

THE ROLE OF THE ACCOUNTING OFFICER IN AN ACADEMY

Introduction

Academies are publicly funded independent bodies. This means that they receive funding directly from the Education Funding Agency (EFA), an agency of the Department for Education, rather than through a local authority. They have additional freedoms over local authority maintained schools, for example the authority to set their own pay and conditions, to diverge from the national curriculum, and to vary the length of terms and school days. They are run by an academy trust that is the employer of the staff.

All academy trusts are held to account in their capacity as charities by the Charities Commission. The EFA holds academy trusts to account as central government public bodies for their finances as does OFSTED for academies' teaching. At a local level, they are accountable to other stakeholders including parents, their students and the local community, sometimes through a cooperative. In single academy trusts, the governing body acts on behalf of the trust. In multi-academy trusts, comprising a number of academies, it is the responsibility of the local governing bodies or local academy councils, operating on behalf of the academy trust, to provide a clear vision and strategic direction for each school. The governing body must oversee the financial performance of the school and hold the head teacher to account for its educational performance.

The academy trust is required by its funding agreement with the Secretary of State for Education to designate a named individual as the 'accounting officer' and this designation confers legal responsibility for financial and administrative matters. The delegation is usually made to the head teacher/principal of the school, or the executive head/chief executive officer in a multi-academy trust.

Roles and responsibilities

The accounting officer is personally responsible to Parliament alongside the accounting officers of the EFA and the Department for:

- ensuring regularity
That public money is spent for the purposes intended by Parliament
- ensuring propriety
That expenditure and receipts are dealt with in accordance with Parliamentary intentions - developing and maintaining appropriate standards of conduct, behaviour and corporate governance in the application of funds
- ensuring value for money
The economic, efficient and effective use of available resources
- keeping proper financial records and accounts
- risk management and ensuring that opportunities are not overlooked.

The accounting officer must assure the trust board of the academy's compliance with the requirements of the Academies Financial Handbook the EFA issues, its funding agreement and all relevant aspects of company and charitable law. This means that they must ensure that trust board and governing body members receive the information that they need to perform their roles effectively. The accounting officer is responsible for the day-to-day organisation, staffing and

management of the academy trust. The accounting officer must undertake a leadership role, including setting high standards of financial probity and financial management, and ensuring that these are communicated to staff.

Academies are required to include a governance statement in the annual report of the academy trust. This must set out information on the governance framework of the academy trust and confirm that the trustees have undertaken their responsibility for ensuring effective management systems, including financial monitoring and control systems, are in place. This statement must be signed on behalf of the board by the chair of trustees (usually) and the accounting officer. As part of the accounting officer role, he or she must also sign the annual *Statement on regularity, propriety and compliance* to declare to the EFA that their personal responsibilities to Parliament for the resources under their control have been met and note any significant fraud identified during the year.

What this means in practice

In practice, the accounting officer is the key individual who links the accountability and governance structures of the academy. He or she is a member of the governing body of the academy and must ensure that the academy acts within its powers and that its policies reflect legislative requirements, national policies and local requirements. At the same time, he or she must ensure that the academy trust's operating capacity is aligned with these requirements including its staffing, financial management and control environment. In all its actions, the accounting officer must ensure the academy trust acts in the public interest.

In practice, the accounting officer does not do this all on their own. Many of the tasks, for example drafting policies, running finance systems and processes, and HR support, are delegated to other members of staff.

Supporting the accounting officer – the role of the chief financial officer

Whilst accountability for financial matters cannot be delegated, in the day to day financial management of the academy, the accounting officer will inevitably need to place reliance on the work of the chief financial officer (CFO) or lead finance professional which the academy trust board is required by the Academies Financial Handbook to appoint. It is essential, therefore, that the person appointed as CFO has the accounting officer's trust, and they must be able to work well together. Their roles and responsibilities should be clearly set out so that tensions between the two do not arise, and the CFO should be appropriately qualified and experienced. The following paragraphs set out how the CFO can assist the accounting officer in his or her role.

Decision making

An academy trust must be rigorous in its decision making - the reasons for decisions should be explicit and the supporting information should be recorded. Trustees, governors, and staff should be supported through the availability of appropriate financial advice for all major resource committees including finance (or equivalent) committee, the audit committee, and the governing body(ies). The CFO has a key role to play in ensuring that members of these bodies have the timely, robust and impartial information that they need, together with meaningful financial analysis. This also means that the CFO should be actively involved in and able to bear influence on all material business decisions whenever and wherever they are taken. It is therefore essential that the CFO is a member of the senior management team.

Following on from the above, as part of his or her role, the accounting officer is required to advise the governing body of the academy trust if an action or policy could be contrary to the requirements of the Academies Financial Handbook or EFA guidance. He or she should be able to rely on the CFO to assist in carrying out this role.

Internal control and risk management

To assist the accounting officer, the CFO should lead the agreement and implementation of a scheme of financial delegation and maintenance of a framework of financial controls and procedures for

managing financial risks. He or she and must also determine accounting processes and oversee financial management procedures that enable the institution to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the organisation implements appropriate measures to protect its assets from fraud and loss.

Internal control extends beyond financial control. Academy trusts have a duty to implement processes to review regularly the risks they face across all their operations with a view to reducing that risk to acceptable levels. It is useful for the CFO to help the accounting officer in his or her role by taking the lead in ensuring that risk management and internal control are embedded in all ongoing operations.

The CFO should also have a specific role with regard to stewardship. This includes ensuring that the governance structures in the academy trust include a clear scheme of delegation to committees and staff and that they codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. This means that the CFO will ensure that clear financial regulations and operating procedures are established and work effectively and that they are updated on a regular basis and understood by all in the academy trust to secure probity. He or she will also ensure that the scheme of financial delegation is complied with.

Monitoring the academy's financial position

The accounting officer, governing body(ies) and senior management must monitor the academy's financial position regularly. To assist in monitoring the academy's financial position, the CFO should have responsibility for drawing up budgets, financial targets and performance indicators to help assess delivery. The CFO also has an important role in ensuring necessary financial information and advice is provided to decision makers across the institution.

Value for money

Securing value for money (economy, efficiency and effectiveness) releases resources for higher priorities within an academy trust. The accounting officer should ensure that value for money is the concern of all managers, but it is helpful for the CFO to take the lead in co-ordinating and facilitating a culture of efficiency. The CFO has a key role to play in balancing control and compliance with value creation and performance. Additionally, the CFO can have a key role in developing and improving procurement practice in an academy trust. This may also include ensuring that ethical values influence procurement policy.

Accounting records and statements

Academy trusts are required to keep proper accounting records and to prepare annual financial statements in accordance with the accounts directions issued by the funding body. This specifies that financial statements should be prepared in accordance with *Accounting and Reporting by Charities: Statement of Recommended Practice* (SORP). The accounting officer should be able to rely on the CFO to ensure that financial statements are prepared promptly and meet the reporting requirements: the law, financial reporting standards and professional standards as reflected in the SORP.

Leadership

The accounting officer must undertake a leadership role across the academy trust. This will mean, together with the other trustees and governing body members, determining the strategic direction of the academy trust and its academies (where relevant), and also being responsible for turning policy aspirations into reality. The accounting officer should look to the CFO to align financial planning with the institution's vision and strategic objectives and to develop financial forecasts and budgets that illustrate that the institution's strategy is realistic and capable of being delivered.

It will also mean leading the academy trust through example – by acting as a role model and behaving in accordance with the seven principles of public life. The trust board and governing

body(ies) should promote a culture where acting in the public interest is the norm. They should do this by establishing and living up to specific values for the institution and its staff. These values should be communicated, shared and understood. They can be used to promote an ethical culture, for example through the institution's code of conduct. Conflicts of interest can arise between the personal interests of individuals involved in making decisions within the academy trust and the decisions that trustees, governors or staff need to make in the public interest. The accounting officer should ensure appropriate policies are in place so that decisions are taken objectively and steps are taken to avoid or deal with conflicts of interest whether real or perceived.

Related party transactions

The Academies Financial Handbook places emphasis on the need for the accounting officer to manage carefully relationships with connected parties to avoid real or perceived conflicts of interest and to ensure that restrictions placed on trade that can be undertaken by academy trusts with connected parties are complied with. Senior staff, including the CFO, should assist the accounting officer by exemplifying high standards of conduct and personal behaviour and in ensuring that an appropriate 'tone at the top' is established.

Governance and staffing structures

An academy trust should have appropriate governance and staffing structures in place to ensure that the accounting officer can undertake the role effectively. In order to ensure that he or she can assist the accounting officer to best effect, the CFO should be a member of the senior management team and attend meetings of the major resource committees. This will enable them to provide the objective, professional advice required to help the accounting officer undertake his or her duties.

The finance function will require the resources, expertise and systems to perform its role effectively and to help the accounting officer discharge his or her responsibilities. The CFO should ensure appropriate staffing structures and skills are developed and maintained within this function.

Supporting the accounting officer - scrutiny

As mentioned earlier, accountability for financial matters cannot be delegated. However, the scrutiny and monitoring of this can. Accountability for public expenditure is a core requirement for academy trusts. They are held accountable by intermediary stakeholders, such as external auditors and inspectors, on behalf of the primary stakeholders- the funders. They are also accountable to the students and their parents, other service users, and taxpayers. The CFO is well placed to assist the accounting officer by providing information and advice to those who scrutinise the institution.

Each institution should have in place a process for independent checking of financial controls, systems, transactions and risks. This function should report at least annually to the governing body and accounting officer. The report should be considered by the audit (or equivalent) committee. This process and the work of the audit committee provide assurance which the accounting officer will draw on in forming an opinion, for signing the annual governance statement, and for completing the annual statement on regularity, propriety and compliance.

Further reading

- The Role of the Chief Financial Officer in Academies (CIPFA, 2013)
- A Model Set of Financial Regulations for academies, colleges and universities (CIPFA, 2013)
- Understanding strategic risk management in academies and further education colleges (CIPFA, 2014)
- Effective governance and financial management in academies (CIPFA, 2011)
- Academies Financial Handbook 2014 (EFA, 2014)
- Academies Account Direction 2013 to 2014 (EFA, 2014)
- Managing public money (HM Treasury)
- Governors' handbook for governors in maintained schools, academies and free schools (DfE, 2014).