

# the role of the chief financial officer

in Academies

2013

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

## Contents

Acknowledgements.....	1
Foreword.....	2
Definitions used throughout the document.....	4
Introducing the Role of the Chief Financial Officer in Academies.....	6
Principle 1.....	7
Principle 2.....	11
Principle 3.....	14
Principle 4.....	19
Principle 5.....	22
Appendix A: Objectives of the Charities SORP.....	24
Appendix B: A Possible Job Description.....	25

# \ acknowledgements

This guide has been produced by CIPFA's Academies, Colleges and Universities Panel. The members of the Panel are:

Liam McCabe (Chair)	University of Stirling
Kirsten Gillingham (Vice-chair)	St Anthony's College, University of Oxford
Kerry Ace	CIPFA
Shirley Atkinson	University of Sunderland
David Beattie	formerly the Barnfield Federation
Adrian Bowater	Walsall Academy
Bob Deed	Cardinal Newman College
Julian Gravatt	Association of Colleges
Keith Howkins	Education Funding Agency
Ann Hughes	Education Funding Agency
Julian Knight	HEFCE
Ian Looker	PricewaterhouseCoopers
Ketan Mavani	WSP UK
Stephanie Mason	Baker Tilly
Ian Nutch	Financial Consultant
Peter Newson	Education Funding Agency
Brian Page	Epping Forest College
Tim Priestly	Sirius Academy
Mike Rowley	KPMG
Emma Smith	Welsh Government
Pete Smith	Borders College
Allan Spencer	University of Sussex
Gwndaf Tobias	University of Wales, Trinity St David
Graham Try	East Berkshire College
Peter Ward	Scottish Funding Council
Paul Wright-Anderson	National Audit Office
David Yorath	Cotham Academy & Bristol Schools Forum

# \ foreword

The chief financial officer (CFO) occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. Achieving value for money and securing stewardship are key components of the CFO's role in public service organisations.

This guide to the role of the CFO describes the role and responsibilities of CFOs in academy trusts including free schools, studio schools, university technical colleges and city technical colleges. It builds on CIPFA's *Statement on the Role of the Chief Financial Officer in Public Service Organisations*<sup>1</sup> which was published in 2009, and interprets the principles and roles set out in that document for academies. The statement and approach from the generic guide are set out below.

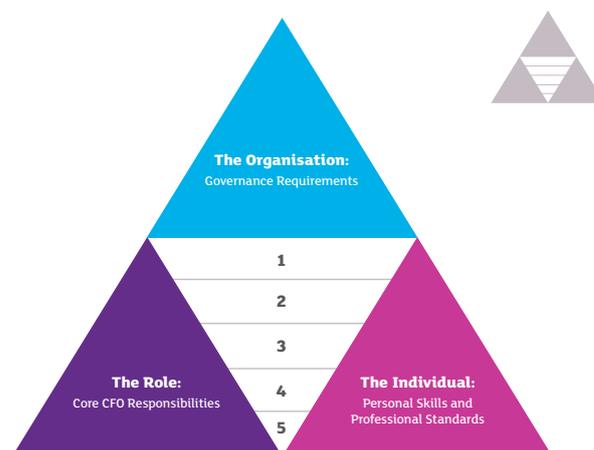
## Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- The Organisation;
- The Role; and
- The Individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.



<sup>1</sup> [www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-public-service-organisations](http://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-public-service-organisations)

## **CIPFA Statement on the role of the Chief Financial Officer (CFO) in public service organisations**

### **The CFO in a public service organisation:**

- 1** is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2** must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- 3** must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### **To deliver these responsibilities the CFO:**

- 4** must lead and direct a finance function that is resourced to be fit for purpose; and
- 5** must be professionally qualified and suitably experienced.

The *Role of the Chief Financial Officer in Academies* is not intended to be exhaustive – the list of other potential roles that the CFO might take on is diverse. Different institutions make different choices. This guide sets out the key responsibilities of the CFO in academies as well as the personal skills and professional standards that are critical to success in the role.

This guide will be of interest to executive heads of institutions, members of governing bodies, officers of institutions and finance practitioners who are new to the sector, as well as CFOs and to those aspiring to this demanding and complex role.

### **Key recommendations for good practice in academies**

- The academy should clearly designate an employee in the role of CFO who has a direct reporting line to the principal.
- The CFO should be a key member of the senior management team with a status equivalent to other team members.
- The CFO must be involved in, and able to bring influence to bear on, all material business decisions.
- The CFO must lead the promotion and delivery by the whole organisation of good financial management.
- The CFO must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO would benefit from being professionally qualified and must be suitably experienced.

# definitions used throughout the document

The public services have a variety of organisational structures and governance arrangements. Set out below are the terms used throughout the generic *Statement on the Role of the Chief Financial Officer in Public Service Organisations* together with an explanation of the terms in general use in academies where appropriate.

<b>Chief financial officer (CFO)</b>	The organisation's most senior executive role charged with leading and directing financial strategy and operations. In academies this refers to the 'principal finance officer' role which institutions are required to appoint by the funding body. This officer could have a variety of titles (for example director of finance, bursar or business manager) and may have other roles – such as estates or IT – in addition to his or her financial responsibilities. This guide relates to the finance role only.
<b>Leadership team</b>	Comprises the board and management team. This concept is explored for academies under Principle 1.
<b>Board</b>	<p>The group of people charged with setting the strategic direction for the organisation and responsible for its achievement. This is the governing body and in academies this is normally called the 'board', 'academy trust board' or 'board of trustees'.</p> <p>It operates on behalf of the <b>academy trust</b> which is the legal body responsible for running the academy.</p>
<b>Management team</b>	The group of executive staff comprising the senior management charged with the execution of strategy. In academies this is often called the 'senior management team'.
<b>Chief executive</b>	The most senior executive role in the organisation. In academies this will normally be the principal/head teacher. He or she is accountable for the use of public funds provided by the funding body to the board and through it to the secretary of state and Parliament.
<b>Managers</b>	Staff responsible for the achievement of the organisation's purpose through services/ businesses and delivery to its clients/customers. In academies the term covers a wide variety of staff. It can include the principal and vice principals, heads of academic departments, heads of support and administrative services.
<b>Finance function</b>	The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.
<b>Governance<sup>2</sup></b>	The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.
<b>Financial management<sup>3</sup></b>	The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

---

<sup>2</sup> *The Good Governance Standard for Public Services*, CIPFA, 2004

<sup>3</sup> *CIPFA FM Model 2009*

<b>Audit committee</b>	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
<b>Internal audit</b>	An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives.
<b>Head of profession</b>	The individual charged with promoting professional standards within the organisation.
<b>Annual governance report</b>	The mechanism by which an organisation publicly reports on its governance arrangements each year. In academies, institutions are required to publish with their financial statements a statement of corporate governance and statement of responsibilities including reference to the institution's systems of internal control and risk management.
<b>Public service organisation</b>	One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned, and receive public and/or charitable funding.

# introducing the role of the chief financial officer

## in Academies

### Background

This guide to the role of the CFO in academies advises on how CIPFA's overarching *Statement on the Role of the Chief Financial Officer in Public Service Organisations* can be interpreted for academies. This guide includes sections on the five core principles from the overarching statement. Each section considers the principles in an academy context.

The *Academies Financial Handbook* issued by the Education Funding Agency sets out the duties and obligations of an academy trust which has a funding agreement with the secretary of state for education. Academy trusts must:

- as companies, produce audited company accounts
- as charities, maintain accounting records and prepare and publish accounts in line with *Accounting and Reporting by Charities: Statement of Recommended Practice* (the SORP)
- as public bodies, ensure regularity, propriety and value for money in their management of public funds.

The academy trust must designate a named individual, normally the principal, as the 'accounting officer'. This post confers responsibility for financial and administrative matters. This is a vital role, as the accounting officer is personally responsible to the governing body for:

- ensuring regularity and propriety
- prudent and economical administration
- avoidance of waste and extravagance
- efficient and effective use of available resources
- the day-to-day organisation, staffing and management of the academy.

As the executive head, the principal is responsible for running the institution and as such his or her duties are very wide. Academy trust boards are therefore also required by the funding body to appoint a 'principal finance officer' – a chief financial officer, finance director, business manager or equivalent. Academies must, therefore, have **someone clearly designated** in the CFO role. This person should have a direct reporting line to the principal.

Financial management will be delegated to a CFO, who will take professional responsibility for such areas of an institution's work.



# \ principle 1

The CFO in a public service organisation is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.

## Key member of the Leadership Team

Collectively the leadership team is responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. In recognition of the centrality of financial issues to organisational success it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other board members. HM Treasury recommends 'It is good practice for all other public sector organisations to do the same, and to operate to the same standards'.<sup>4</sup> CIPFA supports this recommendation which points to the need for the proper recognition of the role of finance at the highest management level.

For the purpose of this guide, the concept of 'leadership team' includes the governing body, the senior management team and key committees of the institution. The centre of the institution's decision making process, for most institutions, is the senior management team, which may also be referred to as the 'academy leadership team' or 'school leadership team'. The CFO should play a key role within these leadership teams. **He or she should have defined responsibilities and powers; should report directly to the principal and be a member of the senior management team, with a status at least equivalent to other members.**<sup>5</sup> The CFO must also, therefore, behave in ways that are consistent with the institution's agreed values and objectives.

The CFO has an important role in supporting and advising the governing body on all financial matters. The CFO must therefore have access to all governors – individually and collectively – and vice versa, and establish a good professional working relationship with them founded on mutual trust and respect. The CFO will need to work particularly closely with some individual governors – for example the chairs of finance and audit committees.

## Developing and implementing organisational strategy

Academies face many challenges. Alongside exploring their new found freedoms there is a continual emphasis within institutions on delivering value for money from public funds. There is also increasing competition between institutions, partly prompted by the funding methodologies adopted by the funding body, however partnership and co-operation between institutions continue to be seen as important in education policy. Academies are also participating in partnerships with a variety of public, private and voluntary bodies. Many are sponsored by businesses, universities or colleges.

Strategic planning needs to be based on an understanding of the external landscape, the institution's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Finance translates ambitions and goals across the organisation into a common language, so the CFO must share in the strategy development and implementation responsibilities of the leadership team.

## Helping resource and deliver organisational objectives

Chief financial officers in academies may hold a range of different responsibilities beyond finance. However, organisations must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the CFO can result in poor financial outcomes for the institution. Setting out the core CFO responsibilities in this guide is intended to allow academies and their CFOs to assess their job descriptions, to ensure that their core finance responsibilities can be properly performed.

<sup>4</sup> *Managing Public Money*, Annex 4.1, HM Treasury, 2013

<sup>5</sup> *The Statement on the Role of the Chief Financial Officer in Public Service Organisations* recommends that if different organisational arrangements are made the reasons should be explained publicly in the institution's annual governance report together with how these deliver the same impact.

Academies need to engage with partners through a range of collaborative relationships in order to realise their goals. Partnership working and the focus on outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the institution and have appropriate involvement in partnerships' business decisions and formal contracts arising. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in partner organisations.

### **Delivering the institution's strategic objectives sustainably and in the public interest**

Academies have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term. They must manage cash appropriately and avoid going overdrawn.

Maximising public value involves an appreciation of student and local community needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often needs to grapple with rationing and difficult trade-offs between present and future benefits. The overarching long term need to match financial resources to the academy's purposes and policies, within constraints of affordability, taken with the responsibility to the local community and taxpayers for financial stewardship, means that the CFO must contribute actively to cross-organisational issues and to corporate decision making.

Public finance is complex and highly regulated, and the CFO must contribute expert technical advice and interpretation. CFOs will need to strike a balance between public and organisational interests and take account of relevant charities legislation.

The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the academy remains a going concern.

To ensure that the necessary corrective action is implemented, the CFO must have direct access to the principal, the audit committee and to external audit as well as leadership team members.



## Governance requirements

## Principle 1

- Set out a clear statement of the respective roles and responsibilities of the leadership team and its members individually.
- Ensure that the CFO reports directly to the head of the institution and is a member of the senior management team with a status at least equivalent to other members.<sup>6</sup>
- Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the governing body, and ensure that it is monitored and updated.
- Ensure that the institution's governance arrangements allow the CFO:
  - to bring influence to bear on all material business decisions
  - direct access to the principal, leadership team members, the audit committee and external audit.
- Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.



## Core CFO responsibilities

## Principle 1

- Contributing to the effective leadership of the institution, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective management of the institution, including strategy implementation, cross-organisational issues, integrated business and resource planning, risk management and performance management.

<sup>6</sup> *The Statement on the Role of the Chief Financial Officer in Public Service Organisations* recommends that if different organisational arrangements are made the reasons should be explained publicly in the institution's annual governance report together with how these deliver the same impact.



## Personal skills and professional standards

## Principle 1

- Build strong working relationships with leading governors, other senior managers and the institution's partners and stakeholders based on mutual trust and a clear understanding of roles and responsibilities.
- Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct and personal behaviour.
- Support collective ownership of strategy, risks and delivery.
- Balance conflicting pressures and needs, including short and longer term trade-offs.
- Demonstrate strong commitment to innovation and performance improvement.
- Comply with ethical standards<sup>7</sup> and with the seven principles for the conduct of people in public life. Impartiality is a further fundamental requirement of those operating in the public services.

---

<sup>7</sup> and with the IFAC *Code of Ethics for Professional Accountants*, as implemented by local regulations and accountancy bodies where applicable. The fundamental principles set out in the code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.



# \ principle 2

The CFO in a public service organisation must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's overall financial strategy.

## Responsibility for financial strategy

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality, by aligning financial planning with the vision and strategic objectives for the institution.

In academies, the governing body is responsible for the overall strategic direction of the institution **but it will look to the CFO** to develop the financial strategy and to monitor its delivery. The financial strategy sets the context for the development of both financial forecasts and budgets and often validates the rest of the academy's strategy, since it ensures that the overall strategy is both realistic and capable of being delivered. The financial strategy needs to be integrated with the other key strategies to ensure that the academy has sufficient resources and that it will maintain financial solvency and deliver value for money overall.

The CFO must also develop and manage resource allocation models to optimise outputs and benefits within funding constraints. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass annual operations, financial targets and benchmarks. They must also take into account future commitments, resources available and the desirable levels of reserves, to ensure that the institution's finances remain sustainable.

## Influencing decision making

Academies must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on, all material business decisions whenever and wherever they are taken.

The CFO must be able to advise the leadership team directly, in order to enable it to discharge its responsibilities in relation to the institution's financial health and long term viability. Where the committee system is a major vehicle for decision making, it is important that the CFO is available to support governors and officers with appropriate financial advice at meetings of the major resource committees, including the finance and planning and resources committee as well as the audit committee and governing body. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others, and influence material business decisions.

## Financial information for decision makers

The CFO has an important role in ensuring necessary financial information and advice is provided to the leadership team and decision makers at all levels across the organisation. Meaningful financial analysis and robust and impartial interpretation are key components in performance management, asset management, investment appraisal, risk management and control.



## Governance requirements

## Principle 2

- Establish a medium term business and financial planning process to deliver the academy's strategic objectives, including:
  - a medium term financial strategy to ensure sustainable finances
  - a robust annual budget process that ensures financial balance
  - a monitoring process that enables this to be delivered.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and giving clear explanations of financial issues and their implications.



## Core CFO responsibilities

## Principle 2

### Responsibility for financial strategy

- Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.
- Maintaining a long term financial strategy to underpin the institution's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Leading on asset and balance sheet management.
- Co-ordinating the planning and budgeting processes.

### Influencing decision making

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Developing and maintaining effective processes for the scrutiny, challenge and agreement of budgets between the planning function and budget holders.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.
- Advising on resources, partnership opportunities and risks to support strategy development proposals for front line activities.



## Core CFO responsibilities

## Principle 2

### Financial information for decision makers

- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Translating the financial strategy into firm budgets and preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.



## Personal skills and professional standards

## Principle 2

- Implement appropriate management, business and strategic planning techniques.
- Link financial strategy and overall strategy.
- Demonstrate a willingness to take and adhere to difficult decisions – even under pressure.
- Take ownership of relevant financial and business risks.
- Network effectively within the organisation to ensure awareness of all material business decisions to which CFO input may be necessary.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards both personal and organisational.
- Demonstrate a strong desire to innovate and add value.
- Challenge effectively, and give and receive constructive feedback.



# \ principle 3

The CFO in a public service organisation must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

## Promotion and delivery of good financial management

Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The 'leadership' collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the organisation.

The CFO must actively promote financial literacy throughout the academy, so that the leadership team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

In an academy where financial management is, to any extent, devolved to academic and non-academic managers, staff outside the finance department have responsibility for financial processes and financial decisions. It is essential that the CFO and the finance department work in an effective partnership with these staff.

## Value for money

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money (economy, efficiency and effectiveness) releases resources that can be recycled into higher priorities. Value for money should be the concern of all managers, but the CFO will need to take the lead in co-ordinating and facilitating a culture of efficiency. This will involve approaches and techniques such as:

- enabling the academy to measure value for money, and making sure that it has the information to review value for money and performance effectively
- advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources

- providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical.

As the senior officer normally responsible for overseeing the procurement strategy, the CFO has a key role in developing and improving procurement practice in his or her academy. All academies should ensure that their procurement functions are properly skilled and resourced, and making the best use of purchasing position, electronic procurement, forms of contract and procurement methods across departments.

The institution is regarded as the trustee of public funds, and academies are charitable bodies. The CFO has a prime obligation and duty to assist the accounting officer and the governing body in their responsibility for delivering value for money from those public funds and complying with their duties as charity trustees.

## Safeguarding public money

Academies are responsible for ensuring regularity, propriety and value for money for the public funding they receive. The *Academies Financial Handbook* requires that an academy trust must be able to show that public funds have been used as intended by Parliament. It therefore must:

- have sound internal control and risk management processes
- have processes to enable governing body members and managers to monitor the institution's current and forecast financial position
- prepare financial plans to secure short-term and long-term financial health
- ensure its trustees and managers have the skills, knowledge and experience to run the academy trust.

This places a requirement on the academy trust to:

- approve a set of accounting policies
- maintain proper accounts
- prepare annual financial statements.

As academies are classified as central government public sector bodies, they are also covered by central government accounting principles, including government legislation. This means that financial information about academies is consolidated within the DfE's financial statements and estimates.

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must 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. Academies 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. The CFO will often be expected by his or her institution to take the lead in ensuring that risk management and internal control are embedded in all ongoing operations.

The CFO also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting.

### **Assurance and scrutiny**

Accountability for public expenditure is a core requirement for academies. They are held accountable by intermediary stakeholders, such as external auditors and inspectors, and by primary stakeholders – funders, the students and their parents, other service users and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the academy on financial matters and in building relationships with stakeholders. The CFO must

also provide information and advice to those who officially scrutinise and review the institution: funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press will also expect information.

Each institution must 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 the accounting officer. The report should be considered by the audit (or equivalent) committee. It is the responsibility of the governing body, advised by its audit committee, to decide the best way to achieve an effective system for independent checking, such as an internal audit service.

Internal audit provides an important independent internal scrutiny activity. Academies may obtain their internal audit service on a contract basis either individually or as a group of institutions. Where it exists, the CFO must support the academy's internal audit arrangements, whether or not the function reports directly to him or her, and ensure that the audit committee or equivalent receives the necessary advice and information, so that both functions can operate effectively.

The role of the CFO in external reporting is to meet the reporting requirements relevant to the academy and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated by the CFO maintaining a constructive professional relationship with external auditors and inspectors.

Academies 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 objectives of the SORP are included at Appendix A to this guide.

The CFO has a key role in liaising with the academy's funding body and regulator. It is important to ensure that high quality information is provided on time and presents a consistent picture of the academy's finances. The CFO will need to ensure that regulatory relationships are based on trust and a shared understanding of the academy's finances.



## Governance requirements

## Principle 3

- Make the CFO responsible for keeping financial records and accounts, and for maintaining an effective system of financial control designed in conformity with appropriate ethical standards.
- Address the academy's arrangements for financial and internal control, for managing risk in annual governance reports and for publishing in line with the regulatory requirements.
- Publish annual financial statements on a timely basis to communicate the institution's activities and achievements, its financial position and performance.
- Maintain and resource an effective internal audit function or equivalent.
- Develop and maintain an effective audit committee or equivalent.
- Ensure that the organisation makes best use of resources and that taxpayers and/or service users receive value for money.
- Embed financial competencies in person specifications and appraisals.
- Ensure that managers' roles and responsibilities for monitoring financial performance/budget management are clear.
- Assess the financial skills required by members of the leadership team and other managers and commit to develop those skills to enable their roles to be carried out effectively.



## Core CFO responsibilities

## Principle 3

### Promotion of financial management

- Assessing the academy's financial management style and the improvements needed to ensure it aligns with the academy's strategic direction.
- Actively promoting financial literacy throughout the academy.

### Value for money

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function.
- Advising on the financial thresholds for 'key' decisions where required.
- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long term commercial contract value.

**Safeguarding public money**

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include clear financial regulations and operating procedures and ensuring that they are updated regularly and understood by all to secure probity.
- Ensuring that the institution has put in place robust arrangements for evaluating the effectiveness of the control environment and systems of internal control as required by professional standards.
- Ensuring that delegated financial authorities are respected.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Implementing appropriate measures to prevent and detect fraud and corruption.
- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.

**Assurance and scrutiny**

- Reporting performance of both the academy and its partnerships to the governing body and other parties as required.
- Ensuring that financial and performance information presented to members of the public, and a whole range of outside bodies including the funding body covering resources, financial strategy, service plans, targets and performance, is accurate, clear, relevant, robust and objective.
- Ensuring that financial and non-financial data underpinning information supplied to outside bodies such as the funding body is accurate and clear and that the systems generating such data are robust.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in *Accounting and Reporting by Charities: Statement of Recommended Practice*.
- Liaising with the external auditor and ensuring that external auditors, governors and colleagues are aware of the institution's financial arrangements and controls.<sup>8</sup>

<sup>8</sup> The CFO may also have responsibility for compliance with legislation such as the Bribery Act and data protection. He/she may also be responsible for risk management and business continuity planning.



## Personal skills and professional standards

## Principle 3

- Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.
- Place stewardship and probity as the bedrock for management of the institution's finances.



# \ principle 4

The CFO in a public service organisation must lead and direct a finance function that is resourced to be fit for purpose.

## Meeting the finance needs of the business

The organisation of finance functions across the public services is changing rapidly. In some sectors finance teams have been devolved to business areas. Arrangements may also include outsourced functions, or services shared between organisations. However it is organised, the finance function must also have a firm grasp of the organisation's financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the organisation's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Although the finance function has a prime responsibility to support members of the academy governing body and all levels of management in the delivery of education, it also has to maintain important relationships with a complex variety of stakeholders including the local community and government bodies. Key business relationships essential to the effective and efficient performance of the finance function include:

- the funding body
- external agencies
- government departments
- all the institution's employees plus pensioners
- the academy's students (past, present and future)
- tax authorities (HMRC)
- professional advisers (includes auditors, bankers, insurers and solicitors)
- other schools, further and higher education institutions
- the local community, including the business community and the general public.

## Appropriately developed finance skills

The CFO has a particular responsibility for learning and development among finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that the 'head of profession' role for accountants and/or finance specialists organisation-wide is properly discharged in order to ensure that regulatory and professional standards are complied with and that appropriate training and support are available. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the CFO, where this is not a direct line management relationship.



## Governance requirements

## Principle 4

- Provide the finance function with the resources, expertise and systems necessary to perform its role effectively and discharge its responsibilities.
- Ensure there is a line of professional accountability to the CFO for finance staff throughout the institution.



## Core CFO responsibilities

## Principle 4

- Leading and directing the finance function so that it makes a full contribution to, and meets the needs of, the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that the 'head of profession' role for all staff with finance duties in the organisation is properly discharged and ensuring that appropriate financial training and support are available.
- Acting as the final arbiter on the application of professional standards.



## Personal skills and professional standards

## Principle 4

- Create, communicate and implement a vision for the finance function and ensure that there is a clear understanding of what the finance function will provide, the timescales, format and content.
- Establish an open culture, built on effective coaching and a 'no blame' approach.
- Promote effective communication within the finance department, across the broader organisation and with external stakeholders and ensure that there are suitable processes for reviewing standards of service delivery and customer satisfaction levels.
- Demonstrate high professional standards and maintain up to date competencies and skills.
- Set and monitor meaningful performance objectives for the finance team.
- Promote high standards of ethical behaviour, probity, integrity and honesty and exercise leadership by conducting him/herself in accordance with high standards of personal and professional behaviour.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.

# \ principle 5



The CFO in a public service organisation must be professionally qualified and suitably experienced.

## **Demonstrating professional and interpersonal skills**

The CFO must be able to demonstrate their own professional standing to exercise financial leadership throughout the organisation. Where the CFO is a member of a professional body, his or her skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.<sup>9</sup>

The CFO must communicate complex financial information in a clear and credible way. He or she should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The Education Funding Agency requires that an academy trust's finance staff must be appropriately qualified and/or experienced. CIPFA believes that an academy will benefit greatly from ensuring that its CFO is a member of an accountancy body recognised by the International Federation of Accountants (IFAC). A professional qualification can help a CFO gain the confidence of the institution's finance team, academic staff, other colleagues, and external parties who deal with the institution. However, a CFO needs to demonstrate a skill set beyond a professional qualification. This means that, to be effective, CFOs should not only have a background of technical expertise but also display strong leadership and interpersonal skills.

A CFO is in a position of leadership and influence within an institution. An evident commitment to personal development and learning is an important quality to exemplify as the head of the finance function in the institution. CIPFA believes

that, to maintain their competence, CFOs should commit themselves to their own continuing professional education. Qualified accountants are required by their professional codes to do this. It is recommended that they participate in and promote the continuing professional development scheme of their professional body.

Components of a possible job description encompassing these skills and attributes are included at Appendix B to this guide to assist those responsible for appointing a new CFO. It is not envisaged that it provides a set example, rather that individual institutions will take the points relevant to their own circumstances.

## **Applying business and professional experience**

The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the leadership team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the organisation that finance matters and is a key part of everyone's job throughout the institution.

---

<sup>9</sup> Code of Ethics, IFAC, 2005



## Governance requirements

## Principle 5

- Appoint a suitably qualified/experienced CFO whose core responsibilities include those set out under the other principles in this guide and ensure that these are properly understood throughout the institution.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.



## Personal skills and professional standards

## Principle 5

- Benefit from being a member of an accountancy body recognised by IFAC, qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
  - ethics
  - Continuing Professional Development.
- Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services or private sector.
- Understand public service finance and its regulatory environment.
- Apply the principles of corporate finance, economics, risk management and accounting.
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.
- Maintain a presence in national professional networks and, through these and other means, ensure an up-to-date overview of sector policies and developments.

# objectives of the charities SORP

*The objectives of the SORP are to provide financial statements for the main groups of users which show:*

- *a true and fair view of the financial position of the institution at the balance sheet date and of the income and expenditure and cash flows for the period then ended*
- *an analysis of the income received from all sources within the period of the annual financial statements*
- *an analysis of the expenditure on all activities within the period of the annual financial statements*
- *an indication of the assets and liabilities of the institution, classified in suitable form*
- *any known or probable circumstances which might significantly affect the financial position of the institution*
- *an indication of how the institution is performing financially, including the adequacy of the working capital, its practical solvency (or insolvency), and its investment performance.*

*This is achieved by all institutions publishing in a common format:*

- *an income and expenditure account (including footnotes)*
- *a balance sheet*
- *a cash flow statement*
- *a statement of total recognised gains and losses.*

*The preparation and publication of financial statements is at the heart of a chief financial officer's responsibilities.*

## Appendix B

# a possible job description

### **The Role of the Chief Financial Officer**

*The chief financial officer will be directly responsible to the principal who is the accounting officer for the academy and is ultimately responsible for the proper financial conduct of the institution. The chief financial officer will provide advice on strategic financial issues and be responsible for financial management and for the leadership and management of the financial team. The chief financial officer is a key member of the academy's senior management team.*

*The chief financial officer is expected to bring a modern, business-like approach to the leadership of the finance function, running it as a highly competent and efficient service with an emphasis on business partnership across the academy and with devolution of the service where appropriate. The appointee will develop and deliver a proactive, customer-focused service.*

*The finance team consists of three staff, comprising two senior accounts assistants and a finance assistant. The team is responsible for all aspects of financial management, including payroll, exchequer services, the management of financial records, resource allocation and budget control, financial planning (strategic and operational), the financial management of projects, funding relationships with the funding body and other agencies and related contractual arrangements with external organisations.*

*In addition to leading the finance team, the chief financial officer will contribute to strategy and policy development to support the academy's aims and objectives, will ensure the provision of management information for the college's planning and monitoring systems, and will ensure the completion of statistical returns to external agencies.*

### **Key Relationships**

*Responsible to: Principal*

*Responsible for: Two senior accounts assistants and a finance assistant*

*Key contacts: Principal*

*Directors; heads of departments; chair of governing body; chair of finance committee; chair of audit committee*

*Professional advisers including auditors and bankers*

*Investment advisers, HMRC*

*Relevant personnel within funding bodies*

### **Main Duties**

*This is a senior management team post that will change over time and where the post holder needs to be responsive and proactive in the context of strategic priorities. It is not possible therefore to set out a full range of duties. The following is an indicative list. It is not in order of importance.*

## Strategic

- *Providing strategic advice to the principal, governing body and senior managers on all issues relating to financial matters.*
- *Preparing the academy's annual financial forecasts, forecasts for corporate strategies and plans in consultation with the principal and senior colleagues, and developing and implementing strategies for maximising the academy's current finances.*
- *Managing the finance team and overseeing the development and maintenance of financial systems and procedures, including appropriate IT systems.*
- *Being accountable to the principal for the proper financial operations of the academy.*
- *Building close and effective working relationships with key partners.*
- *Participating in the management of major academy projects as required by the principal.*

## Operational

- *Providing the financial lead to the strategic planning process, including: annual budgets, periodic forecasts and funding requirements.*
- *Developing and maintaining financial systems to ensure:*
  - *pension records and returns are up to date*
  - *effective management of the payroll and that all tax and National Insurance records and returns are up to date*
  - *income collection procedures are operating effectively and debt problems are minimised*
  - *invoices are processed efficiently.*
- *Preparing the annual academy budget, working closely with senior managers and budget holders to ensure consistency with the academy's strategic and financial objectives.*
- *Monitoring the income and expenditure budgets across the academy and giving early warning of difficulties.*
- *Providing accurate and timely information to enable effective budgetary control, decision making and sound strategic planning.*
- *Ensuring that effective financial structures and controls are in place to support robust financial management.*
- *Maintaining the academy's accounts in accordance with the funding agreement and Academies Financial Handbook issued by the funding body and in accordance with the financial regulations and procedures of the academy. The chief financial officer will ensure that the academy follows best practice in terms of financial governance, and ensure the probity, and legislative compliance, of all financial transactions, including payroll and cash handling, and the integrity and suitability of all control mechanisms (audit and risk management).*
- *Preparing the annual accounts to prescribed standards and taking responsibility for the completion and submission of regulatory reporting.*
- *Liaising with both internal and external auditors to enable them to operate effectively.*
- *Liaising, on behalf of the principal, with the funding body on financial matters.*

- *Proactively managing the academy's relationship with its bankers, to ensure that appropriate and efficient systems are in place for the academy's accounting procedures.*
- *Proactively managing the cash position of the academy and its operating activities, and reporting regularly on this aspect of financial management to the governing body.*
- *Planning and co-ordinating all tax and treasury management practice and policy, with particular reference to charitable status and cash management.*
- *Helping to ensure that the academy achieves value for money across all its activities, including the delivery of services.*
- *Managing the academy's procurement processes.*
- *Maintaining the academy's risk register.*
- *Leading, managing and developing staff within the finance team and promoting a strong customer service ethos and high professional standards. The chief financial officer will ensure that the finance team works in collaboration with other academy functions.*
- *Ensuring that the finance team seeks continuing improvement in its management and financial systems.*

## **General**

- *Attending meetings within the academy and external events as required.*
- *Preparing policy and review papers as required and requested.*
- *Maintaining a presence in national professional networks and through these and other means ensuring a current overview of sector policies and developments.*
- *Managing the finance team's staff development programme, including conducting staff development reviews and participating, as required, in training, induction and staff development events.*
- *Complying with and upholding, in all respects, the academy's code of practice on equality and diversity.*
- *Undertaking such other duties as the principal may require from time to time.*

## **Performance Measures**

*We are developing performance measures for senior posts to provide greater clarity of institutional objectives and expected individual performance levels. Typical performance measure approaches for this post (which will be the subject of discussion with the successful candidate) will include:*

- *performance of the finance team's staff in customer satisfaction surveys*
- *accuracy and timeliness of financial returns to statutory agencies*
- *accuracy, timeliness and quality of presentation of internal management information on financial matters, including cash flow information, budgetary control information etc*
- *achievement of streamlined and cost-effective processes for financial administration.*

## Person Specification

*The role of chief financial officer calls for a finance professional with the necessary experience, skills and personal qualities to be able to operate as part of a close-knit senior management team. There is an important role to play leading the finance team in providing a robust financial infrastructure as well as an excellent opportunity to play an important and active part in the strategic direction of this forward looking, successful and thriving academy.*

*The post holder:*

- *will be expected to have a degree or equivalent qualification*
- *would benefit from a full qualification from a major accountancy body*
- *should be able to demonstrate a track record of successful financial leadership and building effective teams*
- *should have financial reporting and management skills, and experience of working with stakeholders to develop strong financial understanding and empathy across an organisation*
- *should have high ethical standards and influencing skills with the ability to engage effectively with all staff across the academy and with the governing body*
- *should show evidence of entrepreneurialism and innovation, with an ability to identify commercial opportunities to maximise income*
- *should have excellent analytical skills and sound judgment*
- *should have excellent communication and presentational skills*
- *should have experience of financial information systems and be computer literate*
- *should have a good knowledge of the funding, regulatory and legislative environment of academies.*





Registered office:

3 Robert Street, London WC2N 6RL  
T: 020 7543 5600 F: 020 7543 5700  
[www.cipfa.org](http://www.cipfa.org)

From 1 January 2015:

77 Mansell Street, London E1 8AN  
T: 020 7543 5600 F: 020 7543 5700  
[www.cipfa.org](http://www.cipfa.org)

The Chartered Institute of Public Finance and Accountancy.  
Registered with the Charity Commissioners of England and Wales No 231060  
Registered with the Office of the Scottish Charity Regulator No SC037963

