

Schools Financial Value Standard 2021-22

# LMS Finance Team

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# Contacts list and useful phone numbers

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# Section 1

## Financial management standard in schools

Dear School governing body, Head teachers and school business managers

We hope that you will find this guidance manual useful in helping and assisting you with understanding the requirements of the Schools Financial Value Standard

The purpose of the guidance manual is::

To help and support schools by providing practical guidance to assist with compiling the self assessment form

To provide schools with a central point of reference to source documents, templates and useful guidelines

To assist the school with planning and setting timescales to ensure all essential elements of the standard are met by a given date.

Future updates and additions to the guidance manual will be circulated to all schools accordingly.

# Section 2

## Background to the SFVS

The SFVS was introduced by the DfE in July 2011 and replaces the Financial Management Standard in Schools.

The Standard is a requirement of all local authority maintained schools. Governing bodies have formal responsibility for the financial management of their schools and so the standard is primarily aimed at Governors.

The SFVS has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. .

Maintained schools are required to complete the SFVS once a year. Those schools which never attained FMSiS will be expected to complete and submit the SFVS to their local authority by 31 March . For all other maintained schools, the first run through is required by March . An annual review is required thereafter. SFVS will not be externally assessed like FMSiS.

The Chief Finance/Section 151 Officer is responsible for confirming that the schools in the

LA are complying, or taking steps to comply with the Standard. The Local Authority’s Internal Audit Team will use school’s SFVS to inform their programme of financial assessment and audit of schools.

The Schools Financial Value Standard and supporting toolkit are designed to allow schools to take better informed decisions about the allocation of resources at school level, supported by better information, planning and management. It is intended to cover standards and processes that should already be in place in schools, rather than introduce a new, higher standard. Consequently, schools will be able to manage their resources more efficiently, leading to an increase in value for money.

The SFVS has been developed by the DfE and is available at <https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

# Section 3

## What do schools need to do

The standard consists of 30 questions which governing bodies should formally discuss annually with the head teacher and senior staff.

The questions which form the standard are in sections A to F. Each question requires an answer of Yes, In Part, or No.

If the answer is Yes, the comments column can be used to indicate the main evidence on which the governing body based its answer.

# Section 4

## Evidence sources for the assessment criteria

This section provides practical guidelines to assist schools with completion of the self assessment form.

Each of the six key areas to the Standard is covered in this section:

* The Governance
* School Strategy
* Setting the annual budget
* Staffing
* Value for money
* Protecting Public Money
* For further information , please see

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

**Introduction to the schools financial value standard (SFVS) checklist**

The schools financial value standard (SFVS) helps to provide schools with assurance that they are meeting the basic standards necessary to achieve a good level of financial health and resource management.

The SFVS checklist asks a number of questions of governing bodies in six areas of resource management to provide assurance that the school is managing its resources effectively. This can be used to identify possible areas for change to ensure that resources are being used to support high-quality teaching and the best education outcomes for pupils.

The checklist was formerly part of a tool that also contained a dashboard. This is now available on the schools financial benchmarking website. It shows how a school's data compares to thresholds on a range of statistics that have been identified as indicators for good resource management and outcomes, which will help you to complete your checklist.

**Outcome of schools financial value standard(SFVS)**

| Signature: (Chair of governing body / management committee) | Click or tap here to enter text. |
| --- | --- |
| Full name of signatory: | Click or tap here to enter text. |
| Date SFVS agreed by full governing body / management committee: | Click or tap here to enter text. |
| Date SFVS submitted to local authority for review: | Click or tap here to enter text. |
| **School name:** | Click or tap here to enter text. |
| **School LAEstab number:** | Click or tap here to enter text. |

**Summary of agreed action and**

Documents and Information you may wish to consider

* The fund concerned is being correctly operated in accordance with the fund objectives
* the financial statements produced by the fund manager are correctly stated

In order to do this the auditor will test that:

* all income has been correctly accounted for
* the monetary balances reconcile
* the stated monetary balances do in fact exist
* expenditure is reasonable and in accordance with the fund objectives
* funds have not been used as a vehicle for personal transactions
* guidelines for record keeping have been followed

**d timetable for reporting back:**

# Governance – Section A

## SFVS Question 1

**In the view of the governing body and senior staff, does the governing body have adequate and up-to-date financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money? Is there a plan in place to address any gaps?**

Documents and Information you may wish to consider

* Governors Competency Matrix
* Evidence of review to ensure the full range of competencies exist
* Details of training budget and courses planned for Governors
* Action plan to address the current skills gaps
* Governing Body minutes evidencing challenge and support

It is essential for the governing body to have access to adequate financial skills to ensure they meet their statutory responsibilities for the financial management of the school and can safeguard the large amounts of public money for which they are responsible Governing bodies are responsible for setting their school’s annual budget. Most schools have a finance committee, the governing body delegates some financial responsibilities to them and they report to the full governing body. However, the finance committee is non-statutory and so governors can determine their individual requirements and delegate their financial responsibilities to one or more committees, if desired.

## SFVS Question 2

**Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?**

Documents and Information you may wish to consider

* Terms of Reference for the finance committee with evidence of annual review
* Skills audit/governor competency matrix
* Governing bodies are responsible for setting their school’s annual budget. Most schools have a finance committee, the governing body delegates some financial responsibilities to them and they report to the full governing body. However, the finance committee is non-statutory and so governors can determine their individual requirements and delegate their financial responsibilities to one or more committees, if desired.

## SFVS Question 3

**Does the governing body board receive clear and concise monitoring reports of the schools budget position at least 6 times a year ?**

Documents and Information you may wish to consider

* Terms of reference for the finance committee
* Access to monitoring reports that have an appropriate level of information to be easily understood
* Be able to review income and expenditure against the budget
* Staff should have access to the monitoring reports and should know about the schools budget and financial affairs

To enable the governing body to meet their statutory responsibilities for the financial management of the school and so they can safeguard the large amounts of public money for which they are responsible. It is important that the monitoring reports are produced regularly and shared with the governing body or finance committee at times when action can be taken on them to good effect. DfE and ESFA recommend that governors should receive the monitoring reports and have an opportunity to raise questions or concerns at least 6 times a year.

## SFVS Question 4

**Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?**

Documents and Information you may wish to consider

* School register of business interests, this should be kept up to date and freely available for inspection by governors
* Financial interest in a contract or proposed contract by direct or family connection
* Appointments – interests in the provision for sponsor governors or interest in someone’s appointment or suspension from office
* Pay and performance – interests in the pay or approval of someone working at the school in cases where the governor or staff member is also paid to work at the school

* Governors and staff have a responsibility to avoid any conflict between their business and personal interests in the interest of the school
* All governors and staff should complete the school’s register of business interests. This register should be kept up-to-date and be freely available for inspection by governors, staff and parents. For maintained schools, the guidance for local authority schemes for financing schools states that local authority schemes should require schools’ governing bodies to have a register of business interests.

## SFVS Question 5

**Does the school have access to an adequate level of financial expertise , including when specialist finance staff are absent , for example on sick leave?**

Documents and Information you may wish to consider

* Development of strategic financial plans .Understanding of and ability to operate good financial management practises
* Understanding of national and local financial requirements for the school and the schools own framework of financial control
* Understanding and operation of budget setting and monitoring
* Operating , control and monitoring of the financial systems

The [National Governance Association (NGA)](http://www.nga.org.uk/) provides guidance on matters relating to governors and governance, including online finance training.

* [Governors for Schools](http://www.sgoss.org.uk/) provides information on recruiting volunteers to serve on school governing bodies and guidance for schools having difficulty recruiting governors with financial expertise.
* DfE and ESFA have guidance on [school resource management](https://www.gov.uk/government/collections/schools-financial-health-and-efficiency) to help schools improve their financial management and efficiency, including specific guidance for governors.
* Suppliers of financial management software – most suppliers provide courses on how to use their systems. The courses are run directly or through a training company.
* [Institute of School Business Leadership (ISBL)](https://isbl.org.uk/Home.aspx) provides information and training for all those involved in school business management, enabling staff to update their financial management knowledge and skills.
* All schools have significant budgets and can exercise flexibility in the way they use them. Schools need access to staff with a high level of financial management competencies because of the complexity of financial management issues in schools. Most schools will employ these staff themselves, but some smaller schools may share staff or buy in services. It is important that skills are updated on a regular basis in line with changing school policies.
* DfE and ESFA provide online information, tools, training in the [school resource management](https://www.gov.uk/government/collections/schools-financial-health-and-efficiency) guidance to help schools improve their financial management and efficiency, including on strategic financial management.
* DfE publishes [school workforce planning](https://www.gov.uk/government/publications/school-workforce-planning) guidance and curriculum planning tools to support schools in the planning process.
* There is a lot of material on the internet explaining what business continuity or disaster recovery plans are – some of this is free of charge and can be used to think about what a plan should contain in a school’s particular circumstances

# School Strategy – Section B

## SFVS Question 6

**Does the school have a realistic sustainable and flexible financial strategy in place for at least 3 years , based on realistic assumptions about future funding , pupil numbers and pressures?**

Documents and Information you may wish to consider

* Projected pupil numbers
* Free school meal numbers
* Likely pupil premium numbers
* Projections the staffing that will be necessary in these years
* Schools should plan their staffing based on multi year projections of curriculum needs
* These projections can be used by the governing body to develop a sustainable and flexible financial strategy

## SFVS Question 7

**Is the financial strategy integrated with the schools strategy for raising standards and attainment through curriculum led financial planning *?***

Documents and Information you may wish to consider

The idea of linking curriculum and financial planning is not new. Most schools probably use some ICFP processes already when reviewing their curriculum or financial strategy.

There is no one way to do ICFP, but it should include analysing your:

* teacher deployment
* use of support staff
* non-staffing costs
* balance of income and costs

## SFVS Question 8

**Does the school have an appropriate business continuity or disaster recovery plan including an up to date asset register and adequate insurance ?**

 Documents and Information you may wish to consider

* If the schools premises were not available for an extended period of time or example due to flood or fire
* Large scale loss of property
* Loss of information through failure of IT systems
* Mass unavailability of staff through a pandemic
* Adequate insurance for premises and contents
* Asset register
* Contingencies for absence of staff

# Setting the Annual Budget – Section C

## SFVS Question 9

**Does the school set a well informed and balanced 3 year budget and has this been submitted to the local authority ?**

Documents and Information you may wish to consider

* Known staffing changes
* Pay awards and increments .
* Income assumptions
* Changes in pupil numbers
* Buy back services from the local authority or external providers

## SFVS Question 10

**Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided**?

Documents and Information you may wish to consider

* The three year budget for both capital and revenue funding, including pupil number projections, staffing profiles and increments, pay and price increases
* A range of scenarios with different assumptions about income and costs and details of how the budget could be balanced in the different scenarios
* Notifications of funding from the Local Authority used in budget planning
* Notifications of grant funding, pupil premium, external funding used in budget planning

## SFVS Question 11

**Is the school realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different ?**

Documents and Information you may wish to consider

* Three year balanced budget including known staffing changes, pay awards and increments, income assumptions, changes in pupil numbers
* Analysis of balances, details of planned projects
* School Plan
* Licensed deficit plan with details of budget monitoring

## SFVS Question 12

**Is the year outturn In line with budget projections or if not is the governing body alerted to significant variations in a timely manner and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?**

Documents and Information you may wish to consider

* Outturn should be what the school actually spends during the year
* Plan changes
* Demonstrate the budget has been well planned so the school will not fall into deficit
* Making sure the governing body are alerted in a timely manner  Use of the schools financial benchmarking website.
* Provide governing body with good information on significant variances

## SFVS Question 13

**Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balance at the end of each year ?**

Documents and Information you may wish to consider

* Outline clear plans for use of money
* Ensure that any planned spending offers value for money
* Have robust plans to avoid clawback

Maintained schools should contact their local authority for further information and support

[Dedicated schools grant (DSG)](https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2019-to-2020) includes guidance on the methodology used for calculating the allowances, individual authority allocations, how the DSG fits with the overall school funding settlement and pupil premium allocations

[Schemes for Financing Schools–](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeregulations/a0070286/local-authority-schemes-for-financing-schools) information on the supporting legal framework for school revenue funding and local authority schemes for financing schools

# Staffing – Section D

## SFVS Question 14

**Does the school review its staffing structure regularly to ensure it is the best structure to meet the needs of the school whilst maintaining financial integrity?**

Documents and Information you may wish to consider

* A planned structure of how staff are organised and deployed
* Structures reviewed annually
* DfE has published guidance on school workforce planning , schools are advised to plan over the medium to long term (3-5 years)
* Must be clear and accurate and identify roles and responsibilities

## SFVS Question 15

**Has the use of professional independent advice informed part of the pay decision process in relation to the head teacher and is it tightly correlated to strong educational outcomes and sound financial management ?**

Documents and Information you may wish to consider

* External HR providers
* Other governing bodies
* Local authority HR providers
* Other external providers such as lawyers, school improvement partners

## SFVS Question 16

**Has the school published on its website the number of employees (if any) whose gross salary exceeded £100k?**

Documents and Information you may wish to consider

* Schools financial benchmarking
* Select the right schools to benchmark against
* The [school resource management](https://www.gov.uk/government/collections/schools-financial-health-and-efficiency) collection contains a range of resources to help schools improve their financial management and efficiency, including [school workforce planning](https://www.gov.uk/government/publications/school-workforce-planning) guidance and signposting to relevant [training and support opportunities](https://www.gov.uk/guidance/schools-financial-efficiency-sharing-best-practice)
* Information on staff employment and school teachers’ pay and conditions is available on the [school and college careers and employment](https://www.gov.uk/topic/schools-colleges-childrens-services/school-careers-employment) page
* The [National Standards of Excellence for Headteachers (2015)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/396247/National_Standards_of_Excellence_for_Headteachers.pdf) provide nonmandatory guidance on the high standards which are applicable to all headteacher roles

##  SFVS Question 17

**Does the school benchmark the size of its senior leadership team annually against that of similar schools?**

Documents and Information you may wish to consider

* Benchmarking against other schools
* Information on staff employment and school teachers’ pay and conditions is available on the [school and college careers and employment](https://www.gov.uk/topic/schools-colleges-childrens-services/school-careers-employment) page
* The [National Standards of Excellence for Headteachers (2015)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/396247/National_Standards_of_Excellence_for_Headteachers.pdf) provide nonmandatory guidance on the high standards which are applicable to all headteacher roles

# Value for Money –Section E

## SFVS Question 18

**Does the school benchmark its income and expenditure and investigate further where any category appears to be out of line?**

Documents and Information you may wish to consider

* Have a procurement policy
* Purchases or leases must be fair , legal and open
* Advice and coaching from other staff or governors with procurement qualifications and skills
* Clear designated roles
* plan and manage their budgets
* identify areas and setting targets for improved use of resources
* achieve value for money in expenditure and improve its effectiveness in driving performance
* deliver educational services to a defined standard

## SFVS Question 19

**Has the school leadership team considered the results of the self assessment dashboard or other DFE benchmarking tools ?**

Documents and Information you may wish to consider

From the benchmarking website, you can find the self-assessment dashboard which shows how a school’s data compares to thresholds on a range of statistics that have been identified by the Department as indicators of good resource management.

You can also use the benchmarking website to produce simple charts and reports for governors to show how your school spends money in comparison to other schools.

VMFI compares the financial performance of each school against statistically similar comparator schools which are calculated using either pupil characteristics or building attributes, depending on which is the main driver of that particular cost category. VMFI then provides a prioritised list of areas that may require further attention as well as matching your data with relevant guidance and resources. For more information on benchmarking, see guidance for question 18.

## SFVS Question 20

**Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money**

Documents and Information you may wish to consider

* Share costly equipment
* Share resources
* Collaborating to buy goods , works or services
* Sharing skills and knowledge
* Be open and willing to discuss with nearby schools
* Joining a local school business professional network

## SFVS Question 21

**Is the governing body given the opportunity to challenge the schools plans for replacing contracts for goods and services that are due to expire shortly ?**

Documents and Information you may wish to consider

It is good practice for a school to maintain a contract register, which should include:

* the contract start and end date
* the current value of the contract
* the lead in time for procurement
* information on early termination, for example, any dates or penalties incurred for early termination
* any potential for extension of the contract and
* an indication of exit strategies or re-procurement plans

## SFVS Question 22

**Does the school consider collaboration with others for example sharing staff or joint purchasing where that would improve value for money?**

Documents and Information you may wish to consider

Key things to consider include:

* who will have responsibility for managing any collaborative contract – this could be as simple as confirming receipt of basic goods or could involve managing the on-going supplier relationship for a service contract
* how you will resolve any problems between the supplier and a specific school
* having risk management protocols in place
* considering the time resources involved in managing the contract and how will these be shared fairly between all schools

## SFVS Question 23

**Do you compare your non staff expenditure against the DFE recommended national deals to ensure you are achieving best value?**

 **What are the national deals recommended by DfE?**

[Find a framework](https://www.gov.uk/government/publications/deals-for-schools/deals-for-schools) provides information on a wide range of non-staff deals that have been reviewed by the schools commercial team (SCT) within DfE. These are assessed for compliance with procurement regulations, ease of use, suitability and value for money

Please visit [buying for schools](https://www.gov.uk/guidance/buying-for-schools) for information on the support available to schools in the procurement process.on the dfe website

## SFVS Question 24

**Does the school maintain its premises and other assets to an adequate standard and make best use of capital monies for this purpose?**

Documents and Information you may wish to consider

* Evidence of efficiency audit/efficiency savings achieved – use of Local Authority’s efficiency savings guide
* Evidence of goods or services sourced more cheaply
* Reorganisation of areas of work to improve productivity
* Evidence of focusing resources on a school improvement priority
* Extra income achieved from the use of school premises Reviews of contracts

# Section F- Protecting Public money

## SFVS Question 25

**Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body ?**

Documents and Information you may wish to consider

When a school is audited, or analyses its strengths and weaknesses for itself, a summary report should be produced that clearly sets out the issues or weaknesses that the school needs to address. The school should then formulate a plan to address the issues and weaknesses, and ensure that they are addressed promptly. Outstanding matters are issues that have not been adequately addressed.

**Why it is important for the governing body to be sure that there are no outstanding matters**

Issues that have been identified by auditors or by the school itself that have not been resolved will hamper the operation of the school and may put public funds at risk. The governing body therefore needs to make sure that they are dealt with promptly

## SFVS Question 26

**Are there adequate arrangements in place to manage related party transactions ? and has a complete list of related party transactions been appended to the checklist document (see checklist for recording related party transactions)**

Documents and Information you may wish to consider

**What is a related party transaction?**

A related party transaction is a contract or other agreement between the reporting entity (in this case, school) and a person or entity that has close links with the persons awarding the contract. It is a concept that largely applies to companies, but the same principles apply to public bodies such as maintained schools.

Contracts or agreements with the school’s maintaining local authority or with trustees of a voluntary school are not to be treated as related party transactions. Working through a school company set up by the school is also not a related party transaction: on school companies see [The School Companies Regulation 2002](https://www.legislation.gov.uk/uksi/2002/2978/contents/made).

The principle is not that related party transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are declared and then adequately and appropriately managed.

## SFVS Question 27

**Are there adequate arrangements in place to guard against fraud and theft by staff , contractors and suppliers?**

Documents and Information you may wish to consider

* Review of insurance arrangements and risk assessment
* Daily backing-up and off-site storage of IT systems
* Schools need a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. Arrangements should both prevent malpractice, and enable prompt detection should it nonetheless occur.

## SFVS Question 28

**Are all the staff aware of the schools whistleblowing arrangements and to whom they should report concerns ?**

Documents and Information you may wish to consider

* protection that is available to all members of staff, including temporary staff and contractors
* areas of malpractice and wrongdoing that are covered
* routes available within the school and the local authority for raising issues

## SFVS Question 29

**Does the school have an accounting system that is adequate and properly run and delivers accurate reports including the consistent financial reporting return?**

Documents and Information you may wish to consider

* A system that accurately records income and expenditure
* Produces reliable and accurate management information ,including providing decision makers with timely and accurate information relevant to their responsibilities and requirements
* Contains adequate internal control measures to ensure the protection of assets and the provision of reliable information
* Is sufficiently flexible to accommodate changes in volumes and operating procedures

The accounting system should record detailed information on income and expenditure, covering all of the school’s financial transactions. For maintained schools, it must be capable of recording data in such a way that it can provide details of revenue income and expenditure, capital income and expenditure and balances that fit the consistent financial reporting (CFR)

## SFVS Question 30

**Does the school have adequate arrangements for audit of voluntary funds?**

Documents and Information you may wish to consider

* The fund concerned is being correctly operated in accordance with the fund objectives
* the financial statements produced by the fund manager are correctly stated

In order to do this the auditor will test that:

* all income has been correctly accounted for
* the monetary balances reconcile
* the stated monetary balances do in fact exist
* expenditure is reasonable and in accordance with the fund objectives
* funds have not been used as a vehicle for personal transactions
* guidelines for record keeping have been followed

#