

## 6. FINANCIAL MANAGEMENT

### *Financial systems*

6.1 Schools must adopt the financial systems determined by the Education and Library Board. The ELB will issue and periodically review, as necessary, administrative and accounting procedures.

6.2 The following principles shall be observed in the allocation of accounting duties:-

- a) where responsibilities are delegated, whether to a sub-committee, the Principal or an individual, such delegation should be clearly set out in writing in the form of an appropriate terms of reference and arrangements made for the Board of Governor to be kept informed (see section 3.14);
- b) the duties of providing information regarding sums due to or from the Education and Library Board and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
- c) staff charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

### *Purchasing and contract procedures*

6.3 The Board of Governors shall comply with the Education and Library Board's contracting/purchasing procedures (a framework setting out key procedures is set out in Annex 1). Purchases that individual schools may make directly with local suppliers, under approved arrangements, are made on behalf of the Education and Library Board by the school and remain the property of the ELB in question. Invoices for such purchases should be forwarded by the school to the ELB which, if satisfied that they come within the approved arrangements, will make the payment, including VAT, direct to the supplier and claim the VAT refund in the normal way. When expenditure has been incurred, the ELB will debit the school's budget share by the net amount, i.e. exclusive of VAT.

6.4 Under Prompt Payment, now better known as the 'New Better Payment Practice Code', Education and Library Boards are required, unless otherwise stated in the contract, to pay undisputed invoices for goods and services within 30 days of receipt of those goods or services or presentation of a valid invoice, whichever is the latter. Under the Late Payment of Commercial Debts (Interest) Act 1998 as amended by the Late Payment of Commercial Debts Regulations 2002, where a properly matured invoice is not paid within the 30-day period all suppliers have a statutory right to claim interest at a rate of 8% plus the base rate (4.75% at March 2005). In addition they are entitled to compensation for reasonable debt recovery costs. Boards are required to report their performance in this area.

6.5 The Board should therefore set out its procedures with regard to the payment of invoices received by schools. As a minimum, these will include arrangements for recording the date of receipt of the invoice, the time limit for submission to the Board for payment and arrangements to apply during periods when schools are closed but invoices may be received.

Boards may consider reclaiming debt recovery costs, where a school is persistently late in submitting invoices for payment.

6.6 No governor or member of staff of a school may authorise the purchase of goods or services from themselves, their relatives or any organisation in which they have a significant interest. The Board of Governors should be required to maintain a Register of Interests in which members of the Board of Governors should list any business interests they have involving individuals or organisations with which the school is likely to engage in a business arrangement (See also 6.19 and 6.20).

6.7 Each school should document the names of those members of staff empowered to authorise orders and any financial limits set.

### ***Payment of accounts***

6.8 Apart from petty cash payments through an Imprest Account the Education and Library Board shall pay all accounts properly incurred in respect of agreed budgets. Petty cash payments will be reimbursed by the Education and Library Board.

### ***Payment of salaries and wages***

6.9 The payment of teachers salaries and pensions shall be made by the Department of Education on behalf of the ELB and Council for Catholic Maintained Schools. The payment of all salaries, wages and other emoluments to non-teaching staff shall be made by the Education and Library Board. All timesheets, overtime claims and other documents relating to pay should be thoroughly checked by someone other than the person the document applies to before being authorised by the Principal.

### ***Receipts***

6.10 All receipts should be paid into a bank account opened and maintained in accordance with any requirements set by the Education and Library Board. The standards of cash handling determined by the ELB must also be maintained.

### ***Banking arrangements***

6.11 All banking arrangements should be subject to the approval of the Education and Library Board.

### ***Control and security of assets***

6.12 Each school must maintain an inventory of plant, vehicles, equipment and furniture in accordance with any requirements set by the ELB and the appropriate security marking of such assets should also be considered. These requirements should include not only items beyond a certain value but also items that are moveable and attractive e.g. video recorders. The inventory should include:

Date of acquisition  
Description (inc. serial numbers)  
Cost  
Source of Funding  
Location

6.13 Inventories should be checked annually and the ELB informed of any discrepancies. Proposals to dispose of furniture and equipment shall be in accordance with arrangements approved by the ELB.

### ***Audit***

6.14 LMS expenditure and related issues will be subject to internal audit examination by the Education and Library Board. Other school funds may be included in this examination and schools must therefore take appropriate measures to ensure that these are properly managed. It is not envisaged that ELB accounts for each school should be externally audited on an individual basis, or that they should be published as part of an ELB's formal report and accounts.

6.15 The accounts, books and other relevant records of the Board of Governors of each school must be open to inspection on request by:

- a) any officer of the ELB or person appointed by the Chief Executive or Chief Finance Officer;
- b) the Comptroller and Auditor General for Northern Ireland (C&AG) or a member of his staff at all reasonable times;
- c) the Department of Education.

The Department and/or C&AG may also carry out examinations into the economy, efficiency and effectiveness of the operation of LMS at ELB and school level.

6.16 The persons specified in paragraph 6.15 above shall have authority to:

- a) enter at all reasonable times on school premises or land;
- b) have access to all records, documents and correspondence relating to any financial and related transactions;
- c) require and receive such explanations as are necessary concerning any matter under examination; or
- d) require any employee of a school to produce cash, stores or any other ELB property under his/her control.

6.17 The Chief Executive is accountable for the accounting, financial and related operations of schools. The Board of Governors shall have the responsibility to review, appraise and report on:

- a) the soundness, adequacy and application of financial and other related management controls;
- b) the extent of compliance with, and financial effect of, established policies, plans and procedures;
- c) the extent to which the ELB's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance, poor value for money or other cause;
- d) the suitability and reliability of financial and other related management data developed within the school.

6.18 Whenever any matter arises which involves or is thought to involve irregularities concerning cash, stores, property or other assets of the ELB, the Board of Governors or Principal shall forthwith notify the Chief Executive who shall take such steps as are considered necessary by way of investigation and report.

### ***Disclosure of interest***

(See also 6.6)

6.19 The Board of Governors shall have a Code of Conduct which includes the requirement to maintain a register of interests in which each member of the Board of Governors shall list any business interests they or any member of their immediate family have and with whom the school could have a business arrangement. The register should be reviewed annually by the Board of Governors and recorded in the minutes.

6.20 Any Governor, the Principal or other member of staff of the school with a material personal interest in any contract with the school shall declare that interest to the Board of Governors or relevant committee of the Board of Governors and shall not take part in any debate or vote on the issue. Any such declaration shall be noted in the Board of Governors' minutes.

### ***Data protection***

6.21 The responsibility for maintaining proper security and privacy of information and for ensuring that all other requirements of Data Protection legislation are being met shall rest with the Board of Governors in respect of computer equipment and related systems. The Chief Executive, or an authorised representative, shall have access to all computer systems and records and may require and receive such explanations as are necessary or required under Data Protection legislation (see also 7.1).

### ***Charging***

6.22 Each school is required to set out its charging policy in relation to pupils. This should include a reference to parental voluntary subscriptions if sought in respect of school trips etc.

and it should also be made explicit, both in the title of any such fund and in the written requests for such subscriptions, that these are voluntary contributions. The decision as to whether and how much to charge will be determined by:

- a) the Board of Governors where the cost of the activity is paid from funds at its disposal; and
- b) the Education and Library Board in any other case.

6.23 "Educational facilities" means the equipment, premises or other school property while "educational services" includes services provided by teachers. Boards of Governors of all schools may charge for educational facilities and services made available by it to any other school, institution, body or person. The facility to make charges is subject to any regulations or conditions which the Department of Education may make regarding maximum rates of charge and any circumstances in which charges may not be made.

### ***Other Income***

6.24 School premises, when not in use for school purposes, are a valuable facility for community use, and indeed in many instances are so used. Article 140 of the 1989 Order provides for all schools to have regard to the desirability of use of their premises by the local community, and more specifically, Circular 1990/5 issued by the Department sets out arrangements whereby schools may be used for child care provision out of school hours. Schools are encouraged to consider making their premises available as a community facility, where possible.

6.25 Any income generating activities should be authorised by the Board of Governors and be in accordance with guidelines issued by the Education and Library Board. Subject to any conditions relating to charging for educational facilities and services, schools should be free to engage in fund-raising activities and any funds so raised shall be additional to its formula allocation.

6.26 Where a school derives income from the sale of an asset for which responsibility is delegated (e.g. small items of equipment), or which was purchased by virement from its budget share, the income should be credited to the school. Such income may be subject to VAT liability and, in view of this and other accounting considerations, where a school decides to sell an asset, its arrangements for its disposal should be in accordance with procedures specified by the ELB. Income from the sale of items purchased from funds retained centrally by the Education and Library Board, such as large items of equipment, goes to the Education and Library Board.

### ***Non ELB funds***

6.27 While voluntary funds are not owned by the Education and Library Board it is unreasonable to expect contributors to these funds to distinguish between them and official monies and it follows therefore that standards of accounting and propriety should be those applicable to public funds.

6.28 The Board of Governors of a school shall ensure that there is a safe and efficient system for the custody and control of such funds, including the preparation and audit of an annual account for approval by the Board of Governors. As outlined at 6.15, such accounts must be open to inspection on request..

### ***Re-classification of Costs***

6.29 Under the terms of the Common Funding Scheme an Education and Library Board may in certain circumstances make a charge against a school's delegated budget without the consent of the Board of Governors - in such circumstances, the school will be informed of the charge and the reasons for it. This will mainly be for the correction of an error previously made by the ELB but costs which would otherwise be met by the ELB may be levied against a school where a Board of Governors:

- a) has caused premature retirement costs or costs associated with dismissal, retirement or resignation to be incurred without the prior written agreement of the ELB or has committed the ELB to a compensation payment. The ELB's will only fund compensation where the recommended level is in line with the current regulations governing such payments; or
- b) makes a decision as a result of which additional costs are incurred by the ELB (e.g. if additional transport or school meals costs arise as a result of the Board of Governors deciding to close the school or vary the hours of attendance on a day and fail to inform the Board); or
- c) fail to produce information required by the funding authority for the purposes of this scheme and arrangements have to be made to obtain the information; or
- d) has failed to undertake its delegated responsibilities in respect of maintenance or health and safety regulations thus involving the ELB in the initiation or completion of the necessary work; or
- e) has incurred costs, including legal costs and/or awards by a Tribunal or Court, by action or inaction contrary to the advice of the Education and Library Board; or
- f) has incurred a penalty imposed on the ELB by a statutory authority and this is as a result of action or inaction by the school; or
- g) is in breach of contract for supplies or in relation to contracts for cleaning, maintenance or catering; or
- h) has not made arrangements for staff to be provided with health and safety training; or
- i) has failed to resource certain defined curricular needs e.g. statemented children (for which resources were delegated).

6.30 Where the ELB takes such an action, the school may, if it wishes, appeal to the Chief Executive or, if necessary, the appropriate committee of the Education and Library Board and may have the right to present their appeal in person, if so desired.

## **7. PROVISION OF INFORMATION**

7.1 The Board of Governors shall provide the Education and Library Board, or where appropriate CCMS or the Department, with any information which is requested for the purpose of the exercise of its functions, duties or responsibilities. Information should be provided in such form and in accordance with such timescale as requested by the commissioning organisation. It should be noted that the Freedom of Information (FOI) Act, which came into force in January 2005 –places a statutory duty on public bodies covered by the Act to make certain information publicly available on request. Schools are public authorities in their own right and must conform to the requirements of the FOI Act. Boards provide support to schools in handling FOI requests and procedures. Any queries should be referred to the designated officer in the relevant ELB.

7.2 The Department, the Education and Library Board and, where appropriate CCMS, will act reasonably in making requests for information, paying due regard to the ongoing work of the school, the cost of providing information and, where appropriate, confidentiality.

7.3 If a school fails to return information by the specified deadline, or if the information is not of a satisfactory quality, the following action may be taken:

- a. the Education and Library Board, or an agent appointed by the ELB, may carry out such investigations as it deems necessary to collect the data. The cost of such investigations may, in whole or in part, be deducted from the school's delegated budget;
- b. the Education and Library Board may use its own estimates of the requested data.

7.4 If the school receives a financial allocation in excess to what it is entitled because of either of these actions the school's budget will be adjusted accordingly. However the ELB is not bound to adjust the budget should an allocation be below that to which the school was otherwise entitled.

## **8. STAFFING ISSUES**

### ***General***

8.1 Decisions on staffing complements are a matter for each Board of Governors. In determining staff complements, including teaching and non-teaching staff the Board of Governors has a number of key issues to consider including, in particular, the effective delivery of the curriculum and affordability. These are critical considerations and the Board of Governors needs to give very careful consideration to any proposals in this area and provide opportunities for the Principal to offer advice. This should include information on