

Appendix 13

Separation of duties in small schools

Financial controls in small schools

Note on separation of duties

1. Principles

- 1.1 Separation (or segregation) of duties is a basic and essential financial control. It reduces the risk of error or intentional manipulation because no one individual is responsible for a complete transaction. Auditors will always assess how well duties are separated and report firmly on any shortcomings.
- 1.2 The functions which should be separated include those of:
- authorisation (the authorisation of a transaction such as a purchase order or a payment);
 - execution (the placing of an order, receiving of goods and services, receipt of cash);
 - custody (the holding of the goods or services, including petty cash);
 - recording (posting the transaction into the accounting system);
 - in the case of a computerised accounting system, systems development and modifications.

2. Separation of duties in practice

- 2.1 A large school may have a number of finance-related posts between which duties can be separated, e.g. a finance assistant, a finance manager and the lead finance officer / Business Manager. In this situation most routine and low-value transactions can be delegated to the finance team and, once established, do not need to involve the Headteacher / Principal / Business Manager or other senior staff.
- 2.2 However, in a small school there may be only a single finance officer. It is in this situation and particularly when transactions are urgent or senior staff are not available, that the requirement for the separation of duties is more difficult to implement. The receipt and banking of cash payments, e.g. for school meals or trips, is another vulnerable area. It is important, therefore, that there are clear procedures, that there is a fall-back position if senior staff are not available to authorise transactions, and that each check or authorisation is properly documented with records retained for audit purposes.

3. The Trust's model Financial Controls Manual

- 3.1 The Trust's model financial controls manual for schools provides a set of core procedures for Local Governing Bodies to adapt and adopt. The model procedures assume a single finance-related post (referred to as the "lead finance officer") who is responsible for managing most of each transaction. However, the Headteacher is required to authorise orders, contracts, and payments (subject to limits agreed by the Local Governing Body) and to review checks such as monthly bank reconciliations.

3.2 Given that some transaction may be time-sensitive (e.g. the monthly payroll), it is important that local arrangements provide for the situation where the Principal / Headteacher is not available. Local Governing Bodies may wish to give delegated powers to a Deputy Headteacher or other senior member of staff, either for occasions when the Headteacher is not available or more generally. It would also be appropriate for a Deputy Headteacher to be one of the signatories on the bank mandate for signing cheques or making electronic payments.

Whatever local arrangements are made, the details should be approved by the Local Governing Body and added to the Financial Controls Manual. The Trust's Director of Finance & Operations is available to advise on local arrangements.