funding available within the budget, without reference to the Finance Committee and subject to obtaining quotations for expenditure over £10,000 in accordance with the Local Authority Financial Regulations and Standing Orders as outlined in the Schools Financial Procedures Manual
- 2.2 The Head Teacher can authorise orders between £ **(insert amount)** and £**(insert amount)** with the prior approval of the Finance Committee if within budget provision and subject to the receipt of three quotations and in accordance with the Local Authority Financial Regulations and Standing Orders as outlined in the Schools Financial Procedures Manual
- 2.3 The Head Teacher can authorise orders above £ **(insert amount)** if within budget provision with the prior approval of the Governing Board and subject to the receipt of three quotations and in accordance with the Local Authority Financial Regulations and Standing Orders as outlined in the Schools Financial Procedures Manual
- 2.4 The Head Teacher may incur cumulative expenditure with suppliers, outside of City Council Departments, up to £ **(insert amount)**, subject to there being appropriate funding available within the budget, without prior reference to the Finance Committee. This is subject to obtaining quotations for cumulative expenditure of £10,000 or more in accordance with the Local Authority Financial Regulations and Standing Orders. If the cheapest supplier is not selected a written justification should be presented to the Finance Committee requesting an exemption from Standing Orders which if given should be documented within the minutes of the meeting.

2.5 The Head Teacher should provide a report at each Finance Committee meeting to show cumulative expenditure with suppliers in excess of £10,000.
Note: This must not be restricted to an individual financial year and may cross a number of financial years.

2.6 The Head Teacher will ensure that where expenditure is likely to exceed £214,904 (inclusive of VAT), the tendering procedure will be implemented in accordance with the Local Authority Financial Regulations and Standing Orders.

3.0 **ASSETS**

3.1 The Head Teacher will maintain an inventory record in accordance with the current Financial Regulations.

3.2 The Head Teacher has authority to write off and dispose of assets. All such events must be reported to the Finance Committee at the next meeting.

4.0 **OTHER**

4.1 The Head Teacher will manage and maintain adequate records for unofficial funds and will arrange for annual audited accounts to be submitted to the Finance Committee for their approval.

4.2 The Head Teacher will maintain and develop adequate financial systems and records to protect the school assets and in accordance with the Local Authority Financial Regulations and Standing Orders as outlined in the Schools Financial Procedures Manual. The Head Teacher will make recommendations to the Finance Committee for the improvement of financial systems and records where appropriate.

4.3 The Head Teacher will report and make recommendations to the Finance Committee on any proposed changes which the Local Authority may request to be made to the Financial Regulations and Standing Orders.

4.4 The Head Teacher will ensure that the school fulfils the requirements of the Schools Financial Value Standard, on an annual basis, and provides the Finance Committee and the Governing Body with regular updates on progress

NB THIS DELEGATION STATEMENT WILL BE REVIEWED AND UPDATED BY THE FINANCE COMMITTEE ON AN ANNUAL BASIS.

Terms of Reference for a Finance Committee

1. Membership

The Committee shall consist of at least 5 governors plus the Head Teacher in his/her voting capacity. The Committee can ask the Governing Body to appoint up to 2 non-voting members with appropriate financial skills.

2. Quorum

The quorum shall be 3 governors who are voting members of the committee, excluding the Head Teacher.

3. Meetings

3.1 The committee will meet at least 3 times per year.

3.2 Any additional meetings will be called as necessary; at least 7 days notice must be given when calling a committee meeting.

4. Minutes

4.1 The Clerk to the Committee is (insert name). In the absence of the Clerk the Committee can appoint a member (but not the Head Teacher) to act as Clerk to the meeting. Draft minutes of the previous meeting will be distributed at least 7 days prior to the next meeting together with any supporting papers.

5. Chairing

5.1 The Committee shall elect a Chair/Vice Chair annually, usually at the first meeting of the academic year.

5.2 The Chair, in conjunction with the Head Teacher, will be responsible for drawing up the agenda and sending it out to committee members at least 7 days in advance.

5.3 In the absence of the appointed Chair the Committee can appoint another member of the Committee to act as Chair for the meeting.

6. Reporting to the Governing Body

- 6.1 The Chair of the Finance Committee will report to the full Governing Body on the main decisions taken and any recommendations that the Governing Body needs to vote on.

7. Areas of responsibility

- 7.1 The Committee will be responsible for the preparation and approval of the Annual Budget (Note: The Governing Body can, if they wish, delegate to the Finance Committee the authority to approve the annual budget. If this is the case it should be clearly documented within these Terms of Reference for the Finance Committee). It will establish formal procedures and timetables for planning the budget and will require the Head Teacher to produce estimates of expenditure and income sufficiently in advance of each financial year, even if the details of the school's funding have not been finalised, so it can determine priorities in accordance with the School Improvement Plan.

It is the responsibility of the Finance Committee, in preparing the Draft Annual Budget, to work within the indicative budget, for the forthcoming year and for it to indicate clearly any use that it is proposing to make of contingency reserves and any surplus balances carried forward from previous financial years so that where appropriate, the Governing Body is fully informed of the final decision.

- 7.2 The Committee will receive Budget Monitoring Reports, from FMS or other accounting package, from the Head Teacher or School Business Manager/Bursar, for consideration, prior to them being reported to the Governing Body. The Budget Monitoring Reports will include the following system reports

- A Cost Centre Group Report or Account Summary Report (or equivalent)
- A Virement Report,
- A copy of the latest Suspense File (non cheque book and EPA schools only)
- A system report showing cumulative expenditure of £10,000 or more with an individual supplier. **Note: This is not restricted to an individual financial year and may cross a number of financial years**
- A Bank Reconciliation and Cash Flow Statement (Full Cheque Book schools only)

The Finance Committee will monitor income and expenditure throughout the financial year and provide an overview of the financial position of the school to Governing Body on at least a termly basis.

- 7.3 The Finance Committee will review virements and budget revisions made by the Head Teacher to a maximum value of £ **(insert amount)**

- 7.4 The Finance Committee will approve requests for virements and budget revisions between £ **(insert amount)** and £ **(insert amount)** per item. In the event of there being an emergency request the Chair of Finance will have the authority to approve such requests and then report back at the next Finance Committee meeting under 'Chair's Actions'
- 7.5 The Finance Committee will give the Head Teacher responsibility for administration of the budget and its day-to-day control and monitoring.
- 7.6 The Finance Committee, with the Head Teacher, will assess at least once a year, financial progress towards achieving the objectives in the School Improvement Plan and, consistent with this aim, will review projected expenditure for future years in accordance with the School Improvement Plan, working wherever possible on a three year rolling programme.
- 7.7. The Finance Committee, on an annual basis, will adopt and agree to adhere to the Local Authority Financial Regulations and Procedures.
- 7.8 The Finance Committee, on an annual basis, will prepare and submit for discussion to the Governing Body, a Statement of Internal Control identifying any key areas of weakness within the financial control systems of the school and propose actions that need to be taken to address issues around financial control and probity.

8 Expenditure

- 8.1 The Finance Committee will review orders placed to a value between £ **(insert amount)** and £ **(insert amount)** per order
- 8.2 The Finance Committee will approve orders between £ **(insert amount)** and £ **(insert amount)** if within budget provision and subject to the receipt of three quotations, in accordance with the Local Authority Financial Regulations and Standing Orders
- 8.3. The Finance Committee will ensure that where expenditure is likely to exceed £214,904 (inclusive of VAT), the tendering procedure will be implemented in accordance with the Local Authority Financial Regulations and Standing Orders
- 8.4 The Finance Committee will review all cumulative expenditure with suppliers in excess of £10,000.
- 8.5 The Finance Committee, on advice from the Head Teacher, will review the financial implications on the budget of the Teachers Pay and Conditions document.

8.6 Receive the annual accounts and certificate of audit of the school fund and other voluntary funds held within the school.

9. Payments

9.1 The Finance Committee will monitor compliance with the schools financial procedures, particularly with reference to segregation of duties between purchases and payment

9.2 Assess the school's insurance cover to ensure that it provides adequate protection against risks.

9.3 Review and approve the amount of petty cash to be held by the school.

9.4 Review annually all current school contracts.

9.5 The Committee must ensure that the Local Authority Financial Regulations and Standing Orders relevant to financial management are complied with and will undertake periodic audits of the school's financial procedures and recommend appropriate corrective action.

10. Assets

10.1 The approval of the Committee is required for the writing off or disposal of any surplus stock.

11.0 General

11.1 Ensure the withdrawal of an individual if she/he has a pecuniary or personal interest in the business of the Committee.

11.2 Agree to undertake training to keep up to date with national and local trends and policies.

11.3 The Committee is responsible for ensuring that the school undertakes a self-assessment against the DfE Schools Financial Value Standard on an annual basis with particular reference to the governance arrangements and financial management roles and responsibilities.

NB: These Terms of Reference will be reviewed and updated on an annual basis for approval by the Governing Body.

Declaration of Pecuniary and Personal Interest

Name:

School:

Position:

I (*insert name*) declare as a Governor/member of staff of (*insert schools name*) that I hold the following personal and/or pecuniary interest(s):

If there are no Pecuniary Interests to declare please put 'Nil' or 'N/A' against relevant questions

Pecuniary interests	Please provide details of the interest
Current employment	
Businesses (of which I am a partner or sole proprietor)	
Company directorships – details of all companies of which I am a director	
Charity trusteeships – details of all companies of which I am a trustee	
Membership of professional bodies, membership organisations, public bodies or special interest groups of which I am a member and have a position of general control or management	
Gifts or hospitality offered to you by external bodies while acting in your position as a Governor or member of staff and whether this was declined or accepted in the last 12 months	
Contracts offered by you for the supply of goods and/or services to the School	
Any other conflict	

If there are no Personal Interests to declare please put 'Nil' or 'N/A' against relevant questions

Personal interests	Name	Relationship to me	Organisation	Nature of the interest
Immediate family/close connections to a Governor or member of staff				
Company directorships or trusteeships of family/close connections to Governor or member of staff				

If you are a Governor or member of staff of any other School please provide details below:

Name of School _____
Position held: _____
Date appointed/elected to post: _____
Date of termination from post: _____

To the best of my knowledge the information supplied above is correct and complete. I understand that it is my responsibility to declare any conflict of interest/loyalty, business or personal that relates directly or indirectly, to myself or any relation in any contract, proposed contract or other matter when present at a meeting at the school where such contract or matters comes under consideration. I understand that I must withdraw from any meeting during the discussion of such contract or matter and must not vote in respect of it.

I agree to review and update this declaration annually and give consent for the information provided to be used in accordance with the school's conflicts of interest policy.

Signed: _____
Date: _____

Guidance Notes

Governors and Staff have a legal duty to act only in the best interests of their schools. Where a situation arises in which they cannot do this due to any personal interest they have, steps should be taken to identify, prevent and record the conflict. This ensures that Governors and Staff are acting in the best interests of the school.

In the declaration above, you must provide details relating to:

- Your ownership or partnership of a company or organisation which may be used by the school to provide goods or services;
- Goods or services you offer which may be used by the school;
- Any close relation you have to someone who satisfies either of the above;
- Any close relationship you have to someone who is employed by the school.

Declaring your conflicts of interest is a legal requirement within the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013. However, making an annual declaration does not remove your requirement to make an oral disclosure of the interest and temporarily leave the meeting, where the interest is relevant to something being discussed.

Pecuniary interests

Generally, Governors and Staff should not participate in any discussions in which they may directly or indirectly benefit from a pecuniary interest, except where the relevant authority has authorised this i.e. legislation for maintained schools. A direct benefit refers to any personal financial benefit and an indirect benefit refers to any financial benefit you may have by virtue of a relationship to someone who stands to gain from a decision of the Governing Body. Both direct and indirect interests must be declared.

Non-pecuniary interests (Conflicts of loyalty)

There may be a non-pecuniary interest whereby a Governor or member of staff does not stand to gain any benefit but a declaration should still be made. For example, this might be where there is a family member working in the school. Whilst the Governor or member of staff might not benefit personally, their judgment could be impaired if something was brought up that would affect the family member.

Handling the conflict

The Governing Body must make a decision as to whether or not they should take steps to remove the conflict by:

- Not pursuing the course of action it relates to; or
- Proceeding with it in an alternative way which does not give rise to conflict; or
- Not appointing the governor in question or seeking to secure their resignation.

In the minutes of the meeting, the following should be recorded:

- The nature of the conflict;
- Which governor(s) it relates to;
- Whether a declaration was made in advance of the meeting;
- A brief overview of what was discussed;
- Whether the governor(s) withdrew from the meeting;
- How the governors made the decision in the best interests of the school.

The School and Early Years Finance (England) Regulations 2013 provides for local authority financing schemes to keep a register of pecuniary interests for the governors and staff of schools. The register should be reviewed annually by the Clerk to the Governing Body but any new interest or ceased interest, should be reported to the Clerk as and when they occur. Upon completion, this signed form should be given to the Clerk of Governors whose responsibility it is to keep a register of all interests and review it annually.

The Charity Commission has produced [guidance on dealing with conflicts of interests](#) which may be useful, even for schools that do not have charitable status.

GUIDE TO THE STATEMENT OF INTERNAL CONTROL

1 Introduction

- 1.1 Statements of Internal Control (SIC) have been introduced in large sections of both the public and private sectors as part of a move to more effective corporate governance arrangements. Typically, the SIC forms part of a set of documents relating to a financial year's activities that also includes an annual report, financial statements and an external auditor's report. In essence, the annual report and financial statements describe the operational and financial outcomes for a particular financial year. The statement of internal control acknowledges the entity's responsibilities for the system of internal control from which those operational and financial outcomes are derived. It is also used to highlight any known problems with that system so that the reader can take these into account when considering the outcomes. The external auditor's report provides further comfort by confirming whether the financial statements present a true and fair view (or present fairly) those financial outcomes.
- 1.2 Schools are responsible for significant amounts of public expenditure, form part of local authorities who are required to prepare statements of internal control and receive Dedicated Schools Grant from the DfE who are also required to prepare statements of internal control. Thus, as part of the chain of accountability for their public funds it is logical that schools should also be required to prepare statements of internal control. As most schools do not have their own formal accounts and external audit reports, the statement of internal control in this context will refer to the financial performance set out in the school's Consistent Financial Reporting (CFR) return and the one page Financial Summary derived from it.
- 1.3 The statement set out in this guide is similar in concept to those used in both local authorities and in central government but has been simplified for use in schools to reflect the comparatively smaller scale of financial activity and consequently the financial expertise available. The SIC is primarily a factual statement setting out the processes that are in place to ensure effective financial management of the school and its resources. Discussion of the draft SIC by the governing board, and its ultimate signature by the head teacher and key governors, demonstrates that they acknowledge responsibility for financial management of the school and take that responsibility seriously.
- 1.4 The SIC requires a view to be taken on whether the signatories "are satisfied that the internal control systems in operation at the school during the year were adequate and effective". While this may seem onerous, it should not require much additional work at all as the basis upon which it is signed is explained and the assurance to be given is "reasonable" and not "absolute". The first is dealt with by describing processes and reviews which should be part of normal school operations and represent the good practice required by the Schools Financial Value Standard. The second recognises that statements of this type

can never give “absolute” assurance as internal control systems, no matter how sophisticated, can never prevent or detect all errors or irregularities. For example, if key staff were really determined to collude improperly and engage in fraudulent practice, they could get around most internal control systems.

2 Transparency

2.1 Taken in conjunction with the CFR Return, the SIC will provide the S151 Officer at the Local Authority with assurance that the funds managed by a school have been properly controlled and accounted for.

2.2 Furthermore, making this statement available to parents who request it serves to show that the school’s financial management is open and transparent.

3 The Format of the Statement

3.1 The SIC is designed to be brief, but informative. The specimen statement is shown at Appendix 1 and contains five paragraphs:

- **Paragraph 1** explains the Governing Body’s responsibilities. To achieve the Schools Financial Value Standard, each school will be expected to use the wording given in the specimen statement.
- **Paragraph 2** explains the limitations of control systems. This wording is important because it aims to make it clear to the reader that “absolute” assurance cannot be given and is not expected. To achieve the Schools Financial Value Standard each school will be expected to use the wording given in the specimen statement.
- **Paragraph 3** explains how the Governing Body has satisfied itself that controls are adequate before its representative agrees to sign the statement. To achieve the Schools Financial Value Standard each school will be expected to use the wording given in the specimen statement as a minimum. It may be that the governing body has carried out additional steps and may wish to add those to this paragraph of the SIC.
- **Paragraph 4** states that the Governing Body is satisfied that internal controls at the school were adequate during the year, assuming this to be the case. If the governors are not satisfied about the adequacy of key internal controls, they should list briefly any serious/high priority control weaknesses.
- **Paragraph 5** is where planned action to improve the control system is disclosed. Such disclosure is normally only needed if governors have expressed in paragraph 4, concern about the adequacy of any of the controls.

4 Deciding Whether to Disclose a Weakness at Paragraph Four

4.1 When deciding whether or not to disclose that a particular control is inadequate, governors should take into account all the relevant information available to them, and also consider:

- how likely is the risk, i.e. to what extent the inadequacy of the control(s) puts the school at risk
- the likely impact of the risk on the school if it occurred, for example on the school's financial position, ability to function, reputation etc.
- the cost of any action needed to reduce the level of risk posed
- whether this cost is justified and proportionate given the risk perceived

4.2 Figure 1 illustrates the dynamic relationship between the likelihood of a risk occurring and its potential impact. Internal auditors commonly use such an approach to assess how critical their audit findings are. However, some caution is needed as their terminology varies (some using only three categories of priority or risk, i.e. high, medium and low, while others may use four or five categories), hence the period within which corrective action is to be taken has also been included in the figure below to help ensure consistency. Head Teachers and School Governors may, therefore, wish to rank the control weaknesses they or an internal auditor have identified, in terms of gravity of the risk they pose to the school.

4.3 A note of caution is necessary. A matrix such as figure 1 cannot substitute for the use of informed judgement, by experienced professionals, about the importance of a particular control weakness. Therefore, if the school is uncertain about the gravity of a particular weakness in the control system, it should first involve the relevant staff at the school in a discussion about the weakness and if uncertainty remains it should contact the internal audit section at its Local Authority for advice.

Likelihood of risk arising from the weakness	Degree of Impact		
	Minimal	Moderate	Significant
Likely	Low/Medium Priority ¹	High Priority	Very High Priority
	Address within three to six months.	Address urgently ²	Address immediately
	Do not disclose in SIC	Normally disclose in SIC	Always disclose in SIC
Possible	Very Low Priority	Medium Priority	High Priority Address urgently ²
	Address within nine months.	Address within three months.	Address urgently ³
	Do not disclose in SIC	Only disclose in SIC if it is thought particularly useful to do so	Normally disclose in SIC
Unlikely	Not a Priority	Low Priority	Medium Priority
		Address within six months.	Address within three months.
	Ignore	Do not disclose in SIC	Seldom disclose in SIC

Figure 1: An illustration of the qualitative assessment of the priority of control weaknesses

¹ Whether it is a medium or low depends on specific details such as the volume of activity affected by the weakness. High volume areas would probably be assessed as medium because of the accumulation effect of many small errors. Low volume areas would probably be considered a low priority.

² Urgent implies action within weeks rather than months. Please note that all the time periods indicated in figure 1 are purely illustrative and aim to show the relative urgency of different weaknesses. Actual implementation plans will need to be locally determined taking account of all relevant known factors.

³ Urgent implies action within weeks rather than months. Please note that all the time periods indicated in figure 1 are purely illustrative and aim to show the relative urgency of different weaknesses. Actual implementation plans will need to be locally determined taking account of all relevant known factors.

5. Deciding Whether to Sign the Statement of Internal Control

5.1 The Governing Body should only sign the SIC when it feels it can do so with confidence, having studied all the available evidence. Governors should be able to derive much of the evidence they need from:

- meeting, or working towards, the Schools Financial Value Standard which incorporates most of the following items;
- their own monitoring of financial management and regular scrutiny of financial reports;
- their regular meetings with the Head Teacher and other staff;
- the most recent report on the school's finances by the Local Authority appointed internal auditor; and
- annual self-evaluation of the internal control system (for the significant systems not commented on recently by internal audit).

5.2 In addition, members of the Governing Body should have used the *Pre-Certification Guidance Checklist for Governors* before they authorise their representative to sign the SIC. If the Governors answer "Yes" to all questions they should be able to sign the statement without the need to tailor paragraph 4 to accommodate their concerns about any of the controls, or to add a fifth paragraph to say how these might be addressed. If they answer "No" to any question, they should consider the implications of such a response, and these are explained in the checklist.

5.3 A specimen Statement of Internal Control is shown on page 34 of this document.

6 Possible Sources of Self-Evaluation Checklists for internal control systems

6.1 Three good sources are:

- *Keeping Your Balance* by the Audit Commission – Revised October 2000, which contains a checklist of internal controls for well-controlled schools
- *Controlling School Finances* – a self-evaluation tool, available on the Audit Commission's web site at www.schoolsbudget.audit-commission.gov.uk. This is closely related to the checklist in *Keeping Your Balance* referred to above but is interactive and offers some examples of good practice
- **Schools Financial Services or Birmingham Audit** who are able to provide a financial management risk self assessment document tailored to the local context

A Specimen Statement of Internal Control For Schools

- 1 This statement relates to the Consistent Financial Reporting (CFR) Return for the (*Insert Name*) school for the year ended 31st March 20(XX). The Governing Body is responsible for ensuring that the school:
- keeps proper accounting records during the year which will disclose, with reasonable accuracy and at any time, the financial position of the school, have been drawn up in accordance with the DfE(CFR) guidelines, and will enable it to prepare an annual income and expenditure statement that complies with DfE guidelines
 - maintains and operates an effective system of internal control to safeguard all the resources delegated, granted or otherwise entrusted to the school and ensure they are used cost effectively
- 2 The system of internal control has been developed and is co-ordinated by the Head Teacher. It aims to provide as much assurance as is reasonably possible (not absolute assurance) that assets are safeguarded, transactions are properly authorised and recorded and that material errors or irregularities are either prevented or can be detected promptly
- 3 Our review of the effectiveness of the systems of internal control is informed by:
- our regular scrutiny of financial and other performance monitoring data
 - regular reports from the Head Teacher and other managers to the Governing Body
 - the most recent report of the school's internal auditor dated (*insert date of report*)
 - our most recent self-evaluation of the internal controls undertaken (*insert date*)
 - We are, therefore, satisfied that the internal control systems in operation at the school during the year were adequate and effective (*except for:*
 - ***List any notable weaknesses here i.e. those rated as requiring remedial action as a high priority***)

We propose over the coming year to take the following steps to address the weaknesses noted above. (*This paragraph should provide either brief details of the action taken, or proposed, to rectify weaknesses in the system of internal control, or a short explanation of why corrective action has not been considered necessary.*)

By order of the Governing Body of (*name*) School

(Signed) _____ Dated _____
(Head Teacher)

(Signed) _____ Dated _____
(Chair of Governing Body)

(Signed) _____ Dated _____
(Chair of Finance Committee)

Note: The sections in brackets and (*italics*) need tailoring to reflect the schools particular circumstances.

Statement of Internal Control - Pre-Certification Checklist for Governors

The Statement of Internal Control (SIC) is designed to accompany the DfE Consistent Financial Reporting (CFR) Return and Financial Summary, and so relates to the same completed financial year. The internal controls it refers to are those required as best practice by the Schools Financial Value Standard.

The issues for Governors and the Head Teacher to consider before authorising their representatives to sign the SIC fall into two categories:-

- Specific actions and more general control processes that should have occurred during the financial year in question; and
- Specific actions needed after the year end when the CFR Return is available.

The questions are split into these two categories for ease of consideration. That consideration is probably best achieved as a group, perhaps at the finance committee meeting that approves the CFR Return, and needs to be formally recorded. The questions are structured so that:-

- A “yes” answer to every question would allow the SIC to be signed without any amendment; and
- A “no” answer to any question will require either further action or explanation in the SIC.

Controls that should have operated during the financial year		
Question	Agreed Yes or No	Implication of the Answer
Did we set the school budget in line with the priorities detailed in the school development plan either before the beginning of the financial year (1 st April) or as soon as possible thereafter?		If yes, no action. If no, paragraph 4 should disclose this weakness. Paragraph 5 should explain the steps being taken to ensure next year’s budget is set on time and reflects the school’s priorities.
Did we see regular reports on the school’s financial position during the year, did the head teacher and bursar answer all the questions raised with them and were we satisfied that materially accurate records have been maintained throughout the year? (Regular in this context would refer to termly reports as a minimum and possibly more frequent in larger schools.)		If yes, no action. If no, paragraph 4 should disclose the inadequate base financial records as a weakness. Paragraph 5 should explain the steps being taken to rectify the position.

Controls that should have operated during the financial year		
Question	Agreed Yes or No	Implication of the Answer
Did we take appropriate action on all significant matters raised in reports from the internal auditor?		<p>If yes, no action.</p> <p>If no, ensure this decision is justified.</p> <p>If, after reflection, it is considered that some action needs to be taken, describe this briefly in paragraph 5.</p>
Did we review a risk assessment and taken appropriate steps to manage the risks identified including the introduction of internal controls and/or external insurance cover where required?		<p>If yes, no action.</p> <p>If no, the need to conduct a comprehensive risk assessment should be noted in paragraph 4. Paragraph 5 should explain the steps being taken.</p>
Control activities required after the end of the financial year		
Question	Agreed Yes or No	Implication of the Answer
<p>Has the Head Teacher confirmed that he/she has seen a reconciliation of the school's base financial records with the CFR Return (either prepared from the school's own system or by the local authority) and Financial Summary that shows they are:</p> <ul style="list-style-type: none"> a complete record of the School's transactions for the year and that the two documents are consistent with each other? based on financial records that have met the requirements of the DCSF' Consistent Financial Reporting (CFR) framework? 		<p>If yes, no action.</p> <p>If no, to the first question, make arrangements for the headteacher to complete/review the reconciliation before the SIC is signed and published.</p> <p>If no to the second question, the non-compliance should be noted at paragraph 4 as a weakness. Paragraph 5 should explain the steps being taken to rectify the position.</p>
<p>Have we received a report from the internal auditor giving us assurance that the systems of internal financial control operated satisfactorily during the year?</p> <p>OR</p> <p>Have we undertaken a thorough self-evaluation of the internal control systems in operation during the year and did not find any weaknesses that needed to be addressed as a high priority?</p>		<p>If yes to either question, no action.</p> <p>If no to both questions, either:</p> <ul style="list-style-type: none"> delay signing the statement until you have received the report or undertaken the self-evaluation <p>OR</p> <ul style="list-style-type: none"> if the report or the self-evaluation has identified weaknesses that need to be addressed as a high priority, list them at paragraph 4 and briefly explain in

		paragraph 5, the action planned to rectify them.
Are we confident that there are no significant litigation, liabilities or commitments that have arisen after the year-end, and are not referred to or accounted for in the published financial summaries?		If yes, no action. If no, consider if the accounts need adjusting in order to be complete, or whether a Contingent Liability or Gain disclosure note should be added and the Local Authority Finance Department informed.
Have we been advised that there has been no actual or potential non-compliance with laws, regulations and codes of practice that could reduce the school's ability to meet its objectives or cause the school to incur a financial loss, and is this supported by our own knowledge of the school and its activities?		If yes, no action. If no, add the appropriate disclosure notes to the income and expenditure account before it is signed and published.

Notes:

- Given the s151 officer has ultimate responsibility for the internal control systems of the whole authority it will be necessary to report the details of any "No" answers to him or her or more realistically to a representative of the s151 Officer.
- The completed internal controls self-evaluation should be copied to the Local Authority internal audit section to inform its risk assessment and audit planning processes