



EDUCATION FINANCE

www.educationfinance.co.nz

BOT FINANCE ROLE

Welcome to all new and returning trustees

Below is a brief overview of the Financial Role of the BOT.

Schools are Crown Entities and therefore responsible to the Crown (Government). In short, that means that although in essence you are a self-managing School, you DO NOT have total authority over spending. There are various rules and regulations that govern what you can and can't do as a Board. The difficulty is that these are spread between numerous Acts of Parliament, Ministry of Education guidelines, Audit Office guidelines, and some that are simply established through best practice – i.e. not written anywhere. So there is no list outlining what you can and can't do.

To overcome this is relatively simple – if you have any questions just ask us. We have been working solely with schools for 25 years. And remember – schools are unique – there are aspects of the finances that don't occur in any other organisation so they have some accounting issues that are unique.

Key tasks of the BOT

Setting of Financial Policies.

As a trustee you are going to find that the school requires numerous policies. The financial policies are what direct the financial management and operation of the school. These (should) be reviewed at regular periods. There are a number of financial policies that schools need e.g. Credit Card, Entertainment, Fraud etc. It is important that these are referred to, to ensure that decisions you make meet your policies. Here are some simple examples of items that are likely included in your policies:

What do your policies say about :

- The Purchase of Alcohol ?
- Would the school prosecute any identified fraud ?
- What can the school credit card be used for ?
- How much can be spent on staff leaving gifts ?

It is important that the BOT adhere to their policies when making decisions on these type of things, and amend policies if aspects are no longer relevant.

e.g. One school purchased a Ride on Lawn Mower at a cost of \$8,500 for their retiring principal, despite their policy listing a \$1,000 maximum for gifts.

Approve/Set the Budget.

The budget is how the spending of funds is allocated as per the schools charter. The approval of the budget is the process by which the Principal is given approval of what they can spend.

Monitor/Control School Expenditure.

This is how the use of the budget is monitored.

Having set the Budget the BOT monitors – by way of Monthly Finance Reports – how the actual Income and Expenditure is progressing compared to the Budget.

Ensure that Annual Accounts are prepared (and audited).

All schools are subject to being audited annually by the Office of the Controller and Auditor General (Audit Office). The actual audit is carried out on their behalf by a variety of Audit Firms throughout the country.

Remember – the day to day management of the finances is delegated to the Principal so it is very important to be clear what is governance and what is management.

Think of approving the budget as saying to the Principal “*here is what we approved to be spent, so now it is your job to manage it*”

e.g. The budget includes \$3,000 for Literacy. Exactly what is purchased is up to the Principal/Staff.

Here is a basic outline of what you (the BOT) will need to deal with and the order you will need to deal with them in .

1/ Your monitoring role

Timeframe: This will start immediately

Each month the BOT should receive a financial report that they need to check for the following:

How is actual income and actual expenditure progressing compared to the budget? Seek clarification about any areas vastly over or under budget.

Checking off a list of accounts that have been paid. Seek clarification as to what any large amounts are for, or any for whom you are not clear what the supplier does.

Check and sign the Payroll Report and BANKED STAFFING Report. (done by *Finance Delegate - This is explained in detail later*)

Check and sign any reimbursements payable to the Principal and the Credit Card Statement (Finance Delegate)

Try not to get bogged down with minor details but also don't be afraid to seek clarification.

NOTE: Not all tasks are carried out by the whole BOT. See explanation below regarding

the BOT Finance Delegate / Finance Sub-committee

Record in the minutes “That the July Financial Reports are adopted” to verify that the

finances are monitored.

Note: In recent years there have been numerous high profile fraud cases in schools – usually extremely simple –The amounts are often very large (\$800,000) and been occurring for many years!

Ask your self this question.

a/ What position/s within the school is/are the ones that most commonly commit significant fraud?

Answer _____

b/ When schools get into financial difficulty what is an area of the budget most likely to cause this ?

Answer _____

(These questions are included to stimulate some thought/discussion – answers are at the end – no peaking!)

2/ Budget setting

Timeframe: This will occur in term 4

Normally this takes place in October/November. In late September the MOE send you a prediction of the funding you will receive for the following year—it is based on your predicted roll.

In theory the principal prepares the budget then submits it to the BOT for approval. We are always available to assist in the budget setting process. In practice some schools find it beneficial to have their Finance Delegate also take part so that the process has had BOT involvement prior to presenting the budget to the BOT – this can greatly speed up the approval process.

The MOE advise the Budget should be approved by the first meeting of the new year (at the latest). Personally I think the budget should be approved before the end of the current year (so that the Principal has approval for commencing spending, appointing ancillary staff etc.)

3/ Annual Financial Statements

Timeframe. Term 1. Draft Accounts must be filed with your auditors by 31 March

We prepare these and they are due at MOE by 31 March. The auditors are required to complete the audit so that the audited accounts are with the MOE by 31 May.

We send the school a list in Term 4 of items we require to complete the Annual Accounts.

After the Annual Accounts are prepared is the ideal time to review your financial position. Again, we are available to meet and review these with you.

4/ Policy Reviews

Timeframe: Ongoing – policies are normally reviewed on a set cycle

These will normally come up for review on a set cycle. It is a good idea to go through these, as often you will find they need updating e.g. What is the minimum \$ value for assets, what is the \$ value for individual purchases that the principal can spend etc.

MOE have sample policies but these should be adapted to individual needs

So let's take one step at a time and look at the first action you will be involved in.

TO ACTION NOW / ONGOING

Monitoring the Finances on a monthly basis

How is spending compared to budget?

Who is reviewing the Credit Cards and BANKED STAFFING (For that matter – what is banked staffing?)

What are any large payments for ?

Are we complying with our legal responsibilities e.g.

- Who do we bank with? (This is black and white as there is a list of approved institutions)
- Is any borrowing we do within the law? Schools are limited by law as to how much they can borrow. What constitutes borrowing ? e.g Leases, Overdrafts, Paint Contracts....
- Is all of our spending appropriate? i.e. is in within the law (for schools). E.g. Overseas Travel, Can we buy a local McDonalds Franchise as a money maker for the school. Can we buy and sell uniforms ?

Ask your self this question.

c/ What does "Banked Staffing" refer to ?

Answer _____

d/ What type of payments have been used by fraudsters to camouflage their theft of school funds ?

Answer _____

BOT FINANCE DELEGATE (ROLE EXPLAINED)

You will note that I have not mentioned the role of treasurer. That is because schools don't have a treasurer. You can have a Finance Delegate on the BOT (But they can't be the staff rep) or a finance committee (Maybe the Principal and 2 BOT members). They then perform some of the more detailed responsibilities of the BOT such as:

Reviewing The Payroll and Banked Staffing reports

Reviewing the charges on the principals credit card

Approving and reimbursements claimed by the Principal

Spot checking random invoices to determine if the spending is appropriate.

This means that those people are carrying out the more detailed tasks on behalf of the rest of the BOT.

e.g. It is not expected that all BOT members review the Banked Staffing Report. The BOT finance delegate undertakes that on behalf of all BOT members. NOTE. The BOT Finance delegate cannot be the staff rep or Principal as their role (BOT Finance Delegate) is OVERSEEING actions of the Principal.

The **Role of the BOT** (and the Finance Delegate/ sub-committee) is to **review and oversee** the finances.

The **day to day management** of the financial function is **the responsibility of the Principal**.

ANSWERS TO QUESTIONS

a/ What position/s within the school is/are the ones that most commonly commit significant fraud?

Answer. Principal and Administrator/Executive Officer

b/ When schools get into financial difficulty what is an area of the budget most likely to cause this ?

Answer : Staffing costs (Ancillary Staff, Relief Teachers, Teachers funded by the school) generally make up at least 50% of a schools spending thus monitoring staffing costs is very important, (In Contrast Curriculum costs are often between 10-15% of spending so are very unlikely to cause major problems)

c/ What does "Banked Staffing" Refer to ?

Answer . Banked Staffing refers to Teachers Paid Directly by the MOE. Schools are given an allocation of teachers they can employ, that the MOE pay for. If the school overuses this entitlement they have to pay for the overuse at year end. The risk is that the school incurs a large debt that they may not be aware of without monitoring the "Banked Staffing Report" created by Novopay each fortnight.

d/ What type of payments have been used by fraudsters to camouflage their theft of school funds ?

*Answer. Most large frauds have involved false invoices for Building Projects (as these tend to provide the largest \$\$ amounts to steal and also to "Hide" false invoices).
Examples. Waikato Dioc Executive Officer stole \$800,000 by making up false invoices for supposed building work.
Upper Hutt College Executive Officer stole \$375,000 over 7 years.*

That is enough financial information overload for now , but we will provide further information later in the term.

Any trustees are welcome to phone or email us with any questions.

All information will also be posted on our website www.educationfinance.co.nz

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