

1. 1 Organisation of responsibility and accountability

Organisation

Organisation Structure

The school should have a clearly defined organisational structure with identified lines of reporting for all operations. In order to carry out its responsibilities the governing body may delegate some of their decision making powers to committees and school staff.

It is considered best practice for the governing body to delegate the majority of its financial responsibilities to a finance or resources committee. The finance committee would then become responsible for ensuring that the school sets financial objectives, prepares a financial plan and initiates and maintains the necessary systems of internal controls.

The Headteacher will be responsible for the operational financial management of the school. Responsibility will be delegated for specific budgets or projects

Schools will need to appoint staff or engage a finance support service to work with the Headteacher on the school's financial administration on a day-to-day basis. Detailed financial procedures are necessary irrespective of who is undertaking the financial administration.

Schools must ensure that they have sufficient financial expertise at both governor and staff levels. These can be assessed using the guidance given in 1.5 and 1.6. Action must be taken through recruitment or training to remedy any shortcomings identified. Any assessment should consider the smooth operation of the school when a potential absence occurs of any key governor or member of staff.

Schools need to review their staffing structure periodically, say bi-annually or when there is a change of circumstances, internal or external, to ensure it meets the schools' needs.

Reporting and Decision Making

Prompt, accurate and up-to-date financial information should be readily available at the appropriate levels within the organisation. To achieve this, the school will require clearly defined and properly used channels of reporting to the finance committee and governing body.

The arrangements should encourage regular interaction between the school's financial and non-financial operations and activities. There should be prompt exchange of information to support decision-making on a sound and timely basis. Management will be more effective if management responsibilities and financial responsibilities are aligned.

Allocation of Responsibilities

The responsibilities of the governing body, delegation to committees and school staff should be clearly defined and allocated.

The Governing Body

The Scheme for Financing Schools between the LA and the school makes clear the governing body's responsibility for

- planning and conducting its affairs to remain solvent
- establishing proper financial management arrangements, accounting procedures and maintaining a sound system of internal controls
- ensuring that funding from the LA and any other sources is used only in accordance with the conditions attached
- providing such information as the LA may reasonably require to satisfy the LA that the financial management of the governing body is such as to enable it to fulfil its obligations.

The governing body must be clerked by a competent person able to take minutes and advise the governing on procedural matters.

The Finance Committee

The finance committee is non-statutory and as such the governors are able to determine the school's requirements and to delegate the financial responsibilities of the governing body to one or more committees as desired.

In schools where a finance committee has been set up, the governing body will define terms of reference for the committee and the extent of its delegated authority.

The Committee should ideally be chaired by a person of suitable professional background and experience. Inexperienced governors can undertake training on chairing meetings and/or access useful information on relevant websites. All governors but especially those on the finance committee are encouraged to have some training on schools finance to assist them in their role.

Committees created by the governing body can include members who are not governors. This may enable some schools with limited financial expertise on the governing body to invite suitably qualified individuals to serve on committees.

The requirement for meetings may vary between schools and throughout the year due to financial matters requiring the committee's attention, such as the setting and monitoring of the annual budget, purchasing or other large projects. In any event the finance committee should meet at least termly.

The **terms of reference** for the finance committee could include

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- the review and recommendation of the draft annual budget to the governing body
- the review and recommendation of the draft 3 Year Budget to the governing body in conjunction with the schools medium term Development or Improvement Plan
- the regular monitoring of actual income and expenditure against the budget and forecast outturn for the year
- procurement - the awarding of contracts by tender up to a specified limit; approving the school's purchasing arrangements; reviewing the school's contracts;
- reviewing reports by Internal Audit or other independent body (if applicable) as to the effectiveness of the financial procedures and controls.
- reviewing and recommending approval of the delegation of the budget responsibilities to budget managers
- reviewing and recommending approval of the school's Financial Manual/Policy & Procedures
- preparing and reviewing draft policies relevant to finance – lettings policy, fraud policy, whistle-blowing policy
- reviewing reports which Benchmark the performance of the school against comparable schools and recommending action to improve value for money.
- receiving audit reports on the school's unofficial funds

The finance committee must be minuted to record the considerations, decisions and recommendations of the committee. The minutes should be presented to the governing body.

The Headteacher

It is expected that the Headteacher would have responsibility for

- the management of the school's finances at a strategic and operational level
- the management of effective systems of internal control
- the management of other financial issues, e.g. policies, unofficial funds

The Headteacher has overall executive responsibility for the school's activities, of which financial activities are clearly an important part. The Headteacher is therefore considered by the LA to be the person with overall responsibility to the governing body for the financial management of the school. The Headteacher

should ensure that the governing body is provided with financial 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 LA. In practice, the Headteacher will delegate the financial administration to a “finance officer” while retaining ultimate responsibility for this.

It is essential that the Headteacher has a supervisory and support role and checks/approves certain documents/statements etc. Details are set out in **Appendix 1** at the end of this document.

Allocation of budgets to budget holders

Dependent on the size of the school and the complexity of the budgetary system required, there will be a need to allocate budgets to budget holders. The responsibilities of each budget manager should be clearly defined.

Key elements of the role are

- authorisation of orders and confirmation of goods received within levels of delegated authority
- monitoring and control of expenditure against budget levels
- identifying and reporting significant variances to the Headteacher or the school’s finance officer
- ensuring full compliance with the school’s financial procedures

The budget manager will then become responsible for controlling expenditure within the relevant budget allocated. It is important that the budget responsibility aligns with the management structure. Dependent on the size and type of school, the educational supplies budget would normally be divided between either subject or year co-ordinators.

The “finance officer”

The finance officer is a generic description for a specific responsibility, which may be discharged by a specific individual or a service bought from the LA or another provider. The arrangements will vary according to the size and circumstances of individual schools. They are responsible to the Headteacher for day to day accounting and financial systems of the school. Further details of the role are given in **Appendix 2** included at the end of this document.

It is essential that the governing body ensure that the finance officer is suitably qualified or experienced and demonstrates competency in preparing the school’s accounts for which the Governing Body are responsible. The finance officer must have sufficient facilities and time to discharge their responsibilities effectively.

In a primary school the finance officer role may be subsumed in the post of School Secretary, Administrator or School Business Manager.

In a secondary school or large primary this role may be incorporated in the post of School Bursar, Finance Manager or School Business Manager who may also

have delegated financial responsibility for the premises, central services and other budgets and as such should be part of the senior management structure of the school.

All staff

All members of staff are responsible for the security of school property, for avoiding loss or damage, for ensuring economy, efficiency and effectiveness in the use of resources, complying with the school's financial procedures and reporting any potential financial irregularities. This should be included in job descriptions and the staff handbook.

Appendix 1

Accounting routines and checks for Heads and school “finance officers”

This list contains actions which are either a requirement of the local authority or recommended good practice to ensure prevention of fraud or ensure accurate accounts. Regular checks ensure that any potential problems are identified and dealt with at an early stage.

Monthly - Headteacher

- authorisation of paper version of Posting Summary (retained for audit purpose)
- authorisation of paper version of Bank reconciliation (retained for audit purpose)
- authorisation of payroll; check that detailed check has been undertaken and that total payment is similar to budget.
- review budget monitoring report

“Finance” Officer

- check all VAT entries are correct before submission for reimbursement
- ensure petty cash balances (if applicable)
- ensure all bank accounts are reconciled and any errors rectified in a timely manner
- prepare and submit Posting Summary to Schools Accountancy Section
- prepare and submit bank reconciliation to Schools Accountancy Section
- undertake detailed payroll checking and reporting any errors or omissions to payroll provider. Ensure that previous errors or omissions have been corrected
- reconcile local accounts to Statement of LA accounts and notify any queries to Schools Accountancy Section
- provide budget monitoring report to Headteacher – review the budget with the Headteacher, action any virements required.
- provide budget monitoring report to budget holders
- review and take action re outstanding debtors
- cashbook reconciliation – this should be done as part of month end process

- cash-flow monitoring – only monthly funded schools

Quarterly - Headteacher

- Budget Forecast – assist in preparation and approve submission

“Finance” Officer

- prepare Budget Forecast in conjunction with Head and budget holders
- check coding of all items, as part of forecast procedure, to ensure that the CFR code list is adhered to and paying particular attention to capital items.
- undertake recharges within the school e.g. copying charges to departments.
- undertake recharges to/from school on same site/Children’s Centre/ governors account re lettings or Jewish studies/etc/etc

Appendix 2

Role of “finance officer”

The finance officer is expected to carry out personally or closely supervise the basic financial administrative routines of the school.

These are –

1. maintenance and reconciliation of the ledger
2. production of budget monitoring information
3. validation and processing of invoices
4. petty cash disbursements
5. monthly bank reconciliation
6. completion of financial returns to the LA
7. year end creditors and debtors etc.
8. compliance with VAT
9. cash flow monitoring

The finance officer need not have a financial qualification but must to demonstrate competence in accounting and would benefit from experience of bookkeeping and other financial systems.

For reasons of accuracy and efficiency, the school accounts should be held on computer using the Council’s recommended accounting package or a suitable recognised alternative. In this regard the finance officer must be competent in the use of relevant software.

The officer would be expected to adhere to the Scheme for Financing Schools and the Financial Guide for Schools. If the officer is an employee of the school they would also be expected to attend relevant LA courses to meet these standards.

The responsibilities of the finance officer do not detract from the responsibility of the Headteacher for the sound financial management of the school.