

# the role of the chief financial officer

in Further Education

2012

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.

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# \ acknowledgements

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# \ 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. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the Chief Financial Officer's role in public service organisations.

This guide to the Role of the Chief Financial Officer in Further Education describes the role and responsibilities of chief financial officers in further education including sixth form colleges. It builds on CIPFA's Statement on the Role of the Chief Financial Officer in Public Services<sup>1</sup> which was published in 2009 and interprets the principles and roles set out in that document (which are reproduced on page 4) for further education.

The Role of the Chief Financial Officer in Further Education is not intended to be exhaustive – the list of other potential roles that the chief financial officer might take on is diverse. Different institutions make different choices. It is the personal responsibility of finance professionals to ensure that they comply with all professional standards. This guide sets out the key responsibilities of the chief financial officer in further education and is intended to assist those carrying out that role in ensuring that they meet the key personal duties of the role. The guide refers to CIPFA's Statement of Professional Practice with which all CIPFA members are required to comply. All professional accountants should also have regard to their own body's Code of Ethics as well as that produced by the International Federation of Accountants (IFAC).

In drawing up this document, we recognised that arrangements in some institutions will be quite different to those described here. This is a matter for individual institutions. We recommend, however, that where different arrangements are in place, institutions should consider carefully the reasons for operating a different model - whether it delivers the same impact for driving forward the institution and the same level of assurance in practice.

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 chief financial officers and to those aspiring to this demanding and complex role.

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<sup>1</sup> [www.cipfa.org.uk/Policy-and-Guidance/Reports](http://www.cipfa.org.uk/Policy-and-Guidance/Reports)

# 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.

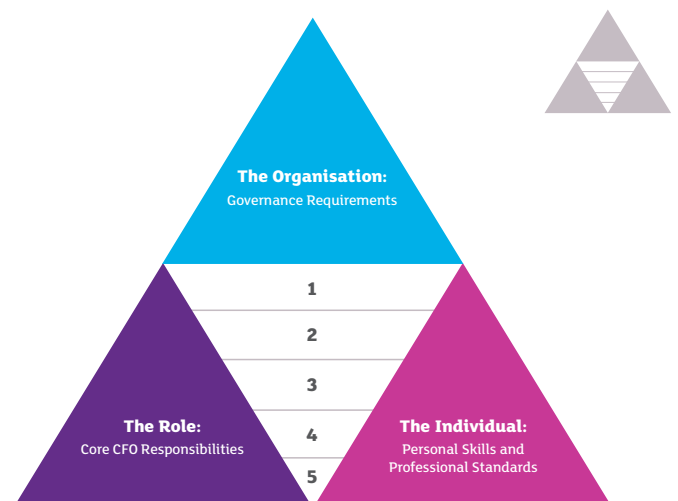
## CIPFA Statement on the role of the Chief Financial Officer (CFO) in public service organisations

### 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.



# definitions used throughout the document

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

## **Chief Financial Officer (CFO)**

The organisation's most senior executive role charged with leading and directing financial strategy and operations. In further education this officer could have a variety of titles (for example director of finance, bursar or vice-principal for resources) 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.

## **Leadership Team**

Comprises the board and management team. This concept is explored for further education on page 8.

## **Board**

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 further education is normally called the 'board' or 'board of governors'.

## **Management Team**

The group of executive staff comprising the senior management charged with the execution of strategy. In further education this is often called the senior management team.

## **Chief Executive**

The most senior executive role in the organisation. In further education this will normally be the principal. He or she is accountable for the use of public funds provided by the funding body and may be requested to appear before the Committee of Public Accounts (Public Audit Committee of the Scottish Parliament and Welsh Assembly Government's Audit Committee in Scotland and Wales respectively)

## **Managers**

Staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers. In further education 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.

## **Finance Function**

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.

## **Governance<sup>2</sup>**

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.

## **Financial Management<sup>3</sup>**

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.

## **Audit Committee**

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. In further education, institutions are required by the audit code of practice to establish an audit committee as a condition of funding.

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

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

### **Internal Audit**

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.

### **Head of Profession**

The leading professionally qualified accountant charged with promoting professional standards within the organisation.

### **Annual Governance Report**

The mechanism by which an organisation publicly reports on its governance arrangements each year. In further education, 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.

### **Public Service Organisation**

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 Further Education

### Background

This guide to the role of the chief financial officer in further education advises on how the overarching Statement on the Role of the Chief Financial Officer in Public Services can be interpreted for further education. The guide includes sections on the 5 core principles from the overarching statement. Each section goes on to consider the principles in a further education context.

Unlike counterparts in comparable sectors, local government, for example, there is no statutory requirement for a further education institution to appoint a chief financial officer. The Charter, Statutes or Articles of Association through which an institution was established often require certain officers to be appointed, for example a principal but rarely, if ever, a chief financial officer.

Further education institutions are required by the financial memorandum with their funding body to comply with a number of terms and conditions in order to receive funds. The institution must satisfy the funding council that it has appropriate arrangements for financial management and accounting and that the council funds are only used for the purposes given. This is the responsibility of the governing body.

In further education the financial memorandum recognises the principal as the ‘accounting officer’<sup>4</sup>. The accounting officer will report to the funding body on behalf of the institution and must satisfy the governing body that all the conditions of the memorandum are being complied with. As the executive head of the institution, however, his or her responsibilities are very wide. It is therefore usual for day to day financial management to be delegated to a chief financial officer, who will normally report to the principal, and who will take professional responsibility for such areas of an institution’s work.

The post of chief financial officer, therefore, is an essential one. The post holder has a vital role to play in contributing to the strategic development of the institution and for ensuring that financial systems and strategies are in place and operating effectively to help deliver the institution’s mission.

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<sup>4</sup> In Scotland, the Scottish Funding Council imposes obligations on the chief executives of the institutions it funds that are analogous to the responsibilities of an ‘accounting officer’.



# \ principle 1

The chief financial officer 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

The 'leadership team' in public services organisations takes many forms, with different mixes of executive and non-executive members, as well as sometimes including elected representatives. Collectively the leadership team are 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 chief financial officer 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 the same standards'<sup>5</sup>. CIPFA supports the Treasury's recommendation. This view also reflects the conclusions of the report on The Financial Aspects of Corporate Governance (the Cadbury Report), which points to the need for the proper recognition of the role of finance at the highest management level:

"boards should recognise the importance of the finance function by making it the designated responsibility of a main board director, who should be a signatory to the accounts on behalf of the board".

In further education a number of different structures are in operation. The concept of 'leadership team' may include the governing body, the senior management team and key committees of the institution. The chief financial officer should play a key role within these leadership teams.

The chief financial officer has an important role in supporting and advising the governing body on all financial matters. To be able to fulfil this role effectively the chief financial officer must have access to all governors – individually and collectively – and vice versa. It is important that the chief financial officer establishes good professional working relationships with governors founded on mutual trust

and respect. The chief financial officer will need to work particularly closely with individual governors – for example the chairs of finance and audit committees.

In colleges also, the responsibilities and strategic roles of the chief financial officer require the office-holder to be at the centre of the institution's decision making process. The centre, for most institutions, is the senior management team.

The multi-disciplinary nature of senior management teams gives the chief financial officer the opportunity, as a member of the team, to make valuable input into the overall corporate strategies and policies of an institution. He or she will also seek to ensure that the institutional strategy can be delivered through an agreed financial strategy.

Within the team the chief financial officer should:

- be a corporate player seeking to ensure that decisions will add to the academic and financial strengths of the institution in the long term
- seek to add value to the corporate decision making process by challenging, evaluating and encouraging proposals which will help the institution achieve its aims and objectives
- assist better informed decisions by providing supporting business analysis to identify the best way forward, based on a sound understanding of the business needs across the institution.

The committee system remains a major vehicle for decision making within most institutions. It is therefore important that the chief financial officer is available to support governors and officers with appropriate financial advice at meetings of the following:

- the governing body
- the major resource committees such as planning and resources and finance committee
- audit committee.

<sup>5</sup> HM Treasury 'Managing Public Money' Annex 4.1. 2007

The chief financial officer should be a member of committees which consider and advise on, or determine, all the major resource and academic strategies. The chief financial officer should also attend, as a key advisory officer, the meetings of the governing body and its committees dealing with resource and financial issues.

Further education institutions should have a chief financial officer with defined responsibilities and powers. The chief financial officer should be professionally qualified, report directly to the principal and be a member of the senior management team, with a status at least equivalent to other members. The Statement on the Role of the Chief Financial Officer in Public Services 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.

## **Developing and implementing organisational strategy**

Over the past two decades, further education institutions have faced many challenges owing to the rapid pace of change. The Government, through the funding bodies, has sought to apply efficiency gains, which have imposed considerable financial pressure on institutions. There has therefore been a continual emphasis within institutions on delivering value for money from public funds.

There has also been increasing competition between institutions, partly prompted by the funding methodologies adopted by the funding bodies. Partnership and co-operation between institutions continue to be seen as important in further education policy.

Devolved management structures and the need for up to date, accessible financial management information have changed the relationship between professional accountants and academic/service managers. Local managers have been given greater freedom to take budgetary and financial planning decisions and have needed tailored financial advice and support. Some institutions have moved away from a traditional centralist finance function, as academic and service departments have become more active in their own financial management.

The last decade has introduced increasing requirements from government and funders for transparency in the analysis of costs within institutions.

Further education institutions are also continuing to seek new sources of funding. Some are setting up companies and participating in partnerships with a wide variety of public, private and voluntary bodies. The need to fund future capital initiatives and to commercialise certain activities are increasingly important strategic issues. There is an increasing focus on development activities to support students, estates and academic provision. These changes have meant that the finance function has had to adapt itself to accommodate different ways of accounting for activities and different ways of planning income streams and associated streams of expenditure.

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 chief financial officer must share in the strategy development and implementation responsibilities of the 'leadership team'. Where relevant these include supporting governing body members under the proper governance arrangements. The chief financial officer must also ensure the members of the 'leadership team' have the financial capabilities necessary to perform their own roles effectively.

The chief financial officer must encourage continuous improvement and development to enable the institution to deliver at the highest levels. As well as having the fundamental concern for probity and control, the chief financial officer must be proactive in managing change and risk, be focussed on outcomes, and help to resource the institution's plans for change and development in the services it provides. As a key member of the 'leadership team', the chief financial officer must also behave in ways that are consistent with the institution's agreed values and objectives.

## Helping resource and deliver objectives

There is a growing trend for chief financial officers to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, organisations must not let the chief financial officer's core financial responsibilities be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the chief financial officer can result in poor financial outcomes for the institution. Setting out the core chief financial officer responsibilities in this guide is intended to allow further education institutions and their chief financial officers to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.

Further education institutions 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 chief financial officer 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 chief financial officer 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

Further education institutions have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term. The financial memorandum sets out, between each funding body and the institutions it funds, the terms and conditions for the payment of funds made available by the relevant Government department to be used for teaching. It requires institutions to plan and conduct their financial and academic affairs to ensure that they remain solvent and that, taking one accounting period with another, their total expenditure is not greater than their total income.

Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often then needs to grapple with service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long term need to match financial resources to the organisation's purposes and policies, within constraints of affordability, taken with the responsibility to citizens and taxpayers for financial stewardship, mean that the chief financial officer must contribute actively to cross organisational issues and to corporate decision making.

Public finance is complex and highly regulated, and the chief financial officer must contribute expert technical advice and interpretation. Chief financial officers will need to strike a balance between public and organisational interest and take account of relevant Charities legislation.

The chief financial officer must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the organisation remains a going concern. To ensure that the necessary corrective action is implemented, the chief financial officer must have direct access to the principal, 'leadership team' members, the audit committee and also to external audit.



## Governance requirements

## Principle 1

- Set out a clear statement of the respective roles and responsibilities of the 'leadership team' and their members individually.
- Ensure that the CFO reports directly to the head of the institution and is a member of the 'leadership team' with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.
- 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 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.
- Assess the financial skills required by members of the 'leadership team' and commit to develop those skills to enable their roles to be carried out effectively including ensuring that appropriate training is provided to all those with financial responsibilities.



## 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. Participating in the development of strategies to meet the institution's objectives
- Contributing to the effective corporate management of the institution, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the institution through development of :
  - corporate governance arrangements, risk management and reporting framework
  - corporate decision making arrangements
  - a culture and control environment that complement service delivery arrangements.
- Leading or promoting change programmes within the institution.
- Leading development of a medium term financial strategy and the annual budgeting process to ensure financial stability and a monitoring process to ensure its delivery.
- Ensuring that medium and long term financial implications are taken into account as objectives and strategies are developed.
- Ensuring that institutional aims and the resources required to achieve them are reconciled with each other.
- Ensuring there are consistent and rigorous processes for constructing and monitoring the revenue, capital and cashflow budgets and that they support the institution's strategic aims.
- Ensuring the medium term financial strategy reflects joint planning with partners and other stakeholders.



## Personal skills and professional standards

## Principle 1

- Build strong working relationships with leading governors, other senior managers and the institution's partners 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.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other 'leadership team' members with sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short and longer term trade-offs.
- Demonstrate strong commitment to innovation and performance improvement.
- Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a broader focus on the environment and stakeholder expectations and needs.
- Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by reason of their professional status. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.



# \ 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 chief financial officer 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.

Within the overall corporate governance and management structure, the chief financial officer has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the organisation's strategic objectives sustainably. The chief financial officer must therefore work closely with decision makers to establish a medium to long term strategy that ensures the financial sustainability of the institution.

The chief financial officer must also develop and manage resource allocation models to optimise outputs and benefits within funding constraints. In implementing these models, the chief financial officer must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass capital investment programmes and annual operations, as well as 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.

In further education, the governing body is responsible for the overall strategic direction of the institution but it will look to the chief financial officer 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 institution'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 institution has sufficient resources and that the institution will maintain financial solvency and deliver value for money overall.

## **Influencing decision making**

Further education institutions 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 chief financial officer to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

The chief financial officer 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. The chief financial officer must therefore be a persuasive and confident communicator with the status and credibility to challenge others, and influence material business decisions. The chief financial officer's advice and reports to the 'leadership team' must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of, and options for action.

The chief financial officer must also work to develop strong and constructive working relationships with both the executive and non executive members of the institution's leadership, creating mutual respect and effective communication. Providing information and advice to governing body members as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.



## **Financial information for decision makers**

At all levels in the institution those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The chief financial officer 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 is a key component in performance management, asset management, investment appraisal, risk management and control.

Sound financial strategies and the provision of advice and information to support those strategies enable institutions to pursue their policy and service objectives within the law and in a properly controlled manner.

The development of devolved management processes and improved access to computerised financial systems have

changed the relationship between professional accountants and service managers, giving operational staff greater freedom to take budgetary and financial planning decisions. This has moved the role of the finance department towards one of empowering local managers in respect of financial management and improving local decision making. Therefore providing good financial training for local management and user friendly computing systems is essential. However, good budgetary mechanisms still remain vital in ensuring that departmental units operate in a financially responsible manner.

The chief financial officer has a key role in supporting managers in their development of strategy and in service delivery for individual services both academic and non-academic. He or she must also advise on the financial implications of and risks associated with new initiatives and ventures. He or she must also ensure that the senior management team receives regular financial information so that they are aware of the institution's financial position and that potential problem areas or successes are highlighted.



## Governance requirements

## Principle 2

- Establish a medium term business and financial planning process to deliver the institution'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.
- Ensure the provision of timely, accurate and impartial financial advice and information is provided to assist decision making and to ensure the institution meets its policy and service objectives and provides effective probity and stewardship of public money and value for money in its use.
- Ensure the institution maintains a prudential financial framework and keeps its commitments in balance with or below foreseeable resources.
- Ensure that advice is provided on the levels of reserves and balances.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. Ensure that these systems, functions and controls apply consistently to all activities including partnership arrangements and outsourcing.
- Ensure the provision of timely, complete and accurate information and reports to budget managers and senior management on the budgetary and financial performance of the institution.

**Responsibility for financial strategy**

- Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.
- Formulating an overall financial strategy for the governing body that meets its policy and service objectives and ensures the best use of the institution's available capital and revenue resources and partnership opportunities within an appropriate risk strategy.
- Maintaining a long term financial strategy to underpin the organisation's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Appraising and advising on commercial opportunities and financial targets.
- 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.
- Actively seeking to increase or diversify the institution's resource base, within an appropriate risk strategy.

**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.
- Ensuring that effective arrangements are in place to provide accurate, complete and timely advice to support governors' decisions on strategy development proposals and resource requests for activities.
- Developing and maintaining effective processes for the scrutiny, challenge and agreement of budgets between the planning function and budget holders.
- Providing clear, timely, accurate advice to the committee responsible for scrutinising the budget.
- Advising members of the governing body and the senior management team on effective arrangements for financial and performance scrutiny.
- Ensuring that the institution's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- 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.

**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.
- Quantifying the institution's total available capital and revenue resources and partnership opportunities and providing clear forecasts to facilitate medium term planning.

## Core CFO responsibilities

## Principle 2

- Translating the financial strategy into firm budgets that meet the requirements of the financial memorandum.
- Preparing timely management accounts.
- Providing clear, timely, accurate advice to the governing body on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.



## Personal skills and professional standards

## Principle 2

- Take all reasonable steps to ensure that :
  - Budgets are planned as an integral part of the strategic and operational management of the institution and are aligned with its structure of managerial responsibilities
  - Budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner
  - Responsibilities for budget management and control are unambiguously allocated, that commitments are properly authorised and that budgets are related to clear objectives and outputs and that budgets are aligned with managerial responsibilities
  - The accounting and financial information systems make available, at a relevant time to all users, the appropriate information for their responsibilities and for the objectives of the institution.
- Implement other 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 chief financial officer input may be necessary.
- Role model persuasive and concise communication with a wide range of audiences internally and externally.
- 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 chief financial officer 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 chief financial officer who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the organisation. The chief financial officer will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the institution's strategic direction.

Financial management is the business of the whole further education institution. When the 'leadership team', managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create a financially literate and adept organisation. The chief financial officer must actively promote financial literacy throughout the institution, 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 institution 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 chief financial officer and the finance department work in an effective partnership with these staff. A particularly important relationship is with the head of curriculum planning within the institution.

As with all forms of partnership, clarity of roles and responsibilities is key to effective working. It is important that there is a good understanding throughout the institution of the role finance plays and its importance. The chief

financial officer needs to ensure that he or she maintains regular and effective forms of communication with senior managers and with heads of departments. He or she should also ensure that there are communication mechanisms in place to ensure that staff in the finance department are able to maintain effective relationships with staff in other departments.

## Value for money

The chief financial officer has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities. Helping to secure positive outcomes within affordable funding therefore lies at the heart of the chief financial officer's role in the further education institution.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the institution. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the chief financial officer will need to take the lead in coordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as

- Enabling the institution 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
- Ensuring the rigorous financial appraisal and oversight of change programmes, income generation proposals and investment projects.

The chief financial officer also has key relationships with auditors, banks, investment managers, professional advisers and tax authorities. As the focus for institutions shifts from being funded for its activities towards competing for resources for revenue and investment, chief financial officers will need to be able to negotiate with and influence these external partners to the best effect for their institutions.

In most further education institutions the chief financial officer is responsible for ensuring that the institution has a professional procurement function and that the institution is committed at all levels to a procurement strategy which delivers value for money and has been approved by the governing body. The National Audit Office and the Scottish Government have stressed the importance of improving procurement in institutions.

As the senior officer normally responsible for overseeing the procurement strategy, the chief financial officer has a key role in developing and improving procurement practice in his or her institution. All institutions 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.

### **Safeguarding public money**

The chief financial officer 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.

The chief financial officer 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.

The financial management and stewardship function is well established in further education institutions. The financial

memorandum sets out, between the funding bodies and the institutions they fund, the terms and conditions for the payment of funds made available by the relevant Government department to be used for teaching.

This places a requirement on the governing body of the further education institution to:

- have in place a robust and comprehensive system of risk management, control and corporate governance
- have regular, reliable, timely and adequate information to monitor performance and track the use of public funds
- plan and manage its activities to remain sustainable and financially viable
- inform the funding body of any change in its circumstances which – in the judgement of the accounting officer and in agreement with the governing body – is a material adverse change, as well as any significant developments that could impact on the mutual interests of the institution and the funding body
- use public funds for proper purposes and strive to achieve good value for money from public funds
- comply with the mandatory requirements relating to audit, set out in the Audit Code of Practice and the annual accounts direction
- submit:
  - the annual returns to the funding body
  - other information as may reasonably be requested to understand the institution's risk status to the funding body
- have effective arrangements for the management and quality assurance of data submitted to the funding bodies.
- The chief financial officer has a key role to play in ensuring that the governing body can competently and confidently meet its obligations. He or she must ensure sound financial administration and stewardship through establishing effective policies and procedures, and effective financial management and reporting systems, and ensuring that they operate effectively in practice.

In addition to the chief financial officer's responsibilities to the institution, a wider role also exists which carries a responsibility to the general public. The institution is regarded as the trustee of public funds, and further education institutions are charitable bodies. The chief financial officer

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.

The continuing changes in the management and financing of further education institutions are contributing to a high degree of complexity in the exercise of the chief financial officer's financial administration and stewardship role. Such changes include costing and pricing, diversifying income streams, devolved financial management, outsourcing, shared services, internal trading, subsidiary companies and partnerships. The chief financial officer's role continues to become even more important in providing a common focus for financial control and administration within a multi-faceted institution. Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the role of the chief financial officer does not stop at the boundaries of the institution but extends into its partnerships, joint ventures and subsidiary companies.

The chief financial officer therefore has a major responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the chief financial officer's role in further education.

### **Assurance and scrutiny**

Accountability for public expenditure is a core requirement for further education institutions. They are held accountable by intermediary stakeholders, such as external auditors, and by primary stakeholders: the students, service users and funders.

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

Internal audit is an important independent internal scrutiny activity. The chief financial officer must support the institution's internal audit arrangements, whether or not the function reports directly to the chief financial officer, and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

In further education it is a mandatory requirement of the financial memorandum under which institutions operate that the governing body takes reasonable steps to ensure that there is a sound system of internal financial management and control within the institution. Furthermore, each institution must have an effective internal audit function which reports at least annually to the governing body and the accounting officer. The report should be considered by the audit committee. It is the responsibility of the governing body, advised by its audit committee, to decide the best way to achieve an effective internal audit service. Many institutions obtain their internal audit service on a contract basis either individually or as a group of institutions.

The chief financial officer must assist in ensuring that an effective system of internal financial control is in place and that it operates effectively. It is important that the chief financial officer can rely on the assistance of internal audit to achieve this. The chief financial officer also has a professional interest in ensuring that there is an adequate and effective system of internal audit and he or she should seek to ensure that internal audit is adequately resourced.

Public service providers face a variety of regulatory requirements and standards for external financial reporting, while measures of value are expressed both as financial and as non-financial performance targets. The role of the chief financial officer in external reporting is to meet the reporting requirements relevant to the organisation 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 chief financial officer maintaining a constructive professional relationship with external auditors and inspectors.

The chief financial officer has a key role in liaising with the main funding bodies of the institution and with the institution's regulator. It is important to form a relationship

with the regulator that is based on an understanding of and respect for their role. It is important to ensure that high quality information is provided on time and presents a consistent picture of the institutions finances. The chief financial officer will need to ensure that regulatory relationships are based on trust and a shared understanding of the institution's finances.

Each funding body issues an audit code of practice which sets out its minimum requirements for external and internal audit arrangements and the broad framework within which they should operate. In Scotland, the code of practice is subsumed within the financial memorandum between institutions and the funding body. The audit code includes a number of mandatory requirements that are a condition of funding, the establishment of an audit committee for example. There is therefore a key role for the chief financial officer to help ensure that the institution does not fail to comply with these requirements.

Further education institutions are required under the financial memorandum to keep proper accounting records and to prepare annual financial statements in accordance with the accounts directions issued by the funding councils. They specify that financial statements should be prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education (SORP).

The objectives of the SORP are to provide financial statements for the main groups of users of a further education institution 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

Internal control extends beyond financial control. Further education institutions 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 chief financial officer 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. This is a major exercise and will require the commitment of academic leaders to this risk review as an on-going process.





## Governance requirements

## Principle 3

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control and to assist the institution to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.
- Ensure that systems and processes for financial administration, financial control and protection of the institution's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that the institution puts in place effective internal financial controls covering codified guidance, financial regulations, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the institution's underlying framework of corporate governance.
- Address the institution's arrangements for financial and internal control and for managing risk in annual governance reports and published in line with the regulatory requirements.
- Publish annual financial statements on a timely basis to communicate the organisation's activities and achievements, its financial position and performance.
- Maintain and resource an effective internal audit function.
- Develop and maintain an effective audit committee.
- 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.
- Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.
- Ensure that managers' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.

**Promotion of financial management**

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

**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 there is a requirement to do so.
- 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 effective arrangements for the internal audit of the control environment and systems of internal control as required by professional standards.
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance and assisting in advising on identifying past, current and future risks and liabilities, their likelihood of occurring and their likely magnitude; advising on an appropriate risk management strategy and assisting in putting in place appropriate risk management procedures.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the institution's own funds or the pension and endowed funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption and investigate instances of fraud and corruption both on the institution by external parties and within it.
- 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 institution and its partnerships to the board 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 council 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 the Statement of Recommended Practice: Accounting in Further and Higher Education.
- Ensuring that arrangements are in place so that other financial statement and grant claims (including research grants and contracts) meet the requirements of the law and of other partner organisations (where relevant and are accurate, complete, timely and supported by adequate records) and meet the relevant terms and conditions of schemes.
- Liaising with the external auditor and ensuring that external auditors, governors and colleagues are aware of the institution's financial arrangements and controls.<sup>6</sup>

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<sup>6</sup> In many colleges the CFO also has 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.



- Chief Financial Officers should take all reasonable steps to ensure that:
  - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and that appropriate reporting mechanisms are in place.
  - income collection and payment systems should ensure that income collected and payments made are accurate, complete, timely and in accordance with legal requirements.
  - cash is handled with special care to avoid loss, particularly loss through theft and that secure arrangements are in place to deal with the handling of electronic or other cash-less transactions.
  - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of the institution's financial transactions.
  - all financial reports are relevant, reliable and consistent, are compatible with the institution's accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the institution.
  - treasury management is carried out in accordance with best practice<sup>7</sup> and that effective treasury management arrangements are in place.
- Generate 'buy-in' to, and support delivery of, good financial management across the institution.
- Develop and sustain partnerships, and engage effectively in collaboration.
- Deploy effective facilitation and meeting skills.
- 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.
- Financial performance information provided to external auditors, funding bodies, professional advisers and tax authorities is timely, accurate, clear, relevant, robust and objective.

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<sup>7</sup> See *Treasury Management in the Public Sector: Code of Practice and Cross-Sectoral Guidance Notes* (2011, CIPFA)



# \ principle 4

The chief financial officer 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 is changing rapidly. Traditionally they have been centralised services, but many now include devolved finance teams in business areas. Arrangements may also now include outsourced functions, or services shared between organisations.

Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the organisation's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

The finance function must also have a firm grasp of the organisation's financial position and performance. The chief financial officer 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 governing body and all levels of management in service delivery in further education, it also has to maintain important relationships with a large cross section of society. Further education institutions have a complex variety of stakeholders to satisfy including the local community and Government departments.

Key business relationships essential to the effective and efficient performance of the finance function include:

- the funding bodies
- grant awarding bodies
- external agencies
- Government departments
- all the institution's employees plus pensioners

- all the institution's students (past, present and future)
- tax authorities (HMRC)
- professional advisers (includes auditors, bankers, actuaries, investment managers, insurers and solicitors)
- other further and higher education institutions, schools and industry
- the local community, including the business community
- the general public.

A further education institution is entrusted with publicly allocated funds, and the chief financial officer has a prime obligation and duty to assist the designated office holder and the governing body in their responsibility for delivering value for money from those public funds.

Further education institutions are required to prepare published financial statements annually to high professional standards in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education. In addition, annual accounting returns are required by the funding bodies. Furthermore, further education institutions are required to report on the extent to which the institution has met the provisions of the UK Corporate Governance Code (formerly the Combined Code on Corporate Governance).

The chief financial officer must ensure that:

- financial statements are prepared in accordance with relevant accounting standards statements are signed by appropriate institutional officers
- other statutory returns are completed accurately and on time.

The chief financial officer is also responsible for providing leadership to front-line finance staff in securing high standards of performance and service for students and the public. He or she must ensure that there is appropriate training for finance staff so they can discharge their responsibilities effectively and ensure that customers are dealt with sensitively and efficiently.

Increasingly, staff within the finance department will also need a good understanding of the business that they are supporting and the involvement of finance staff more routinely in all levels of committees will be required.

### **Appropriately developed finance skills**

The chief financial officer must promote financial literacy throughout the organisation, including championing training and development of relevant skills at all levels. However the chief financial officer has a particular responsibility for learning and development amongst 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 chief financial officer must ensure that the 'head of profession' role for accountants and finance specialists organisation-wide is properly discharged in order to ensure compliance with regulatory and professional standards. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the chief financial officer, 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 ensure that the finance function is adequately resourced to discharge all of 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.
- Identifying and equipping finance staff, managers and the 'leadership team' with the financial competencies and expertise needed to manage the business both currently and in the future.
- Ensuring that the 'head of profession' role for all finance staff in the organisation is properly discharged and ensure that appropriate financial training is available at all levels within the finance function.
- Acting as the final arbiter on 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.
- Role model a customer focussed culture within the finance function and ensure that there are suitable processes for consulting with service users/ensure that the mode and standards of service provided are responsive and tailored to meet the needs of service users.
- 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.
- Apply strong project planning and process management skills.
- Demonstrate high professional standards and maintain up to date competencies and skills.
- Set and monitor meaningful performance objectives for the finance team.
- Role model effective staff performance management and demonstrate effective management skills so that all finance staff are part of a team.
- Coach and support staff in both technical and personal development and encourage all finance staff to maintain and update their competencies and skills/encouraging all relevant finance staff to register and participate in CPD schemes.
- 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 chief financial officer in a public service organisation must be professionally qualified and suitably experienced.

## **Demonstrating professional and interpersonal skills**

The chief financial officer must be able to demonstrate their own professional standing to exercise financial leadership throughout the organisation. As a member of a professional body, the chief financial officer's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The chief financial officer must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.<sup>8</sup>

The chief financial officer must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The chief financial officer 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.

CIPFA believes that a further education institution will benefit greatly from ensuring that its chief financial officer is a member of an accountancy body recognised by the International Federation of Accountants (IFAC). A professional qualification can help a chief financial officer gain the confidence of the institution's finance team, academic staff, other colleagues, and external parties who deal with the institution. However, a chief financial officer needs to demonstrate a skill set beyond a professional qualification. This means that, to be effective, chief financial officers should not only have a background of technical expertise but also display strong leadership and inter-personal skills.

CIPFA believes that, to maintain their competence, chief financial officers should commit themselves to their own continuing professional education. As qualified accountants, they 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.

A chief financial officer is in a position of leadership and influence within an institution. An evident commitment to personal development and learning is an important quality to model as the head of the finance function in the institution.

The pace of change in the operating environment for further education institutions as well as in the role that finance has to play in supporting institutions is rapid. Chief financial officers need to be able to identify the changing requirements on themselves, on their departments and on the financial systems of the institution. It is increasingly important for chief financial officers to keep up to date with excellent financial management practice, and to equip themselves and their staff with the skills needed to adapt their institution's financial support functions.

Components of a possible job description encompassing these skills and attributes are included at Appendix A to this guide to assist those responsible for appointing a new chief financial officer. 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 chief financial officer must have an understanding and commitment to the business of the institution across the range of its activities, looking beyond narrow financial

<sup>8</sup> IFAC: Code of Ethics, 2005

objectives, to inspire respect, confidence and trust amongst colleagues and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

The chief financial officer 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 chief financial officer must also be able to apply judgement to imperfect information.

The chief financial officer 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 chief financial officer 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.



## Governance requirements

## Principle 5

- Appoint a professionally qualified 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 the International Federation of Accountants (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.

# a possible job description

## The Robert Street College

With a turnover of £30 million a year, the college has over 3,000 enrolled students aged 16-18 undertaking full time programmes of study. A further 5,000 learners are participating in vocational programmes for adults offered by the college. The college currently employs approximately 600 staff across 10 academic departments. The college also offers apprenticeship programmes in a wide number of vocational areas.

The college has built up a reputation for the quality of its courses, maintaining high inspection grades. An extensive programme of vocational education supports an increasing profile of work with local business and communities, short course delivery for several commercial sectors, and technology transfer activities supported by strong industry links and partnerships with employers.

The college's central location also makes it an important community resource. The college has extensive, well-equipped teaching facilities. These include state of the art teaching rooms, a new library, modern IT facilities and extensive laboratory facilities. The college is half way through a major programme to refurbish and expand its accommodation.

## 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 college 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 the leadership and management of financial support services. The chief financial officer is a key member of the college'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 institution and with devolution of the service where

appropriate. The appointee will develop and deliver a proactive, customer-focused service to all sections of the college community and to external clients.

The finance department consists of 15 staff, two of whom (including the chief financial officer) are qualified accountants. The department 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 funding bodies 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 college'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.

The college implemented a new financial management system in 2009/10, which has recently been upgraded. The chief financial officer will be expected to play a key role in helping to exploit the full functionality of the system.

## Key Relationships

**Responsible to:** principal

**Responsible for:** management accountant; financial accountant; cost and budget accountant; payroll manager

**Key contacts:** principal  
directors; heads of school; chair of board of governors; chair of finance committee; chair of audit committee  
professional advisers including auditors and bankers  
investment advisers, HM Revenue and Customs  
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, board of governors and senior managers on all issues relating to financial matters, including borrowing and investments, project funding, the raising of finance and related companies or other operating structures developed by the college
- Preparing the college's annual financial forecasts, forecasts for corporate strategies and plans, and developing and implementing strategies for maximising the college's current finances
- Ensuring that the finance department, in co-operation with other corporate support services, has in place mechanisms to identify at an early stage trends in college activity which need to be addressed by the senior management team
- Being proactive in developing appropriate strategies, operational plans and systems to meet changes in further education funding
- Managing the finance department 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 college
- Building close and effective working relationships with key partners
- Participating in the management of major college projects as required by the principal.

### Operational

- Raising the profile and perception of the finance function throughout the organization, engaging heads of departments and working collaboratively to help the finance function act as a partner to the organization
- Providing the financial lead to the strategic planning process, including: annual budgets, periodic forecasts and funding requirements
- Preparing the annual college budget, working closely with senior managers and budget holders to ensure consistency with the college's strategic and financial objectives. The chief financial officer will keep management accounting systems under review to ensure that they enable effective construction and monitoring of the college's budgets
- Managing the relationship with key stakeholders to ensure that they are fully informed as to the financial performance of the business and their contribution to it
- Providing accurate and timely information to enable budgetary control, effective decision making and sound strategic planning. The chief financial officer will keep financial management control systems under review to ensure that all levels of management and the board of governors have the information that is required to enable them to make effective decisions and develop strategic plans
- Ensure that effective financial structures and controls are in place to support the requirements of a dynamic and developing business
- Monitoring the budget in all operating areas of the college and giving early warning of difficulties
- Maintaining the college's accounts in accordance with funding agreements and the financial memorandum issued by funding bodies and in accordance with the financial regulations and procedures of the college. The chief financial officer will ensure that the college follows best practice in terms of financial governance, and ensure the probity, and legislative compliance, of all financial transactions, including payroll and cash handling, 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 funding bodies on financial matters
- Proactively managing the college's relationship with its bankers, to ensure that appropriate and efficient systems are in place for the college's accounting procedures
- Ensuring that the college's borrowings are managed in the most efficient and cost-effective way and that the college is optimising the return on its investments
- Proactively managing the cash position of the college and its operating activities, and reporting regularly on this aspect of financial management to the board of governors
- Planning and coordinating all tax and treasury management practice and policy, with particular reference to charitable status and cash management
- Providing full economic costing of specific projects or activities and investment appraisals of major capital schemes
- Helping to ensure that the college achieves value for money across all its activities, including the delivery of services
- Advising the principal on property disposals and acquisitions
- Managing the college's procurement processes
- Liaising with other college departments to ensure that systems generating financial and non-financial data are robust
- Maintaining the college risk register
- Leading, managing and developing staff within the finance department and promoting a strong customer service ethos and high professional standards. The chief financial officer will ensure that the sections of the finance department are effectively integrated and work in collaboration with other college functions

- Ensuring that the finance department seeks continuing improvement in its management and financial systems.

## General

- Attending meetings within the college 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 department'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 college'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 department'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, financial forecasts etc
- Achievement of streamlined and cost-effective processes for financial administration

## Person Specification

The role of chief financial officer calls for a high-calibre finance professional with the necessary experience, skills and personal qualities to gain immediate credibility with the various constituencies within the college and 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 college.

The post holder will be expected to have:

- A degree or equivalent qualification
  - A full qualification from a major accountancy body
  - A strong track record of successful financial leadership and building effective teams with appropriate levels of delegation
  - Highly developed financial reporting and management skills, and experience of working with stakeholders to develop strong financial understanding and empathy across an organisation
  - High ethical and professional standards with the ability to engage effectively with all departments of the college and influencing skills at board (or equivalent) level
  - Evidence of entrepreneurialism and innovation, with an ability to identify commercial opportunities to maximise income
  - The ability to demonstrate a strategic perspective on the contribution of financial management to the college's strategic plans and the ability to contribute both creatively and operationally to the development and implementation of those plans
- Excellent analytical skills and sound judgment
  - A collaborative working style across all areas of responsibility
  - Excellent communication and presentational skills
  - Experience of financial information systems and a high degree of computer literacy
  - A good knowledge of the funding, regulatory and legislative environment of further education
  - A commitment to the college's policy of equal opportunity.



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