

# Academies Financial Management and Governance Evaluation

**Full Return**

November 2011

© For action

## Completion / submission requirements

All academies are required to complete a Financial Management and Governance Evaluation (FMGE) return for submission to the YPLA.

Academies preparing audited financial statements to 31 August 2011 (for submission to the YPLA by 31 December 2011) should submit the completed FMGE return by 29 February 2012.

New academies not yet required to prepare financial statements should submit the FMGE return by the relevant deadline set out in the table below:

<b>Date of conversion / opening</b>	<b>FMGE return submission deadline</b>
On or before 31 July 2011	31 December 2011
1 August to 30 September 2011	31 January 2012
1 October 2011 to 30 November 2011	29 February 2012
1 December 2011 to 31 December 2011	31 March 2012
1 January 2012 onwards	Within 4 months of conversion / opening

Academies should submit:

- An electronic copy of the completed FMGE return in Word format; and
- A scanned, signed copy of the Summary of Grades section;

to [academiesfinancialmonitoring@ypla.gov.uk](mailto:academiesfinancialmonitoring@ypla.gov.uk). Hard copy returns are not required.

We require one return per academy trust, meaning that federations may choose to send just one return for the whole federation. However, federations may find it useful for their constituent academies to complete and submit individual returns.

## Full / summary returns

This is the full version of the FMGE return which must be completed by:

- all federations;
- academies previously self-assessed or assessed by the YPLA with an Inadequate overall rating for financial management and governance;
- any academy that has not previously completed an FMGE return; and
- any academy wishing to upgrade its overall rating for financial management and governance since the last round.

Academies that do not fall into any of these categories may choose to complete either this full return, or the summary version. The academy's accounting officer should decide whether to complete the summary or full version.

## The FMGE return

The FMGE return is in three parts:

- Summary of grades
- Part A: requirements
- Part B: best practice.

The summary of grades section asks you to propose grades for:

- Each of five areas that contribute to the overall evaluation. Two grades should be proposed for each area: one for compliance with requirements for that area (part A) and one for best practice against that area (part B).
- The academy's overall financial management and governance. Your overall grade should be based on the grades for the five areas.

Your proposed grades for each area and overall are interdependent. For example, an academy that fully complies with requirements and adopts best practice in an area may well propose a good or outstanding grade for that area. By contrast, an academy that adopts best practice in an area but does not comply with requirements is very unlikely to be able to justify a good grade for that area.

The possible grades, and our definitions of each of these, are given on the page following the summary of grades section.

### **Completing the FMGE return**

Part A covers mandatory financial management and governance requirements. Please answer all the questions in part A by answering 'Yes', 'No' or 'Not applicable' in the appropriate column:

- 'Yes' answers should be accompanied by a brief description of the evidence held and/or a justification to support the 'Yes' answer;
- 'No' answers in part A, areas 1 to 4, usually indicate a weakness or an area for improvement within the academy's financial management arrangements. Where appropriate, please explain what plans the academy has to address the weakness identified. We further recommend that you complete, for your internal use, an improvement plan showing how you intend to address such weaknesses. The YPLA may ask to see such an improvement plan as part of its validation process;
- 'Not applicable' answers should be accompanied by a brief explanation to confirm why the question is 'Not applicable'.

Part B of the summary return sets out recommended and best practice in academies' financial management and governance. Please provide a response to all the questions in Part B:

- The questions are deliberately broadly phrased and do not ask for a 'yes' or 'no' answer. We want you to write down an explanation, at sufficient length, as to what your academy does in each area of best practice
- Where you identify a weakness or an area for improvement when responding to the questions in Part B, please explain what plans (if any) the academy has to address the weakness. We recommend that you include such weaknesses or areas for improvement in your improvement plan, showing how you intend to address such weaknesses.

Federation returns should provide sufficient detail so that we can understand arrangements across the whole federation. Your responses should make clear whether or not each academy within the federation operates to the same

arrangements. Where systems and controls differ, please explain how the procedures operate for each academy.

We do not need you to send in any detailed written evidence beyond that which you write on the return itself. We do not want you to send in your improvement plan, although we may ask for a copy as part of our initial review or as part of any review visit to the academy.

Your improvement plan should:

- Include all identified weaknesses / areas for improvement;
- Propose steps to address the weaknesses / areas for improvement;
- Identify who is responsible for making improvements;
- Set implementation dates;
- Include a 'follow up' column, so that progress can be monitored.

Your completed FMGE return, together with your improvement plan, should be signed by the accounting officer and shared with the governing body. Governors will then wish to oversee the implementation of your improvement plan.

If you need support completing the FMGE return, guidance and best practice is available from various sources. The [Academies Finance Director forum](#) is a good place to start, especially for those academies that are new to the sector. Alternatively, please contact the YPLA via [academiesfinancialmonitoring@ypla.gov.uk](mailto:academiesfinancialmonitoring@ypla.gov.uk).

### **YPLA review**

We will review your completed return, initially by comparing your responses against the proposed grades. We may need to contact you as part of this initial review process to clarify your responses.

At the end of our initial review of your proposed grades, we will either accept or appropriately moderate each academy's proposed grades. Should we disagree with your self assessed overall grade, we will write to you to set out the reasons for this, and any actions we need you to take in response.

We will then visit a number of academies in 2012 to validate responses by examining key documents and interviewing senior managers and governors at the academy. At the end of these visits, we will also either accept or appropriately moderate the grades. We will visit any academy that does not send us a completed return.

Where either you self-assess your financial management and governance as Inadequate, or our review of your self-assessment indicates that an Inadequate grade is appropriate, the YPLA will formally intervene to secure satisfactory financial management and governance in the academy.

We intervene as the YPLA is required by the Department for Education to monitor financial management and governance in academies, and act to secure improvement where necessary. Both the YPLA and the Department for Education are mindful of the expectations of the parliamentary Committee of Public Accounts, on the advice of the National Audit Office, of the need for academies to have sound financial management and governance.

## Summary of Grades

Name of Academy: \_\_\_\_\_  
 UPIN: \_\_\_\_\_  
 UKPRN: \_\_\_\_\_

We have self-assessed our financial management and governance arrangements for the period from 1 September 2010 (or date of conversion / opening if later) to the present day, using the Financial Management and Governance Evaluation return and our self-assessed grades are summarised in the following table:

Area	Grade derived from part A requirements	Grade derived from part B best practice
1) Financial oversight		
2) Financial planning		
3) Internal control		
4) Financial monitoring		
5) Proper and regular use of public funds		
<b>Overall assessment of financial management and governance</b>		

We have collated sufficient and relevant evidence to support this grade, which we will make available to the YPLA if requested.

Signed: \_\_\_\_\_ (Accounting Officer)  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_

(Provide details of the person(s) we should contact if we have any queries on the FMGE return; name, telephone number, and email address)

## Definitions of Grades

- Outstanding** The academy fully complies with all requirements of the academies' financial handbook (part A only)  
**AND**  
there are many outstanding areas of strength\* and no, or only a few, areas of weakness in the academy's practice of financial management and governance (parts A and B).
- Good** The academy fully complies with all requirements of the academies' financial handbook (part A only)  
**AND**  
there are many good areas of strength\* and no, or only a few, areas of weakness in the academy's practice of financial management and governance (parts A and B).
- Satisfactory** The academy substantially complies with the requirements of the academies' financial handbook (part A only)  
**AND**  
there are some areas of strength\* and some areas of weakness in the academy's practice of financial management and governance (parts A and B).
- Inadequate** The academy does not substantially comply with the requirements of the academies' financial handbook (part A only)  
**AND**  
there are no, or only a few, areas of strength\* and many areas of weakness in the academy's practice of financial management and governance (parts A and B).

\* A 'strength' is where arrangements represent exemplary practice. Arrangements should go beyond mere compliance with the requirements (whether mandatory or best practice).

In contrast, non-compliance with either a mandatory or best practice requirement should be viewed as a weakness.

Very new academies that are not compliant with the mandatory requirements yet because they haven't had time to take appropriate action, should limit their self-assessed rating(s) to Satisfactory.

# Academies Financial Management and Governance Evaluation (FMGE) - Full Return

## Part A: Requirements of Academies per Financial Handbook, Funding Agreement and Other Relevant Documents

1. Financial oversight - the academy's governors and managers have the skills, knowledge and experience and bring these to bear.

Question	Yes / No / N/A	Justification/Evidence
1) Has the governing body appointed a head teacher to the academy who acts as an ex-officio governor? <i>(AFH 1.11)</i>		
2) In managing the academy's finances has the governing body: <ul style="list-style-type: none"> <li>• Made sure that bank accounts, financial systems and financial records are operated by more than one person?</li> <li>• Made sure that all the academy's property is under the control of the trustees?</li> <li>• Kept full and accurate accounting records?</li> <li>• Prepared accruals accounts giving a true and fair view of the academy's incoming resources and application of resources during the year and its state of affairs at the year end?</li> </ul> <i>(AFH 1.14)</i>		
3) Do the governing body, and appropriate committees, meet at least once a term? <i>(AFH 1.26)</i>		
4) Is business conducted solely at governing body meetings that are quorate? <i>(AFH 1.26)</i>		
5) Has the governing body appointed a clerk to the governing body, who is someone other than a governor or the head teacher of the academy? <i>(AFH 1.27)</i>		
6) Does the academy have a sub committee focused on finance, which is able to advise and support the governing body? <i>(AFH 1.31)</i>		
7) Are there agreed terms of reference for the finance committee and any other committee of the governing body? <i>(AFH 2.19)</i>		
8) Is there a written scheme of delegation approved by the governing body? <i>(AFH 1.31)</i>		
9) Is the academy's head teacher identified as accounting officer, who is appointed to be personally responsible to the governing body for: <ul style="list-style-type: none"> <li>• Ensuring regularity and propriety</li> <li>• Ensuring prudent and economical administration</li> <li>• Avoidance of waste and extravagance</li> <li>• Efficient and effective use of available resources</li> <li>• The day to day organisation, staffing, and management of the</li> </ul>		

Question	Yes / No / N/A	Justification/Evidence
academy? <i>(AFH 2.5)</i>		
10) Has the academy appointed as director of finance or equivalent, a person with sufficient knowledge and experience to guide the governing body on financial and administrative systems, audit, and charity accounting matters?  The AFH recommends that this person should be a qualified CCAB accountant or equivalent with some experience in a senior position or a member of the AAT with significant relevant experience. <i>(AFH 2.11)</i>		
11) Has the governing body appointed either one of its members (other than the chair of the governing body or a member of the finance committee) or an appropriately qualified and experienced individual not on the academy's staff as responsible officer? <i>(AFH 2.15)</i>		
12) Has the responsible officer been appointed to provide the governing body and finance committee with on-going independent assurance that: <ul style="list-style-type: none"> <li>• The financial responsibilities of the governing body are being properly discharged</li> <li>• Resources are being managed in an efficient, economical and effective manner</li> <li>• Sound systems of internal control are being maintained</li> <li>• Financial considerations are fully taken into account in reaching decisions?</li> </ul> <i>(AFH 2.13)</i>		
13) Has the governing body or finance committee agreed a programme of checks to be performed by the responsible officer? <i>(AFH 2.14)</i>		
14) Has the responsible officer provided the governing body, or finance committee, with a written report after each checking session? <i>(AFH 2.14)</i>		
15) Is the responsible officer able to show that the responsibilities being taken are sufficiently understood and the importance of the role is recognised? <i>(AFH 2.15)</i>		

1. Financial oversight (part A)	Proposed grade:
---------------------------------	-----------------

2. Financial planning - financial planning secures the academy's short and long term financial health

Question	Yes / No / N/A	Justification/Evidence
16) Has the governing body approved a balanced budget for the year to 31 August 2012 and was that budget submitted to the YPLA by 30 June 2011 or six weeks of receipt of the final funding letter, whichever is later? <i>(AFH 1.7 bullets 3, 5)</i>		
17) Is the academy proposing to budget for its expenditure in excess of expected income in any academic year? If yes, please explain the reasons for this. <i>(AFH 4.5)</i>		
18) Has the governing body, or finance committee, agreed procedures so that all significant in year amendments to budgets are properly notified to them for approval? <i>(AFH 4.9 &amp; 4.10)</i>		
19) Has the academy taken out any borrowing?  If so, did the academy secure the Secretary of State for Education's approval for the borrowing (through the YPLA)? <i>(AFH 1.7 bullet 20)</i>		

2. Financial planning (part A)	Proposed grade:
--------------------------------	-----------------

### 3. Internal control - the academy has in place sound internal control and risk management over its operations

Question	Yes / No / N/A	Justification/Evidence
20) Is there a contingency and business continuity plan in place to deal with crises the academy may face? <i>(AFH 1.37)</i>		
21) Has the governing body ensured that the academy has adequate insurance cover to support its activities and to comply with statutory requirements? <i>(AFH 1.7 bullet 14; 2.27)</i>		
22) Have there been any instances of suspected theft or fraud exceeding the sum specified in the academy's annual funding letter?  If so, did the academy notify the Secretary of State for Education (through the YPLA)? <i>(AFH 1.7 bullet 27)</i>		
23) Has the governing body explicitly approved the academy's accounting policies, as set out in the annual accounts? <i>(AFH 1.7 bullet 7)</i>		
24) Has the academy maintained proper and continuing accounting records throughout the year? <i>(AFH 2.41)</i>		

Question	Yes / No / N/A	Justification/Evidence
25) Has the academy appointed a registered auditor to audit the academies' annual financial statements? <i>(AFH 1.7 bullet 11)</i>		
26) Has the academy prepared annual financial statements to 31 August 2011 and have the financial statements been audited by the appointed auditor? <i>(AFH 1.7 bullet 6)</i>		
27) Were the academy's audited financial statements for 2009/10 submitted to the YPLA by 31 December 2010?  Are the 2010/11 audited financial statements likely to be finalised and submitted to the YPLA by 31 December 2011? <i>(AFH 1.7 bullet 8)</i>		
28) Were the academy's audited financial statements for 2009/10 published as required by the Companies Acts and filed with Companies House and the Charities Commission? <i>(AFH 1.7 bullet 9)</i>		
29) Do the academy's systems of internal control contain any fundamental weaknesses, as reported by the Responsible Officer and / or external auditor?		
30) Has an internal financial regulations / procedures manual been drawn up? If yes, has the manual been approved by the governing body and made available to all staff? <i>(AFH 2.35)</i>		

3. Internal control (part A)	Proposed grade:
------------------------------	-----------------

#### 4. Financial monitoring - governors and managers are kept well informed of the academy's current and forecast financial position.

Question	Yes / No / N/A	Justification/Evidence
31) Are financial reports received at least termly by the governing body and finance committee? <i>(AFH 4.19)</i>		
32) Are there appropriate procedures in place to monitor cash requirements and ensure that the academy will not become overdrawn? <i>(Funding Agreement, para 86)</i>		
33) Has the academy: <ul style="list-style-type: none"> <li>Entered into any guarantees, indemnities or letters of comfort?</li> <li>Written off debts or liabilities over the value specified in the academy's annual funding letter?</li> <li>Made any ex-gratia payments?</li> </ul>		

Question	Yes / No / N/A	Justification/Evidence
<ul style="list-style-type: none"> <li>Made any freehold sales or purchases?</li> <li>Granted or taken up any leasehold or tenancy agreement for more than three years?</li> </ul> <p>If so, was the Secretary of State for Education's approval sought (through the YPLA)?</p> <p style="text-align: right;"><i>(AFH 1.7 bullets 22 to 26)</i></p>		

4. Financial monitoring (part A)	Proposed grade:
----------------------------------	-----------------

5. Proper and regular use of public funds - the academy can demonstrate that funds granted by Parliament have been used as intended.

Question	Yes / No / N/A	Justification/Evidence
34) Have governors spent the academy's income solely for the purposes set out in the academy's governing documents and with absolute fairness between persons qualified to benefit from the charity? <i>(AFH 1.15)</i>		
35) Could the academy demonstrate that no governor or employee has made use of public monies or official business for personal benefit? <i>(AFH 1.16)</i>		
36) Have all governors completed a declaration of their business interests? <i>(AFH 1.19)</i>		
37) Where a governor or employee or related person has any interest, financial or otherwise, in a matter to be discussed at a governors' meeting has the governor or member of staff declared their interest and withdrawn from that part of the meeting? <i>(AFH 1.20)</i>		
38) Could the academy demonstrate that no governor has received any remuneration for their work as trustees, other than payment of all reasonable out of pocket travel, accommodation and other expenses? <i>(AFH 1.23)</i>		
39) Could the academy demonstrate that no governor holds any interest in property belonging to the academy? <i>(AFH 1.24)</i>		
40) Could the academy demonstrate that no governor receives any remuneration in respect of any contract to which the governor is a party? <i>(AFH 1.24, excepting payments under 1.25)</i>		
41) Does the governing body demonstrate the proper and effective use of public funds through the achievement of: <ul style="list-style-type: none"> <li>Probity, that all parties are dealt with fairly and equitably and that there</li> </ul>		

Question	Yes / No / N/A	Justification/Evidence
<p>is no private gain, favouritism or conniption involved in any of the dealings of the governing body</p> <ul style="list-style-type: none"> <li>• Accountability, that the governing body is publicly accountable for its expenditure and for the conduct of its affairs</li> <li>• Value for money, achieved by economy, efficiency and effectiveness in purchasing?</li> </ul> <p style="text-align: right;"><i>(AFH 2.58)</i></p>		
<p>42) Has the governing body established a competitive tendering policy for larger purchases and can evidence compliance with its policy?</p> <p style="text-align: right;"><i>(AFH 2.61)</i></p>		
<p>43) Have there been any times when the competitive tendering policy could not be followed because there is a sole provider for a certain service?</p> <p>If so, has the academy:</p> <ul style="list-style-type: none"> <li>• Demonstrated and evidenced that there is a sole provider; and</li> <li>• Applied and evidenced alternative tests to ensure that value for money is obtained?</li> </ul> <p style="text-align: right;"><i>(AFH 2.63)</i></p>		
<p>44) Has the governing body procured any goods or services from a supplier in whom one of the governors or a member of staff or a related person has a business interest?</p> <p>If so: Did the governing body ensure that the procurement process is competitive, fair and open to protect public funds? Did the governor or member of staff declare their interest and withdraw from any part of the selection process?</p> <p style="text-align: right;"><i>(AFH 2.65)</i></p>		
<p>45) Where a governor or related person has a financial interest in a business exceeding limits that may be specified in the academy's memorandum or articles of association, has the academy not entered into any contract or arrangement with that business?</p> <p style="text-align: right;"><i>(AFH 1.21, 2.65)</i></p>		
<p>46) Have the academy sponsors provided paid services to the academy?</p> <p>If so, are these services subject to competitive tendering procedures?</p>		
<p>47) Has the academy disposed of any asset for which grant of over £20,000 was made, or where land and buildings had been transferred from the local authority at no cost to the academy?</p> <p>If so, did the academy obtain the secretary of state for education's consent (through the YPLA)?</p>		

Question	Yes / No / N/A	Justification/Evidence
<i>(AFH 2.84 bullet 9)</i>		
48) Has the academy disposed of items that collectively originally attracted grant of more than £20,000? If so did it inform the YPLA? <i>(AFH 2.87)</i>		
49) Has the academy sold any asset for which capital grant was received?  If yes, did the academy reinvest all proceeds from the asset sale?  Where proceeds were not all reinvested, did the academy repay the YPLA the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the secretary of state? <i>(AFH 2.88)</i>		

5. Proper and regular use of public funds (part A)	Proposed grade:
--	-----------------

## Part B: Key Elements of Financial Management and Governance

1. Financial oversight - the academy's governors and managers have the skills, knowledge and experience and bring these to bear.

### Section 1: Governors' oversight

Question	Evidence
1) Describe the financial experience, qualifications, and skills available to the governing body and its committees that allow governors to collectively discharge their responsibilities for overseeing financial management and control activities effectively.	
2) Describe how governors review their own effectiveness in overseeing the academy's financial performance, and the soundness of its internal control.	
3) Where significant financial management and internal control decisions are made by the governing body or its committees, how do governors with specific financial and / or assurance qualifications, skills, and experience contribute to these decisions?	
4) Are all of the deliberations and decisions of governors at the governing body, in committee, or elsewhere properly and fully recorded in written minutes that are approved by the governing body, appropriate committee, or other delegation to governors?	
5) How is the governing body informed of the work of the committees?	
6) Has the governing body approved terms of reference for every committee?	
7) Are there any vacancies on the governing body or any of its committees? If so, are there plans in place to fill these vacancies?	
8) Are all committees of the governing body chaired by a governor?	
9) Are governors in the majority on all committees?	
10) Is there adequate succession planning in place to ensure that the membership of the governing body and relevant committees includes appropriate financial management and control experience and expertise at all times?	
11) Has the governing body defined in writing its role, that of its committees, the Responsible Officer, the head teacher as accounting officer, and other Staff?	
12) Have governors established a formal schedule of matters reserved for their decision?	

Question	Evidence
13) Do role definitions state the respective responsibilities of the governing body and staff, limits of delegated authority, and channels for reporting?	
14) Does the governing body take advice from internal and external financial management and control experts, when the complexity of the issues being considered require it?	
15) Where there is no audit committee, how does the governing body ensure sufficient focus on assurance, for example, by incorporating the responsibilities of an audit committee into the terms of reference of the finance committee?	
16) Does the finance committee membership include a CCAB qualified accountant?  If not, are there suitably experienced members of the committee with an appropriate financial background? Please give details.	
17) Is the appointment of external auditors for one year subject to formal reappointment at the discretion of the governing body?	
18) How does the governing body formally assess the performance of the academy's external auditors (ideally at least every five years?)	
19) Are the overall trends upwards for: <ul style="list-style-type: none"> <li>• learner retention;</li> <li>• learner achievement; and</li> <li>• success rates?</li> </ul>	
20) What is the process for escalation to, and consideration by, the governing body of instances where pupil numbers fall below forecast?  Where available in the last eighteen months, give an example of where pupil numbers were below forecast and how the governing body was made aware of the shortfall and considered this.	
21) Where the academy is forecasting a deficit for the current academic year, how have governors addressed this?	
22) How is the governing body made aware of the academy's investment of resources to serve learners, for example, accommodation (capital and maintenance), staff development, and IT?  Describe how the governing body can determine if this investment is	

Question	Evidence
adequate.	
23) How did the governing body consider the most recent increases in senior management team (SMT) remuneration, in light of the academy's overall performance?	
24) Has the academy clearly defined and documented procedures for identifying and collecting income due and for valuing gifts in kind and donated services and facilities?	
25) Has the governing body set a capitalisation limit for assets?	
26) Has the governing body established a policy for the disposal of assets that ensures the best possible value is obtained from the disposal?	
27) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

## Section 2: Management oversight

Question	Evidence
1) Describe the financial qualifications or experience held, and the training undertaken, by those staff with financial management responsibilities, such as the head teacher, director of finance, senior managers and operational budget holders.	
2) How does the senior management team exercise effective oversight of the academy's operations and finances, suitably informed by relevant and timely financial management information and evidence of the operation of internal control?	
3) What resources do the finance and IT functions have to enable them to fulfil their duties as set out in the academies' financial handbook as expressed in the academy's financial regulations?  Does all the evidence available to managers suggest these two functions are fulfilling their duties properly?	
4) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

1. Financial oversight (part B)	Proposed grade:
---------------------------------	-----------------

## 2. Financial planning - financial planning secures the academy's short and long term financial health

### Section 1: Long-term financial planning

Question	Evidence
1) Describe how the academy goes about formulating and approving its longer term financial plans, beyond the current and next academic years.	
2) Describe the extent to which the longer term financial plan takes account of future uncertainties and there potential financial impact, including the use of sensitivity analysis.  Are these reflected in the academy's risk register?	
3) How did the academy's last full academic year outturn compare with the original budget? If significantly different, how did governors and managers review and respond to this difference?	
4) Has a longer term financial plan (three years or more) been prepared in accordance with instructions and timetable approved by the governing body?	
5) Does the first year of the longer term financial plan correspond to the annual budget for the forthcoming financial year?	
6) How does the longer term financial plan demonstrate that the governing body will meet its responsibilities to ensure the:  a. Effective and efficient use of resources b. Solvency of the academy c. Safeguarding of its assets?	
7) Where applicable, have the long term financial plans developed in the last three years proved to be reasonably accurate and, where they were not, what action did governors & management take?	
8) Has the academy set a policy on how it manages and invests cash balances? If not, how is risk and return assessed?	
9) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

## Section 2: Short-term financial planning

Question	Evidence
1) Describe how academy management sets the annual budget for governing body approval then monitors progress against it during the year, taking corrective action where needed.	
2) Has a written procedure, and timetable, been established for setting a budget in advance of each academic year?	
3) Is the preparation of the current academic year budget underpinned by documented assumptions that have proved realistic in the past?	
4) Describe the key financial performance indicators included in the current academic budget, and how progress is monitored against them.	
5) Describe any recent examples of deteriorating performance within the current year against these indicators and how the governors and managers addressed these. Were the actions effective in improving performance?	
6) Before the budget was set, had a need for staff restructuring been recognised? If so, has this been undertaken?	
7) Are separate budgets prepared for significant projects, commercial ventures and capital expenditure? Are these budgets approved by governors?	
8) Identify any significant unexpected events with financial impact that occurred during the last twelve months. How did the academy deal with these in revising its budget if necessary?	
9) If the current academic year's budget has proved to be unrealistic, what action was taken to revise the budget?  Did the governors express any concerns about the revisions made and request further information and/or action?	
10) How are sensitivities and risks, including those relating to cashflow, assessed in the budget setting process?	
11) Has the governing body authorised appointments or changes to terms and conditions of staff?	
12) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

2. Financial planning (part B)	Proposed grade:
--------------------------------	-----------------

--	--

### 3. Internal control - the academy has in place sound internal control and risk management over its operations

#### Section 1: Risk management

Question	Evidence
1) Describe how academy management and governors identify, assess, and mitigate risk both for the academy as a whole and its operations.	
2) Describe how risk management arrangements are embedded throughout the academy.	
3) Describe the current set of top risks the academy faces and the actions it has in place to mitigate these. Are these actions proving effective?	
4) Has the governing body approved a risk management policy?	
5) Is there a risk register in place which is subject to regular review and made available to all staff?  If yes, describe how the risk register is reviewed by governors and managers.	
6) Does the risk register have named individuals assigned to manage each area?	
7) When did the Responsible Officer and external auditors last review the academy's risk management processes?  How effective did these reviews consider the academy's risk management to be?	
8) Did the Responsible Officer or external auditors make any recommendations on the academy's risk management processes? Have they been implemented?	
9) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	
10) Does the academy's insurance cover include:  a. Buildings and contents in accordance with either normal practice or under the terms of any leases held by the academy	

<p>b. Cover against the key causes of damage or disruption in AFH 1.7 bullets 15 and 16</p> <p>c. Employer and public liability cover against the governors responsibility for injuries and illness of staff or third parties, or damage to third party property</p> <p>d. Statutory cover for vehicles operated by the academy</p> <p>e. Any other key risks the academy has identified?</p> <p>Please set out any cover that is for a lower value of claim than those listed in the AFH.</p>	
--	--

Section 2: Internal control

Question	Evidence
1) How do governors ensure that the academy has effective systems of internal control?	
2) Has the governing body considered its financial arrangements against the key standards for financial administration at AFH 2.1?	
3) Describe the action taken to address any significant or fundamental control weaknesses that have been identified by the responsible officer, or the external auditors. Was the action effective?	
4) Have the external auditors been able to certify the academy's financial statements in accordance with established timescales, without the need to make significant adjustments to the draft version presented?  Any delayed signing by the governing body of the financial statements should be identified here. Please specify the reasons for this.	
5) Is the planned audit programme of the Responsible Officer, and the external auditor, agreed in advance with the governing body on the advice of either the finance committee, or the audit committee, where the latter is in place?	
6) Does the programme of the Responsible Officer cover the general areas for review:  a. Review of monthly bank reconciliations b. Review of monthly payroll c. Check of a sample of orders to delivery notes and invoices d. Check of a sample of payments to invoices, orders and delivery notes e. Review of a sample of expense claims	

Question	Evidence
f. Review of returns to the YPLA g. Spot checks of petty cash h. Review all major contracts and ensure formal tendering procedures exist and are being adhered to?	
7) How does the governing body ensure that the financial regulations / procedures in place within the academy are being complied with?	
8) Does the academy have a whistle-blower policy which is readily available to all staff? Describe any incidents of whistle-blowing within the last twelve months. What action was taken on them?	
9) Does the academy have a fraud policy which is readily available to all staff? Describe any frauds against the academy in the last 12 months. What action was taken?	
10) Is there a senior manager in the academy who is responsible for monitoring receipt of sponsorship pledges and following up any non-receipt?	
11) Is an accounting software package with an integrated general ledger system being used?	
12) Where there is an external payroll provider, is there a signed service level agreement in place with a detailed specification of the services to be provided?	
13) How is the payroll authorised by a senior manager for payment after checking?	
14) Have arrangements been made to ensure that any grants paid for specific purposes or other restricted income is ring fenced from the other funds of the academy?	
15) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

3. Internal control (part B)	Proposed grade:
------------------------------	-----------------

4. Financial monitoring - governors and managers are kept well informed of the academy's current and forecast financial position.

Question	Evidence
----------	----------

Question	Evidence
<p>1) Does each meeting of the governing body consider:</p> <ul style="list-style-type: none"> <li>a. A report of the financial position of the academy, including its income and expenditure and financial commitments against its agreed budget</li> <li>b. Whether adequate financial monitoring of the academy's budget and activities is being undertaken</li> <li>c. Progress on any action identified to improve financial arrangements at the academy</li> <li>d. Significant contracts proposed to be entered into the academy</li> <li>e. Details of any significant matters affecting the academy's staff</li> <li>f. Details of any significant matters affecting the pupil's welfare or education</li> <li>g. Details of any significant matters affecting the academy's assets.</li> </ul>	
<p>2) Have governors established an annual plan for their meetings?</p>	
<p>3) Describe the timelines and content of financial reports governors received over the last twelve months dealing with the academy's ongoing business and specific financial matters outside this.</p>	
<p>4) Do financial reports always include accurate, reliable and up-to-date management accounts, budget holder reports, and reports on resource usage and income indicators, for example, staff costs as a percentage of income, staff utilisation and space utilisation?</p> <p style="padding-left: 40px;">If there were any months when the financial reports were either not produced, or were not as complete as they should have been, then please provide details and an explanation.</p>	
<p>5) Is the annual budget in the reports presented to governors the same budget as was originally approved by the governing body?</p> <p style="padding-left: 40px;">If not, were the amendments to the budget documented and approved, as required by the financial regulations?</p>	
<p>6) Are the management accounts presented to the governors and those used by the head teacher and other managers materially consistent?</p>	
<p>7) Have the governors ever commented on the suitability of the financial information provided to them?</p> <p style="padding-left: 40px;">If so, were there any changes made to the financial information provided?</p>	
<p>8) Was the out-turn for the last academic year, as per the final set of year end management accounts, materially consistent with the annual financial</p>	

Question	Evidence
<p>statements? If not, was a reconciliation performed between the out-turn and the financial statements which identified and explained variances, and was this reconciliation provided to governors?</p>	
<p>9) Do the monthly management accounts:</p> <ul style="list-style-type: none"> <li>a. Include detailed staffing budgets</li> <li>b. Include an approved staffing establishment against which staff actually in post are monitored</li> <li>c. Identify performance against budget in the year to date</li> <li>d. Compare performance with previous periods or years in order that trends can be identified and considered</li> <li>e. Project a year end out-turn</li> <li>f. Include a month end and a projected year end balance sheet</li> <li>g. Include a rolling monthly cash flow forecast covering at least the next 12 months</li> <li>h. Include a report on capital spends against budget</li> <li>i. Indicate progress against key objectives</li> <li>j. Include a written commentary that is sufficiently detailed to draw managers' &amp; governors' attention to any key variances against budget that have arisen, explaining the cause</li> <li>k. Outline what actions management is going to take to address these variances?</li> </ul>	
<p>10) Has the academy received ear marked annual grants, or short term deficit funding, from the YPLA in order to continue to operate?</p> <p>How does the academy ensure that ear marked grants are spent in accordance with the terms and conditions for which the funding was provided?</p>	
<p>11) Has the academy undertaken any capital work during the period under review?</p> <p>If so:</p> <p>How does the governing body monitor progress?</p> <p>Do governors receive a separate financial report on capital showing actual costs against budget?</p>	

Question	Evidence
Are the risks associated with the capital development properly reflected in the academy's risk register?	
12) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

4. Financial monitoring (part B)	Proposed grade:
----------------------------------	-----------------

5: Proper and regular use of public funds: the academy can demonstrate that funds granted by Parliament have been used as intended.

Question	Evidence
1) Has a quorum been established for the governing body and all of its committees?  Have there been any inquorate meetings of the governing body or committees during the period under review? If so, how the business was then dealt with?	
2) Has the HM Treasury publication ' <i>Guidance on Codes of Practice for Board Members in Public Bodies</i> ' been circulated to governors?	
3) Does any governor receive any remuneration for their work as trustees, other than reasonable out of pocket expenses?	
4) Have all governors and senior staff completed a declaration of business interests, including 'nil' returns?	
5) Do declarations include all business and financial interests such as directorships, shareholdings, and other appointments of influence within a business or other organisation?	
6) Do declarations include interests of related persons such as parents, spouses, children, personal and business partners where influence could be exerted by that person over a governor or member of staff?	
7) Do meetings of governors and managers include a standing agenda item for those attending to declare any changes to their declaration of-interests?	
8) Has a record of business interests, including nil returns, been maintained?	

Question	Evidence
9) How does the academy ensure that governors do not participate in the discussion or determination of matters in which they have a direct financial interest?	
10) Have there been any settlements in respect of early termination of senior management team members' contracts in the last twelve months? If so, how did the governing body ensure the settlements were proper and regular, represented value for money and were affordable?	
11) Have any staff redundancies been considered during the period under review?  If so, was appropriate advice sought (legal, pensions etc)? How did the governing body ensure settlements represented value for money and were affordable?	
12) Has the governing body established a competitive tendering policy that, taking into account the nature of the goods and services being purchased and the potential suppliers in the market includes:  a. A threshold value (established by the governing body) of goods and services (for a series of contracts or individual contracts above this value) above which a tender should be sought b. The minimum number of tenders that need to be received and considered c. The levels of delegated authority in decision making, for example the financial limits above which all quotations or tenders not be reviewed by the governing body d. A requirement to document and report to the governing body any instance where a tender or quotation other than the lowest has been accepted e. Written procedures for the submission, receipt, opening and recording of tenders?	
13) Has the governing body established the appropriate type of tender and established clear criteria for the evaluation of tenders?	
14) Describe the procedure for avoiding, and being seen to avoid, personal gain, waste or extravagance in use of the academy's resources by governors, employees, or related parties.	
15) Describe an instance where the academy decided to purchase goods and services from some entity within a wider trust structure, or related in some other way, or where open and competitive tendering was not used for a significant purchase or series of purchases.	

Question	Evidence
How was the academy able to demonstrate that it secured value for money, openness, and transparency, including considerations of the interests of sponsors and their representatives?	
16) Please describe any other controls in existence in this section that, while not mentioned above, are relevant to the self-assessment.	

5. Proper and regular use of public funds (part B)	Proposed grade:
--	-----------------

Cheylesmore House  
Quinton Road  
Coventry  
CV1 2WT  
0845 337 2000  
[ypla.gov.uk](http://ypla.gov.uk)

© YPLA 2011  
Young People's Learning Agency

Extracts from this publication may be reproduced for non-commercial educational or training purposes on condition that the source is acknowledged and the findings are not misrepresented.

This publication is available in electronic form on the Young People's Learning Agency website: [ypla.gov.uk](http://ypla.gov.uk)