**Assessment of Internal Financial Controls**

The DfE had previously set out the roles of the DfE, LA’s and maintained schools ([Roles of the DfE, local authorities and schools in relation to maintained schools’ financial assurance and cost reduction](http://media.education.gov.uk/assets/files/pdf/p/protocol%20on%20responsibilities%20%20%20dfe%20las%20and%20schools%20%20%20accountability%20statement.pdf)). The responsibilities of maintained schools are repeated here:

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| *Schools’ role is to manage their delegated budget effectively and optimise their use of resources to raise standards and attainment for all their pupils, working within the local financial framework set by the local authority. In pursuit of this role they:*   * Seek to secure good value for money at all times; * Implement the SFVS; * Ensure that the school has access to an appropriate level of financial expertise; * Ensure that the governing body has adequate financial skills among its members to fulfil its role of challenge and support; * Maintain effective financial management arrangements in the school; * Maintain adequate accounting and management information systems; * Follow procedures for purchasing or leasing goods and services that both meet the legal requirements and achieve value for money; * Have adequate arrangements to guard against fraud and theft; and * Benchmark income and expenditure annually against that of similar schools and investigate and take action where any category appears to be out of line. |

Governing bodies of Suffolk maintained schools are advised to undertake an annual review of their internal financial controls (although this is not compulsory). Two options that schools may wish to consider are:

* Using the Schools’ Choice [Enhanced Finance Service](http://schoolschoice.org/?q=node/323) to provide an external independent view to governors and school leaders on the robustness of internal controls and an indication of the integrity of transactions.
* Perform a self-assessment using the basic checklist below. It is recommended that a suitably knowledgeable independent person should perform the assessment and provide a copy of the fully completed and annotated checklist for the governors.

**Internal Financial Controls Self-assessment checklist**

The questions in this checklist are designed to help governors of maintained schools and PRUs in Suffolk evaluate school performance against the requirements set out in the DfE’s SFVS, Suffolk’s LMS Scheme and Finance Regulations.

It is recommended that governors review their school’s performance at least once a year.

Answers in the checklist should be based on what is actually observed at the time of completing each question and not what is expected to happen. To be effective an internal control must operate in practice.

The comments column may be used by the assessor to indicate where there is additional scope for improvements to be made (even where a ‘yes’ answer has been given); or to expand on a ‘no’ judgement to assist governors to identify appropriate action plans.

A ‘no’ answer may not always indicate a problem, it may be that the school has not put in place a particular control because the risk involved is small and the potential loss is acceptable (for example if the cost involved in putting in place stronger internal controls is high). In these situations it is important that governors record their discussions and decisions relating to the risk and regularly review the situation.

**Further Guidance**

[Suffolk Learning](http://www.suffolklearning.co.uk/leadership-staff-development/schools-accountancy) contains statutory information including the Scheme for the Financing of Schools and Finance Regulations.

Guidance on specific issues is available from [Ask Schools’ Choice](https://ask.schoolschoice.org/schools/finance/)

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| **Governor responsibilities** | **Yes** | **No** | **Comments** |
| Was the Governors’ Decision Planner updated in the last 12 months? |  |  |  |
| Was the Record of Financial Responsibility (RoFR) updated using the new template in Autumn 2016? |  |  |  |
| Is the School’s Finance Policy consistent with the RoFR? |  |  |  |
| Did the Whole Governing Body agree the original budget by 31st March? |  |  |  |
| Did the Whole Governing Body agree the 2-Year Strategic Financial Plans by 31st May? |  |  |  |
| Did the governors confirm the 2015-16 Outturn and CFR statement by the end of the 2016 Summer Term? |  |  |  |
| Have the governors considered a report on benchmarked data for the school in the past 12 months? |  |  |  |
| Are arrangements in place to ensure that the governors will meet the requirement to submit their SFVS to the LA by 31st December? |  |  |  |
| Are the governors and headteacher’s pecuniary and business interests published on a publically available website? |  |  |  |

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| **Information and Communications** | **Yes** | **No** | **Comments** |
| Are terms of reference in place for the finance committee? |  |  |  |
| Are the governors provided with termly information about the financial performance of the school in advance of their meetings? |  |  |  |
| Do the governors regularly discuss the financial performance of the school and confirm their actions to address significant variances? |  |  |  |
| Does the finance committee regularly report to full governors on any actions that they have undertaken under the delegation arrangements? |  |  |  |
| Do budget holders (including the Headteacher) receive monthly financial reports from FMS? |  |  |  |
| Do members of the school’s finance team have regular PDR’s/1-2-1’s? |  |  |  |

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| **Managing the risks to public funds** | **Yes** | **No** | **Comments** |
| Are systems in place to ensure that governors and staff are made aware of typical examples of potential fraudulent activities and specific warnings issued by the LA? |  |  |  |
| Is the Register of Pecuniary Interest (governors & staff) up-to-date and complete? |  |  |  |
| Does the school have policies and controls over access to and storage of data (electronic & paper)? |  |  |  |
| Does the school follow SCC IT advice regarding password security? |  |  |  |
| Does the school have procedures for reporting suspicions internally, and to the Local Authority and the police? |  |  |  |
| Is the Whistleblowing Policy readily available to all staff? |  |  |  |

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| **Financial controls – cash and Incomes** | **Yes** | **No** | **Comments** |
| Is there segregation of financial duties to provide an automatic ‘double check’? |  |  |  |
| Are sufficient accounting records kept of all transactions? |  |  |  |
| Are transactions entered on FMS promptly? |  |  |  |
| Are all monies (cheques and cash) recorded immediately? |  |  |  |
| Are envelopes containing monies opened in the presence of two members of staff? |  |  |  |
| Is the cash held on the school site within the insurance limits and held securely? |  |  |  |
| Is cash banked promptly? |  |  |  |
| Is the banking performed by someone other than the person(s) handling the receipt of incomes/cash? |  |  |  |
| Is cash collected for charity banked into the school’s account and subsequently donated promptly? |  |  |  |
| Does the school account for VAT correctly on incomes? |  |  |  |
| Does the school collect incomes/debts owed promptly? |  |  |  |
| Are regular, independent checks made to ensure income records agree with the bank paying-in books and statements? |  |  |  |

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| **Financial controls – payments: ordering & invoices** | **Yes** | **No** | **Comments** |
| Have the governors adopted a Procurement Policy which is in line with the LA model policy? |  |  |  |
| Has the LA Model Procurement Manual been personalised and incorporated into the school’s Local Procedures Manual? |  |  |  |
| Is there segregation of financial duties to provide automatic ‘double check’? |  |  |  |
| Is there evidence that Value for Money is an integral part of the school’s commissioning and procuring arrangements? |  |  |  |
| Does the school seek guidance from the LA’s procurement team prior to making significant commitments (including prior to signing lease contracts)? |  |  |  |
| Are sufficient accounting records kept of all transactions and entered promptly on FMS? |  |  |  |
| Are internal delegation arrangements for budget holders within school clear? |  |  |  |
| Are official orders always raised when an order commitment is made? |  |  |  |
| Are deliveries received checked for damage and confirmed with the order? |  |  |  |
| Are invoices received checked against orders confirming pricing and the receipt of the goods or services ordered? |  |  |  |
| Does the school follow the RoFR about who can authorise payments and sign cheques? |  |  |  |
| Are regular checks made to ensure there are no discrepancies between the payments made and the original invoice or payment records? |  |  |  |
| Are checks made by someone other than the person who made the entry in the accounting records? |  |  |  |

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| **Financial controls - expenses and reimbursements – including petty cash** | **Yes** | **No** | **Comments** |
| Does the school’s Finance Policy cover the payment and reimbursement of expenses? |  |  |  |
| Are expenses reimbursed only where the individual incurred the expense in the course of carrying out the school’s business? |  |  |  |
| Does the expense claim include a self-declaration that the claim is accurate and incurred on the business of the school? |  |  |  |
| The RoFR should state the cash reimbursement limit. Have all reimbursements above this limit been paid by cheque? |  |  |  |
| Are regular independent checks made to reconcile the petty cash float to FMS records? |  |  |  |
| Are claims authorised by someone other than the person making the claim and by someone other than the person who will process the claim? |  |  |  |
| Are details of all cash/cheque reimbursements entered onto SIMS promptly? |  |  |  |
| Have all reimbursements towards the cost of vision tests and glasses complied with the Finance Regulations?  *See also LMS Doc 2015-24* |  |  |  |

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| **Financial controls – payments to individuals** | **Yes** | **No** | **Comments** |
| Does the school make any payments to individuals other than via payroll?  *i.e. individuals deemed ‘self-employed’, for example: visiting authors*  *See also LMS Documents 2015-04 and 2015-27* |  |  | *If no, then the remainder of this section need not be completed* |
| Has an Employment Status Indicator Check (ESI) on the job (not the individual) been undertaken for each case?  *The on-line HMRC* [Employment Status Indicator](https://www.gov.uk/employment-status-indicator) *should be completed for all individuals and the results of the ESI check must be retained by the school.* |  |  |  |
| Has the school followed the results supplied by HMRC/ESI check in each case? |  |  |  |
| Has the school carried out a review of all individuals currently working at the school but not paid through payroll (including individuals deemed ‘self-employed’) to ensure that these requirements are being met in each case? |  |  |  |

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| **Financial controls - bank account** | **Yes** | **No** | **Comments** |
| Does the bank mandate comply with SCC requirements? |  |  |  |
| Is there a practice of not signing blank cheques? |  |  |  |
| Are cheque books etc kept in a secure place with access only by nominated persons? |  |  |  |
| Are cheques signed only with documentary evidence of the nature of the payment, e.g. invoice? |  |  |  |
| Are only named individuals authorised to set up direct debits, standing orders and direct credits? |  |  |  |
| Are systems in place to ensure that automatic payment arrangements are cancelled when the goods and services are no longer being supplied to the school? |  |  |  |
| Is there sufficient division of duty with the bank reconciliation (for both payments and income)? |  |  |  |
| Are regular checks made to ensure income and expenditure records are accurate and agree with the bank statements? |  |  |  |

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| **Financial controls - reconciliations** | **Yes** | **No** | **Comments** |
| Is the weekly Oracle financial data file reconciled on FMS promptly? |  |  |  |
| Are bank statements regularly received and bank reconciliations carried out promptly? |  |  |  |
| Is the monthly FMS to Oracle Management Print reconciliation completed promptly? |  |  |  |
| Have significant variances with the monthly FMS to Oracle reconciliation been investigated and resolved? |  |  |  |
| Is the Diary of Events up-to-date? |  |  |  |
| Has the Headteacher signed the Diary of Events each month? |  |  |  |

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| **Financial controls - payment cards** | **Yes** | **No** | **Comments** |
| Does the school have Payment Cards? |  |  | *If no, then the remainder of this section need not be completed* |
| Does the school have a policy for the use of payment cards, including the criteria for their issue, spending limits and security? |  |  |  |
| Does the school communicate the policy for the use of cards to all staff using them? |  |  |  |
| Are cards cancelled when the holder ceases to work for the school? |  |  |  |
| Is all card expenditure supported by vouchers and invoices and passed to the school’s finance department promptly each time the card is used? |  |  |  |
| Are card statements sent to the school’s finance team and checked to supporting records and invoices? |  |  |  |
| Is the cardholder’s use of the card independently reviewed periodically to confirm its use is consistent with the policy? |  |  |  |

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| **Financial controls - E-Bay and PayPal** | **Yes** | **No** | **Comments** |
| Does the school use E-Bay and/or PayPal? |  |  | *If no, then the remainder of this section need not be completed* |
| Are staff aware of the main risks highlighted by the LA?  *Guidance issued by Schools’ Accountancy Team on Suffolk Learning* |  |  |  |
| Have governors given approval for the use of E-Bay and/or PayPal? |  |  |  |
| Is the guidance issued by the LA being consistently followed? |  |  |  |

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| **Financial controls – PCI DSS**  ***(Payment Card Industry Data Security Standard)*** | **Yes** | **No** | **Comments** |
| Did the school submit the 2016 Certificate of PCI DSS Compliance to the Schools’ Accountancy Team by 31 May 2016? |  |  |  |
| Does the school use 3rd party organisations to collect income on behalf of the school (e.g. ParentPay)? |  |  | *If no, then the next question need not be completed* |
| Has the school obtained an Attestation of Compliance document from each of the 3rd party organisations? |  |  |  |
| Does the school accept/process credit/debit card payments at the school, or hold associated records where they have been in the past? |  |  | *If no to both, then the following questions need not be completed* |
| Does the school hold a PDQ terminal |  |  |
| Does the school have an up-to-date PCI DSS Policy? |  |  |  |
| Does the school complete the PCI DSS Self-Assessment Questionnaire B annually? |  |  |  |
| Is there a comprehensive list of signatures that demonstrates that all staff are aware of the PCI DSS Policy and Procedures? |  |  |  |
| Have all staff using the PDQ Terminal and/or handling data signed an annual declaration confirming that they are regularly reminded of the governors’ Policy and the school’s Local Procedures on payment card processing? |  |  |  |
| Is there evidence that all staff authorised to handle card information have undertaken PCI DSS training recommended by the Local Authority? |  |  |  |
| Does the school securely handle and store the merchant transaction slips to ensure access is restricted to authorised persons only? |  |  |  |
| Does the school securely destroy/dispose of merchant transaction slips? |  |  |  |
| Does the school secure the PDQ Terminal when not in use and ensure access is restricted to authorised persons only? |  |  |  |
| Is there evidence that the PDQ Terminal is examined regularly for signs of tampering? |  |  |  |

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| **Management of fixed assets** | **Yes** | **No** | **Comments** |
| Is a comprehensive fixed asset list held and updated regularly? |  |  |  |
| Is the fixed asset list independently checked annually? |  |  |  |
| Are assets checked regularly to ensure they are still in good repair and are of use to the school? |  |  |  |
| Are staff aware of the Waste Electrical & Electronic Equipment (WEEE) directive (this is important when disposing of all items that are powered by an electric current)?  *Guidance issued by Schools’ Accountancy Team on Suffolk Learning* |  |  |  |

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| **Financial controls - separate School Fund** | **Yes** | **No** | **Comments** |
| Are there any open bank accounts (other than the main delegated budget bank account) which are maintained by staff/governors? |  |  | *If no, then the remainder of this section need not be completed* |
| Are the details of the accounts and signatories consistent with the information recorded on the RoFR? |  |  |  |
| Were the accounts independently audited in the last 12 months and the audited accounts received by the Whole Governing Body? |  |  |  |
| Have governors appointed an independent auditor (may be honorary) for the current accounts? |  |  |  |
| Have governors agreed a School Fund Constitution? |  |  |  |

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| **Assessment Details** | | |
| **Assessment undertaken by:** | *Name:* | *Position:* |
| **Date of Assessment:** |  | |

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| **Discussed by Governing Body:** | **Date:** | | |
| **Significant issues requiring urgent action:** | | | |
| **Concern** | **Action to be taken** | **Timescale for completion** | **Owner** |
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