

BISHOP WORDSWORTH'S SCHOOL  
**GOVERNORS FINANCE & AUDIT COMMITTEE**  
**CONSTITUTION**

**ROLE**

1. This Committee is responsible on behalf of the Governing Body for the Academy Trust public finances.

**COMPOSITION**

2. The Committee shall consist of:

- a. Five Governors, including at least one Member appointed Governor, and the Headmaster.
- b. In attendance (non-voting): the Bursar.
- c. At least one member of the Committee should also serve on the Governors' Pay & Staffing Committee.

3. In addition, the Committee may from time to time co-opt persons with particular expertise or to make a quorum. Any co-opted members are not eligible to vote unless they are governors.

4. A quorum is three Governors.

5. The Company Secretary will be the minuting secretary.

**CHAIR AND VICE CHAIR**

6. The Chair and Vice-Chair shall be elected in accordance with Paragraph one of Section 6 (Governing Body Standing Orders).

**MEETING FREQUENCY**

7. The Committee will normally meet three times each academic year.

**TERMS OF REFERENCE**

8. The Committee shall oversee all aspects of the finances of the School (including medium- and long-term financial planning) and shall in particular:

- a. Consider and recommend to the Governing Body the annual budget for the School and any changes in that budget at the half-yearly stage.
- b. Monitor the performance against the annual budget by consideration of regular income and expenditure statements and cash-flow statements and make any minor adjustments in the budget as may be required from time to time.
- c. Ensure, as far as is within its competence, that the financial procedures and arrangements required by law, by the DfE, by the Auditors and by other authorities are in place and are being properly implemented. This includes reviewing the risks to internal financial control and agreeing a programme of work by the Internal Auditor (IA) that will address these risks and, so far as is possible, provide assurance to the external auditors. This function will be primarily undertaken by a professional IA, as defined in the Academy's Financial Handbook, who will normally be a member of an accountancy firm for whose services the School will pay a fee. The IA will be appointed by the Governing Body, on the advice of the Committee, and the IA Terms of Reference and audit plan will be agreed by the Committee. The IA will report at least twice a year to the Committee. Any serious concerns, particularly any which relate to potential fraud or similar misconduct, shall be reported immediately to the Chair or, if relating to the conduct of the Chair, to the Vice Chair.
- d. Liaise with the Auditors as required and in particular consider the draft annual accounts in conjunction with them and recommend the accounts to the Governing Body.

- e. Authorise the Chair of the Committee to sign, on behalf of the Governing Body, any financial statements, other than the annual accounts, which might be required by the DfE or any other regulatory body.
9. **Public Accounts.** The Committee has delegated executive powers to:
- a. Make minor adjustments to the budget (see Sub-para 8b above).
  - b. Agree the IA TOR and audit plan (see sub-para 8c above).
  - c. Agree all financial statements and reports except the annual accounts (see Sub-para 8f above).
  - d. To make miscellaneous financial decisions (e.g. write-offs).
  - e. To enter into contracts above £75,000. (The Headmaster has delegated authority for contracts under £75,000).
  - f. To approve the Financial Procedure Manual.
  - g. To investigate irregularities (other than if the Headmaster is suspected).
  - h. Review and approve the Charges & Remissions Policy annually and any other policies for which the Link governor sits on the Committee.
10. Require advance information from other sub-committees of the Governing Body or from the School on all matters which can be deemed to have a material financial implication if implemented.
11. Make appropriate, regular reports of discussion, actions and/or recommendations to the Governing Body.
12. Ensure that the Minutes of meetings are kept and distributed as directed by the Governing Body.
13. **Voting Procedure.** Only Governors may vote. In the event of a tie, the Chairman of the meeting shall have a casting vote.
14. **Chair's Action.** In consultation with the Headmaster, the Chair shall have the power to act in all matters relating to the terms of reference of the Committee when urgent action is needed in the interests of the School. Any such action is to be reported at the next meeting to be considered for ratification.

**Annexes:**

- A. Internal Auditor Programme.
- B. Internal Auditor Internal Audit Plan.
- C. Role of Chair.

**EXTRACT FROM ACADEMIES FINANCIAL HANDBOOK  
INTERNAL AUDITOR PROGRAMME BACKGROUND NOTES**

**The Governing Body**

The Governing Body is responsible for establishing and maintaining a transparent system of prudent and effective internal controls.

In managing the academies finances the Governors must, amongst other things make sure that the bank accounts, financial systems and financial records are operated by more than one person.

**Financial systems**

- Financial controls must conform with the requirements of both propriety and good financial management; and
- proper accounting records must be maintained.

**Key standards**

The following key standards for financial administration should guide the Governing Body in developing its financial arrangements.

- **Responsibilities** - the responsibilities of the Governing Body and academy personnel should be clearly defined, documented and allocated.
- **Organisation** - there should be a clear organisational structure with identified lines of reporting for all operations.
- **Control Principles** - financial systems should include adequate controls to ensure transactions will be properly processed and that errors will be detected promptly.
- **Accounting System** - academies should make arrangements to maintain proper accounting records which should be appropriately protected against unauthorised modifications, destruction, disclosure or loss whether by accident or intention.
- **Cash and Banking** - the arrangements for cash handling and the operation of bank accounts should be properly controlled and bank balances should be regularly reconciled to accounting records.
- **Payroll** - there should be efficient procedures for the administration of personnel matters including payroll.
- **Purchases** - purchasing activities should be effectively controlled and designed to achieve the best value for money.
- **Income** - all income due to the academy should be identified and all monies received should be receipted, recorded and banked promptly.
- **Assets** - stock, stores and other assets should be recorded, and adequately safeguarded against loss or theft.

## Internal Auditor

The governing body will need to consider how it monitors and checks the operation of the financial management arrangements that have been established and are operated by officers of the academy. To assist in this they should appoint a person who will have specific responsibility for overseeing the financial arrangements on their behalf. The appointment of this Internal Auditor (IA) must be notified to the DfES.

The IA post is intended to provide an independent oversight of the academy's financial affairs. The main duties of the RO are to provide the Governing Body with on-going independent assurance that:

- the financial responsibilities of the Governing Body are being properly discharged; resources are being managed in an efficient, economical and effective manner; sound systems of internal financial control are being maintained; and financial considerations are fully taken into account in reaching decisions.

To best achieve this it is recommended that the IA perform a series of checks each term. The programme of checks to be performed should be agreed with the Governing Body. After each checking session the IA should provide the Governing Body with a written report. The IA should not be a member of the Finance Committee, as he or she may find it necessary to criticise the workings of that Committee. Instead, the IA should report to the Finance Committee in an advisory capacity.

The IA should be an appropriately qualified and experienced individual not on the academy staff, with the necessary financial interest and skills to be able to perform the role competently. A recognised professional qualification is not necessary. However, the person selected must be able to show that the responsibilities being undertaken are fully understood and the importance of the role is fully recognised. The IA should have sufficient understanding to recognise any irregularities which may arise and sufficient authority to ensure they are addressed. The Governing Body should consider carefully who would make the most appropriate IA. Alternatively, the Governing Body can engage a firm of auditors to aid the IA in this function.

The IA is not expected to do any detailed accountancy work, but will be required to check some transactions to ensure that the correct procedures have been followed. Suggested guidance for issue to IAs, together with details of the expected checks are shown in the Academies Financial Handbook at page 75, but the general areas for review should cover the following:

- Review that bank reconciliations have been carried out each month, including a review of validity of reconciling items;
- Review of the monthly payroll to ensure that any changes have been appropriately authorised;
- Check of a sample of orders to delivery notes and invoices to ensure that the *Academies Financial Handbook 56* documentation is complete and has been appropriately checked and authorised;
- Check of a sample of payments back to invoices, orders and delivery notes to confirm they are bona fide purchases;
- Review of a sample of expense claims to ensure there is appropriate documentation to support the claim and that the claim is appropriately authorised;
- Review the returns to the DfES to ensure the information supplied is consistent with the underlying accounting records and internal management reports;

- Carry out spot checks of petty cash balances and supporting vouchers; and
- Review all major contracts and ensure formal tendering procedures exist and are being adhered to.

## **THE ROLE OF THE INTERNAL AUDITOR**

1. The role of the Internal Auditor (IA) is to provide the Governing Body (GB) with an on-going independent oversight of the academy's financial affairs. Most public sector organisations, and a growing number of private sector organisations, are required to have an internal audit service but due to the relatively small size of academies this requirement is thought to be too onerous. In the absence of an internal audit service it falls to the IA to provide the GB with independent assurance that:

- the financial responsibilities of the GB are being properly discharged;
- resources are managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and
- financial considerations are fully taken into account in reaching decisions.

2. The IA should be a governor (but not the chairman), or an appropriately qualified and experienced individual not on the academy's staff, with the necessary financial interest and skills to be able to perform the role competently. The IA is not expected to do the detailed accounting work personally, but will be required to check some transactions to ensure that the correct procedures have been followed. The IA will need to be sufficiently familiar with the finances of the academy to be able to report to the GB, and hence indirectly to the DfES, that the above requirements have been met.

### **Performance of the IA Role**

3. The conditions of DfES grant, and the financial procedures which the DfES expect the academy to follow, are described in the DfES Academies Financial Handbook, which expands upon the academy's funding agreement with the Secretary of State. Further details may be set out from time to time in financial circular letters, and in the annual funding letters. The main purpose of the RO role is to ensure that these requirements are followed.

4. Internal Auditors are often consulted before significant financial decisions are taken and provide a useful source of advice for academies. However, the IA should also perform a wider role by visiting the academy at least once a quarter and undertaking a series of detailed tests to confirm the operation of the main financial systems. Details of the expected checks are shown overleaf.

5. Written records of the checks performed by the RO should be maintained.

**ANNEX B TO  
GOVERNORS FINANCE & AUDIT COMMITTEE  
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**INTERNAL AUDITOR INTERNAL AUDIT PROGRAMME**

To ensure that financial transactions have been properly processed and that controls are operating as laid down by the Governing Body, the Internal Auditor is responsible for ensuring a programme of checks is undertaken once a term.

A report of the findings from each visit should be presented to the Finance & Audit Committee.

The checks to be undertaken are as follows:

	<b>Test</b>	<b>Comment</b>	<b>WP ref</b>	<b>Sign</b>	<b>Date</b>
	<b>Payroll</b>		-	-	-
1	Select 5 employees from the payroll and check salary details back to personnel records to confirm that the amount paid is correct				
2	Check 5 amendments to the payroll to ensure that appropriately authorised source documentation exists				
3	Review the final payroll print for one month to ensure it has been appropriately authorised				
	<b>Purchases</b>		-	-	-
4	Select payments made within the quarter and ensure:		-	-	-
5	the payment is correctly authorised				
6	the payment is correctly recorded in the accounting system				
7	the invoice is correctly authorised				
8	the invoice agrees to the order				
9	that goods or services have been certified as received				
10	the order is correctly authorised				
11	that the order has been placed				

	with an appropriate supplier				
12	Obtain details of any contracts let with a value over a prescribed limit and review documentation to ensure correct quotation/tender procedures have been followed				
13	Review progress against any significant capital contracts to ensure payments made are appropriate and progress is satisfactory				
	<b>Income</b>				
14	Review receipts from the DfE and sponsors and check that the amounts received agree to source documentation				
15	Select one category of "miscellaneous receipts" and ensure		-	-	-
16	appropriate action has been taken on any overdue amounts				
17	primary records of amounts due reconcile to records of monies collected				
18	monies recorded as collected have been banked promptly and in full				
19	ensure monies collected are correctly recorded in the accounting system				
	<b>Accounting System</b>				
21	Review control account reconciliations to ensure that they have been correctly prepared and authorised				
22	Review through sample checks the procedures used to prepare financial reports issued to governors and officers of the Academy and DfE financial returns to be satisfied that they are				

	completed accurately and promptly				
23	A thorough review of the Academies <b>Finance Manual</b> to ensure systems and controls are in place and adequate in terms of the following: Segregation of duties Adequate and appropriate authorisation				
24	<b>Safeguarding of cash</b> Appropriate spending (standard / cost appropriate) Authority Limits Budget Limits Quote and tendering procedures are adhered to.				
25	<b>Payroll – Review of evidence of:</b> Reconciliation of monthly payroll costs to budgets. Explanation of any variances Details of necessary changes to budget projection and approval of changes.				
27	<b>Month End Procedures</b> Ensure adequate month end procedures are in place. Cut off				
28	<b>Bank mandates and authorities</b> (including systems for BACS and credit cards – policy on usage – receipts/approval/recharge/exit handover)				
29	<b>Bank Reconciliations</b> Regular and timely reconciliations Regular checks Chasing up any old outstanding items				
30	<b>Prompt banking and insurance limits for safes</b>				
31	<b>Petty Cash</b> Authorisation Limits Appropriate				



32	<b>Expense Claims / Hospitality</b> (including ensuring there is a policy for agreed				
33	<b>Identification of any trustee expenditure / claims</b> Suitability Within agreed policy				
34	<b>Restricted income (pupil premium)</b> Adequate controls and reporting				
35	Related party transactions/Register of Interests/Conflicts of interests				
36	Policy on engagement of relatives				
37	Leasing Policy (ensure complies with funding agreement and financial handbook)				
38	Reserves Policy				
39	Adhering to quotation and tendering policy				
40	<b>Financial reporting to Governors</b>  Clear Accurate Timely Within budgetary constraints 3 year forecasting Assessment and reporting of financial implications of decisions before ratified				

**ANNEX C TO  
GOVERNORS FINANCE & AUDIT COMMITTEE  
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**ROLE OF CHAIR**

1. **Liaison.** The Chair of the Finance and Audit Committee and is to liaise with the following personnel:
  - a. **The Head and the Bursar.** Liaison regarding the financial management of the school, particularly:
    - (1) The setting and priorities of annual budgets.
    - (2) The control of expenditure within budget.
    - (3) The monitoring of cash-flow.
    - (4) Medium/long-term financial planning.
    - (5) The preparation of annual accounts and audit.
    - (6) Meeting dates and agendas.
  - b. **The Internal Auditor.** Liaison to confirm that systems and detailed financial procedures are appropriate and secure.
2. **Other Duties.** The Chair is to ensure that the Finance Committee:
  - a. Discusses the school's financial performance regularly and is aware of variances from budget and of any necessary corrective action.
  - b. Reviews the progress of the school in implementing recommendations made by the Auditors or Internal Auditor.
  - c. Seeks additional external advice where required.
  - d. Reports regularly to the Governing Body and immediately if there is particular concern.