

GUIDANCE PAPER



Due Diligence and Risk Management

Guidance at a Glance

This guidance is for senior leaders, trustees and governors of local authority-maintained schools, single academy trusts and multi-academy trusts (MATs), school business leaders and managers, chief finance officers, and chief operating officers.

The paper is designed to guide school leaders in making the best long-term decision for their school through a process of due diligence and risk management, with options and ideas for different approaches and levels of due diligence depending on the organisations' requirements, their appetite for risk and the local context. It also reflects on the best way to communicate the outcomes of this process to stakeholders.

Due diligence is a process which should be carried out before any formal decisions are made.

It is recommended this guidance is also read in conjunction with these ASCL guidance papers:

Staying in Control of your School's Destiny: Considering forming or joining a group of schools

Staying in Control of your School's Destiny: Joining a multi-academy trust

Staying in Control of your School's Destiny: Forming a multi-academy trust

This paper will look in more detail at the following:

Section 1 Overview

Section 2 Values and ethos vs risk management

Section 3 Readiness, capacity and capability

Section 4 Process and time frame

Section 5 Key areas of due diligence

Section 6 Stakeholders

Section 7 Communications and negotiations

Section 8 Due diligence: which MAT should I join?

Section 9 What can go wrong?

Section 10 Accountability and responsibility: joining or forming a MAT

Section 11 Further information and Appendix 1

1 Overview

An educational setting is often where values and ethos conflict with hard, business-related facts and the reality of risk management. Education is, at its core, an emotive area, in that it is responsible for the future opportunities of children and young people as well as their education. It is therefore often hard to remain impartial during a due diligence process. Mix these worthy and honourable aims with the challenge for educational settings to take a more business-like and hard-edged approach, and it is easy to see how well-meaning school leaders and governors might overlook a robust process.

Schools can rush into formal partnerships for many reasons. Robert Hill, in his blog *Where is the MAT agenda going?* (October 2016), highlighted some of the issues which arise when schools make decisions without undertaking a detailed analysis of the implications. He advises schools should find the space to source partners with a shared vision and values, and undertake appropriate due diligence during that process. He adds it is important for a school to consider and identify those schools or MATs that will best meet the challenges they face, delivering the best outcomes for their pupils.

It is vital that schools joining together and MATs looking to grow have an in-depth and detailed knowledge of the risks and benefits of the proposed legal partnership. Knowing a school locally, working alongside headteachers for many years, and feeling that they are a good school is no substitute for a thorough due diligence process.

Due diligence is objective, has depth, breadth, and covers a variety of key performance indicators. It highlights risks and benefits and, where appropriate, the resources required to support acquisition and costs. It considers past, present and future trends, as well as threats and opportunities.

Whether you are a 'due diligencer' or 'due diligencee', this paper aims to enable you to find the right due diligence and risk management process for your organisation.

2 Values and Ethos vs Risk Management

It is vital to balance the subjectivity of proposed growth with the reality of risk.

If you are already a MAT, a poor decision and high-risk venture could affect your viability, consequently putting every school within your trust at risk. Understanding and monitoring the risks and mitigating against them is vital within the due diligence process, and for every aspect of MAT decision making. In the changing education environment, individuals dedicated to scanning the horizon are essential, and facilitate the ability to change direction quickly.

Risk: management, appetite and mitigation

Understanding your organisation, the current context, your risk appetite, and ability to be flexible in harmony with the changing landscape will help you as you undertake due diligence exercises. Local issues, such as a new headteacher appointment, long-term illness, recruitment concerns, sustainability, and capacity of teams can all affect timing and influence decision making. Candidly reflecting on motives for change and the organisation's current vision and strategy before you begin the due diligence process will make your way forward more robust and give the best chance of success.

The DfE guide *Multi-Academy Trusts - Good practice guidance and expectations for growth* (December 2016) provides a range of guidance for MATs on risk management, and states:

"Academy trusts are accountable for educational outcomes, financial management, safeguarding (including health and safety) and estate management in their trusts. The boards of trustees are responsible for risk management – particularly setting the parameters of the process and reviewing and considering the results. Effective risk management underpins effective planning elsewhere like strategic finance. While they may choose to delegate the day-to-day management of some risks to staff or professional advisers, the

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trust's involvement should be such that within the trustees' annual report they can make the required risk management statement with confidence."

The publication lists the following ways in which effective MATs manage risk, identifying key elements for due diligence:

- 1 The MAT learns from effective risk management processes from other sectors.
- 2 It is clear which risks should be managed locally, and which are escalated to, or held by, the central MAT.
- 3 Each risk is owned by a named person, so that no risk 'falls between a gap'. Those accountable have the ability to act decisively to manage risks when needed.
- 4 The trust is clear how risk management will need to develop and evolve as the trust grows in size.
- 5 Effective due diligence takes place before the MAT agrees to a school joining the trust. This means the trust fully understands all the risks, assets and liabilities they would take on, and either put appropriate plans in place, or decide that is not appropriate for the school to join the trust at that time.
- 6 Any due diligence is carried out by a person or persons with sufficient skills and experience. Specialists can be employed or contracted if those skills do not already exist within the trust.
- 7 A specific board member is responsible for managing their estates. In smaller trusts this could be the chief executive or chief operating officer in a small trust, while larger MATs may set aside a dedicated board position such as a Director of Estates.
- 8 Legal requirements relating to the estate, including requirements relating to health and safety, together with specific potential threats such as legionella, asbestos and fire must be well understood
- 9 Comprehensive knowledge of buildings and their conditions enables the MAT to plan and prioritise maintenance and construction work. For MATs with at least five academies and 3,000 pupils, they will receive a school condition allocation, whereas smaller trusts will need to bid for funding through the Condition Improvement Fund (CIF).

Good risk management within a robust framework, together with the culture of a quick response helps you mitigate against identified risks. The DfE recommends that if the due diligence is not satisfactory or a good fit for partnership, than a MAT should make the decision not to take the school in. As accountability takes on more focus, and the pressure to deliver school improvement within a short timeframe develops, more MATs are coming to this conclusion. Strategies to address such high-level risk may prove to be elusive in some circumstances.

Risk and the Regional Schools Commissioner

The Regional Schools Commissioner (RSC) will want to see a MAT's risk management and due diligence strategies before giving approval for academy collaboration. Track record will also be a feature.

The RSC will test whether:

- the trust has the capacity to fulfil the mandatory requirements set out in the Academies Financial Handbook (AFH). The Education and Skills Funding Agency (ESFA) will provide information about any issues identified previously which might impact on track record
- there are effective procedures in place to identify, monitor and mitigate risks at both school and trust level
- the scheme of delegation is clear about the risk management strategy with no issues which might 'fall between the gaps'

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- the trust has a clear idea of how its risk management process will need to change as the trust grows, and has made a balanced assessment relating to the expansion of risk
- the trust has access to appropriate due diligence expertise to give confidence the trust can effectively manage risk on an ongoing basis. MATs are strongly recommended to undertake an internal due diligence process (ie on itself), considering its own context before progressing to a formal due diligence process to bring a school in to the MAT

Section 2: summary questions for self-review

- What are your purpose, vision and aims? Why are you considering this school?
- What is your growth plan? In what geographical area?
- What sort of school are you considering (for example, age range, Ofsted rating, community, faith), and why?
- What is your appetite for risk?
- What are the risks, now and in the future?
- Are you prepared to take a gamble?
- How secure are and what are the needs of your current complement of schools?
- Have you the capacity to grow?
- Have you the capacity to undertake the due diligence process?
- What is your motive? Can you afford to have this vision?
- Does it fit into your bigger picture?
- What resources does the school need: short, medium, and long-term, and what are the costs involved?
- Are you looking at a re-brokered school? The risks can be higher.

3 Readiness, Capacity and Capability

Due diligence is a two-way process with potential reputational risk.

To assist in assessing your levels of readiness, capability and capacity, the following questions may help with this essential process:

- Do you have the capacity to not only take on the due diligence process itself, but also to deliver the level of school improvement required in what could be a challenging environment?
- Have you appropriate system leadership in place, the capacity for developing the right staff to support joining schools, as well as help build the ethos and culture of the MAT in different geographical locations?
- Have you the governance structure in place and do they have the appropriate skills and capacity to operate effectively within a changing environment. This issue is explored in the linked guidance paper *Staying in Control of your Schools Destiny: Considering forming or joining a group of schools* where different models of governance are explained. A clear, delegated accountability framework for governance at trust board and local governing body level is essential to being a successful MAT.
- How are you intending to manage your core business of school improvement? Are there strategies in place for organising quality assurance oversight, developing staff, organising coaching, facilitating inquiry-led learning, moving expertise around academies and co-constructing curriculum and lesson plans (Robert Hill)?

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- What do you intend to be mandatory within your MAT (for example HR policies) and what is left to individual academies (for example behaviour policies)? The school looking to join a MAT will want to know, and it will form part of your due diligence process in considering what within the school is fit for purpose and approved by the MAT and what needs resources to change or improve. How a school implements its policy into practice can be a key performance indicator.
- Can you clearly articulate your MAT vision and aims and how you carry out effective monitoring, school improvement, and achievement? How are you going to be able to help a school improve outcomes, and have you estimated the likely cost of the support necessary given their context – has this been written in to the due diligence process?
- Have you set your 'core/central charge' and are you clear on what is covered within it? This affects the due diligence process as it usually supports the existence of your executive team who play a significant part in the process and potentially affects the staffing at the joining school if you have centralised services such as finance and HR.
- Is your executive team in place, highly skilled with clear roles and responsibilities to support all education leaders within the group?
- How will you monitor standards and hold to account? If you are a small growing trust, do you have enough staff to deliver this currently in your trust or do your structures need to change/increase? Related estimated cost implications for this should be shown in your due diligence report.
- Have you considered the geography of the school or schools you are considering? Factoring in travelling time has implications on the ability to communicate and collaborate effectively. It also has cost implications where staff are required to regularly travel between partner schools.
- What are your non-negotiables? This should include leadership and governance and not just operating systems such as finance and data collection?
- Is your governance ready for the growth? Ofsted's paper *Improving governance: Governance arrangements in complex and challenging circumstances* highlighted that weaker governance was evident where there was a lack of expertise to operate within an increasingly complex education system, and there was a lack of clarity about lines of accountability. Have you a current, clear scheme of delegation which is reviewed annually, and which articulates accountabilities and responsibilities?
- Have you skilled management of the Trust Risk Indicators and awareness of the top three risks to your trust?

Section 3: summary questions for self-review

- Have you got your house in order?
- Have you the capacity?
- Is system leadership in place?
- Can you place someone at the school? Consistency?
- Do you have the governance or board structure and skills? Capacity?
- How are you managing your core business of school improvement?
- Do you know what will be mandatory and what will be left to individual academies?
- Have you decided your core charge and are you clear what is covered by it?
- Have you clear vision and aims?
- Do you have a scheme of delegation? Is it reviewed annually?
- How will you monitor standards, hold others to account? Who, when?
- Have you considered geography: time to travel?
- Non-negotiables: what are they?
- Is your risk management in place?
- Do the MAT leaders know their three biggest risks?
- Executive team: are roles and responsibilities in place with clear lines of leadership?

4 Process and Time Frame

Adequate time should be put aside for due diligence and the extent of this process should not be underestimated. The time frame can be dependent on many factors such as the level of complication, a sponsorship, the local context, legal complications, negotiations regarding land, assets, deficits, and outstanding or transfers of indemnities. Some MATs allow up to six months for a full process to be undertaken. It would be difficult to complete the process in under three months.

MATs now consider buying-in additional support and expertise to complete a due diligence process. This can be beneficial and bring a sense of objectivity and independence along with additional capacity. Many MATs now use a multi-disciplinary team to bring in expertise when considering all aspects of the business, using specialists to scrutinise aspects such as accounts, fixed assets, estates and premises, health and safety, and human resources. Support from your legal team is a pre-requisite.

The cost of the due diligence process, coupled with resistance due to previous poor experiences, have led some MATs to undertake a 'pre-due diligence' or scoping exercise. For more information, refer to *Staying in Control of your School's Destiny: Forming a multi-academy trust*.

Key aspects such as ethos and culture, vision and strategy, leadership and governance, performance, challenge and support, finances, HR and staffing, and estates should be covered. A formal decision is then taken on whether to go ahead with a full due diligence process or whether to defer due diligence, have further discussions with the school and the board, or whether to halt the process and not proceed.

Completing a SWOT analysis as part of your scoping at this early stage is recommended. Update the risk register.

Section 4: summary questions for self-review

- Have you put aside enough time?
- Who will do it, and when?
- Are you looking to buy in experts?
- What will be the cost of due diligence in your context?
- Have you completed an initial scoping exercise?
- Have you briefed your legal team?
- Are you prepared to defer or halt the process if it is not right?
- Have you conducted a SWOT analysis?
- Is there a risk of competition from other MATs?
- Have you updated your risk register?

5 Key Areas of Due Diligence

Operational and educational

Key operational areas should include:

- finance
- audits
- estates and buildings
- IT (often overlooked and can be an expensive oversight, post-conversion)
- health and safety
- governance *
- assets
- contracts (included in a Commercial Transfer Agreement (CTA). Again, often an expensive oversight if due diligence is not completed in full)
- leases (expensive photocopy leases and partnership agreements, for example, or long standing agreements for community use)
- services such as catering

Also, consideration as to whether the school is already an academy, or whether conversion is required.

Key educational areas include pupil progress, Ofsted reports, leadership capacity, and cost of curriculum (depth, breadth and timetable). Some MATs have developed tools to analyse curriculum models and their efficiencies in a consistent manner.

Staffing for both these areas should also be reported, particularly surplus staff. Often any reductions required are completed during due diligence and therefore the risks and associated costs are not transferred to the MAT.

*The DfE's *Schools Causing Concern* (Feb 2018) report has widened the criteria for intervention to include factors relating to governance (quality, impact, unusual turnover, failure). This means that a school which is not coasting or inadequate may be placed in a vulnerable category due to poor governance. The scope for due diligence needs to be broader to accommodate this.

Breadth and depth

Due diligence should have breadth and depth, meaning not just the 'here and now'. A school can look financially solvent in the present, but financial forecasts may predict future deficits, either due to falling rolls, ineffective financial management or various external factors, for example new schools opening in the area.

The local context should be reported fully, including community perception; there could be a significant marketing cost to change perceptions of the school you are considering taking on.

As mentioned previously, some MATs now take several months over due diligence.

Most trusts devise a due diligence master checklist, including identification of potential challenges and potential support needed, including hours required. These areas are RAG rated with each area covered in detail for the board report.

Who and how

Firstly, establish your team. This may include external consultants, should involve the CEO, executive management team and a board representative. Contact or engage your legal team and gather information including governance, academy orders, Edu base number, PAN, and funding agreements.

Allocate areas of due diligence and set target deadlines. Agree on the style and format of the reporting for consistency, for example written, RAG rated, or scored.

Gather basic information and complete the scoping exercise.

Basic data should include such items as:

- location
- target conversion date
- name of headteacher
- website trawl
- type of school, for example faith
- NOR
- Ofsted grade, date
- exam results and KS6 SATS results (comparisons to national)
- reading, writing, SPAG, maths compared to national (for primaries)

Consider the information from the initial stages of interest-scoping. This would include basic summative information from the areas in the following bulleted list, including an indication of the potential challenges and potential support needed, an indication of hours and subsequent costs to support. Consider capacity required, make recommendations, assess risks, and decide whether to go ahead with a full due diligence process.

If the decision is made to go ahead, then move into a more forensic scrutiny of the following areas:

- Facilities audit.
- Financial audit.
- HR audit (and consider whether measures need to be taken).
- Health and safety audit.
- Building survey.
- Leadership audit.

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- Teaching and learning review.
- Governance review – scrutiny of board minutes.
- ICT infrastructure review.

Due diligence can include a variety of key performance indicators along with minutia of detail; this depends on the individual context and risk appetite of the MAT. Many of the larger trusts have developed their own master check lists for due diligence based on their experiences, both good and bad.

For the purpose of citing some useful example processes:

- Discovery Trust has adopted a detailed and comprehensive approach (see Appendix 1). This level of detail and scrutiny has evolved through their own specific experience, the need to analyse detail, and have awareness of every risk in a consistent reporting style.
- Outward Grange Trust conducts their due diligence against a ‘Seven Strand Change Model’ which forms the template for a vigorous and rapid school improvement plan (SIP) as soon as a school joins their trust.

The Seven Strand Model includes:

- 1 leadership and management
- 2 quality in the classroom
- 3 curriculum design
- 4 systematic monitoring and intervention
- 5 standards, systems and policies
- 6 bespoke professional development
- 7 a praise culture for staff and students

Section 5: suggested master check list

- Set up team
- Ensure competency and consider external support
- Set meeting dates, deadlines, and consistent reporting method
- Agree role of executive team
- Contact legal team
- Gather basic information and conduct initial scoping
- Decide if full due diligence is to commence
- Cost time for due diligence
- Ensure depth and breadth
- Agree KPIs in each area
- Look at fine detail
- Not just ‘here and now’: future trends, opening of free schools, interest from other MATs
- Consider HR/TUPE: will you take measures?
- Report to board: include costs and resources required

6 Stakeholders

Formal consultation will take place alongside a due diligence process. It is prudent to be mindful of stakeholders and that any actions for due diligence are aligned to the consultation timeline to ensure similar messages are being communicated.

There may be a situation where a member of staff involved in the due diligence is also a parent and involved in the community consultations, so again, the tone and professionalism of the process is vital to ensure its integrity.

All members of the due diligence team should be mindful of their conduct on site and the need for careful communications.

The key stakeholders are the board, senior leadership teams, staff, local governing body or school board, the local community, and parents.

7 Communications and Negotiations

Tone, approach, clarity and any communication should be professional and respectful.

Be clear on and articulate your governance strategy and expected levels of autonomy, and communicate this to local governors as part of due diligence.

Make sure there is clarity about their role and the changes required with reduced autonomy.

Be robust but discreet on reporting, and ensure the right audience hears the messages first and in a structured manner, particularly around potential staff changes or redundancies. It is a potential and major risk during due diligence should the media (local or national) share information publicly before it is intended for wider consumption, and which could jeopardise sensitive negotiations.

Report objectively but sensitively and professionally. Be aware that reports can be subject to Freedom of Information (FOI) requests.

Keep your stakeholders up to date with regular bulletins during consultations and due diligence. This will help to allay fears, but can also mitigate the risk of misinformation circulating. Hearsay and rumour represent high risk.

Negotiations

Negotiate hard-to-mitigate-against risks. For example, if you need to reduce staff and redundancy costs are involved, seek financial support to pay for this before you take on the costs in your trust. Ask about the availability of a restructure grant. The same applies for neglected premises; do not just accept this liability. Neglect of buildings is a high risk to the MAT, especially with pooled CIF funding which can drain resources quickly. Remember you are legally taking on such liabilities.

8 Due Diligence: Which MAT should I join?

Values, ethos, legal and formal

If you are a school looking to join a trust you should also be undertaking due diligence to examine costs, benefits, and risks as detailed in the previous sections. You are entering a formal and legal partnership.

Their due diligence process

Consider how the MAT approaches their process with you. Is it collaborative, respectful, inclusive, thorough and well-planned and executed? This is a key indicator of their general modus operandi.

Scheme of delegation

You need access to this as it sets out boundaries and delegated powers and varies significantly between trusts.

Core charge or top slice?

Stakeholder input

Economies of efficiencies

Sir David Carter said “Common systems and implementation enables the strongest structures to be used across all schools”, so expect change and be cautious if there are none planned.

Support and understanding of your context

This should be evident during the due diligence process, along with transparency and clear accountability frameworks.

9 What Could Go Wrong?

Section 9: key points to bear in mind

- Don't trust anyone else's reports or audits apart from your own – audits can be misleading and sadly not always thorough.
- Make sure you have enough time, money, and resources for due diligence.
- Dig deep, for example, don't just ask if something exists, such as an inventory, but check it out.
- Don't ignore the future – or the past!
- Be clear at the outset what it means to be in your MAT, for example, if the finance system is changing then say it.
- Poor decisions can be made by the heart rather than the head: be ruthlessly honest in your reporting to the board. Make sure it is a full, written report, easy to understand, clear and transparent.
- Be aware of the opportunity for FOI requests and be respectful in your reporting.
- Beware of loose talk.
- CTA: make sure all 'agreements' are covered, particularly those with warranties, and commitments from other parties for any future financial support is incorporated securely.
- Beware PFI builds: research and be risk-aware.
- HR: if there are long-standing issues, consider the need to take measures at the outset.
- Land issues: be clear about your boundaries and make sure you do not take on liabilities such as maintenance of public footpaths.
- Capacity of your SBL/M and backroom team to take on additional schools.
- There are often three types of school:
 - 1 Very honest: open door (best to be number 1!)
 - 2 Not so honest: hide problems
 - 3 Don't know their problems: think it is all ok

10 Accountability and Responsibility: Joining or forming a MAT

When a school joins a MAT it ceases to be a legal entity in its own right. The MAT board is responsible and accountable for all schools within the group. The outcome of the due diligence process must be reported in full to the board alongside a full risk analysis. Do not overlook or rush this vital process.

If you are a single academy undertaking due diligence and taking a lead on joining with or taking on a new school, even a free school, to become a MAT then you should be mindful of the legal changes involved. You need to have a board and MAT structures in place and each school will be equal in the new partnership. A good source of information is *Staying in Control of your School's Destiny: Forming a multi-academy trust*.

The responsibility and accountability is with your board and there will be pressure for you to improve standards. The board decisions will remain with the trust longer term.

Be clear on the benefits and risks and take time for robust and deep due diligence and risk analysis. There will always be external pressures for a school to be embraced in a MAT but each school is complex.

Be confident that you have the capacity and if not, ensure you estimate the costs of additional and realistic capacity.

Section 11 Further information and Appendix 1

DfE, *Multi-Academy Trusts, Good practice guidance and expectations for growth* (December 2016)

www.gov.uk/government/publications/multi-academy-trusts-establishing-and-developing-your-trust

www.gov.uk/government/publications/expanding-your-academy-trust-resources-for-multi-academy-trusts/expanding-your-academy-trust-resources-for-multi-academy-trusts

DfE Schools causing concern (February 2018)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/680559/Schools_causing_concern_guidance_-_February_2018.pdf

Robert Hill blog *Where is the MAT agenda going?* (31 October 2016)

<https://roberthilleducationblog.com/2016/10/>

Robert Hill blogs (various) relating to MAT's and federations

<https://roberthilleducationblog.com/>

Sir David Carter, DfE, Characteristics of successful multi-academy trusts

Toby Salt, Chief Executive, Ormiston Academies Trust, Schools Week

Inside View: The 5 things we look for in schools wanting to join our academy trust (11 January 2016)

<http://schoolsweek.co.uk/trust-your-gut-instinct/>

House of Commons Briefing Paper – *FAQ's Academies and Free Schools*

<http://researchbriefings.files.parliament.uk/documents/SN07059/SN07059.pdf>

March 2018 Public Accounts Committee report on academy schools finances

<https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/760/76002.html>

Discovery Trust

www.discoverymat.co.uk/web

Outward Grange Trust

www.outwood.com/

Ofsted, *Improving Governance: Governance arrangements in complex and challenging circumstances* (15 December 2016) www.gov.uk/government/publications/improving-governance

ASCL guidance

ASCL, NGA, Browne Jacobson, *Staying in Control of Your School's Destiny: Considering joining or forming a group of schools*

www.ascl.org.uk/getmedia/fa3b350e-2f7c-477f-9185-c2f2f2eabddc/Staying-in-Control-of-your-Schools-Destiny-considering-forming-or-joining-a-group-of-schools.pdf

ASCL NGA Browne Jacobson *Staying in Control of your School's Destiny: Joining a multi-academy trust*

www.ascl.org.uk/getmedia/f054cfe9-43f4-4dd4-bb0c-9732735f82e3/Staying-in-Control-of-your-Schools-Destiny-joining-a-MAT.pdf

ASCL, NGA, Browne Jacobson *Staying in Control of your School's Destiny: Forming a multi-academy trust*

www.ascl.org.uk/getmedia/81ace473-2c71-4f39-95f8-7a5a1e0a07e7/Staying-in-Control-of-your-Schools-Destiny-forming-a-MAT.pdf

ASCL guidance *Effective-Business-Functionality-within-Developing-MATs*

www.ascl.org.uk/getmedia/849f089d-656d-4c90-8fcc-4c4fd1b13ced/Effective-Business-Functionality-within-Developing-MATs.pdf

Appendix 1

Due diligence risk analysis master checklist kindly provided by Discovery Trust

FINANCE		COMPLETED BY:	DATE:
RAG	AREA	NOTES	
	PAYROLL AND PERSONNEL AND SAFEGUARDING		
	Is all payroll documentation (eg appointment forms or supply/casual claim forms) authorised in accordance with the school's financial regulations?		
	Is a reconciliation of staff (including casual staff) employed by the school carried out each month to Tabs and is this evidenced?		
	Is the person responsible for reconciling payroll charges to the budget independent of the authorisation/certification of payroll documentation?		
	Has a person been given responsibility for the maintenance of a Single Central Record of recruitment and vetting checks covering all staff and others identified by the school as having regular contact with children and is this record kept up to date?		
	How is absence reporting maintained and who organises supply cover when staff are sick?		
	Are all new staff checked in keeping with safeguarding principles and procedures?		
	BUDGETARY CONTROL		
	Does the school have a fully costed, development plan which covers a period of at least three years?		
	Is there a clear link between the costed priorities and the multi-year budget planning?		
	Has the governing body formally approved the current year's budget?		
	Does the SIMS system accurately reflect the school's budget share and do allocations of the total budget to individual cost centres on SIMS mirror the most recent budget intention return? Where there are differences eg due to virement between budget headings, are these differences documented and approved by appropriate officers/committees in line with their specific levels of delegated authority?		
	Is the SIMS system reconciled monthly to Tabs issued by the Finance Service and is this evidenced? Are differences promptly investigated? If not, what type of check is made and what frequency is the check undertaken?		
	Have individual budget holders' names been entered onto SIMS to 'formalise' responsibility for each budget?		
	Are individual budget holders given transaction information regarding the budgets they are responsible for monthly (ie SIMS cost centre transaction reports)?		
	What % of budget has been spent to date? What is current c/f to date? To what extent are budgets committed?		

FINANCE		COMPLETED BY:	DATE:
RAG	AREA	NOTES	
	BUDGETARY REPORTING		
	Has the headteacher received a report on the school's financial position within the last month?		
	Is the school's financial position being reported to the governors at least termly?		
	Is a narrative provided with the financial report explaining reasons behind any significant variances?		
	Are these management reports produced directly from the school's financial management system (SIMS)? If not, is there adequate documentary evidence to support the accuracy of the financial position reported?		
	Are financial reports sent to governors prior to the meeting for them to digest the report and prepare any questions arising from the report?		
	Are financial reports appended to the school's copy of governors' minutes as a matter of course?		
	Has a Statement of Internal Control (SIC) been completed and signed within the last twelve months?		
	UNOFFICIAL FUNDS		
	Have all unofficial school fund accounts been independently audited and the audited accounts presented to the governors, ideally within six months of the fund's year end?		
	Have any issues identified by the auditor been promptly addressed?		
	Do the accounts cover a strict 12 month period?		
	Are curriculum activities (eg music, educational visits) operated through the delegated school budget?		
	Are all private fund cheques dual-signed in accordance with Ofsted and LA advice?		
	Are surplus bank balances invested effectively (ie in a high-interest deposit account or a building society account)?		
	INVENTORY		
	Have the governors established a policy for the inclusion of items/equipment to the inventory (eg minimum asset value)?		
	Has a member of staff been given responsibility for the maintenance of the inventory?		
	Is the school inventory kept up to date and includes details of: Serial numbers Purchase prices Suppliers Purchase dates Location (including any asset kept off site) Items held on loan (eg works of art)		
	Has an inventory check been carried out in the last 12 months, and the outcome formally reported to the governors and minuted?		
	Is a register maintained for all items taken off site?		

FINANCE COMPLETED BY:		DATE:
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	Is a record maintained of long-term loans? (eg laptops provided to teachers)?	
	Are attractive, portable, and expensive items security marked as a deterrent against theft?	
	If the inventory is computerised (eg on Excel or Access) have adequate steps been taken to prevent the unauthorised deletion of items (eg password protection of the file)? Is the file regularly backed-up?	
	If the SIMS Equipment Register is used for recording the inventory, are there adequate password controls and are access rights afforded on a 'need to do' basis?	
	Has a Portable Appliance Test (PAT) been carried out within the last 12 months?	
	SYSTEM SECURITY/ACCESS RIGHTS	
	Is there a designated System Manager and is the SYSMAN password retained securely should access to the system be required during a period of absence?	
	Does access to the system ensure that: There is an adequate segregation of duties within the finance functions (ie no one person having full access to the system to raise orders, process payments and sign cheques) Access is granted on a 'need to do' basis Access levels are promptly cancelled (reverted to 'no access') when no longer necessary (eg leavers)	
	Is there a daily back-up of the system and is this retained securely (fire proof safe/taken off site)?	
	Is the school's administration PC/network virus protected with appropriate (and up to date) virus protection software?	
	Is an up to date record maintained of computer software and associated licences?	
	Does the school hold a current registration under the Data Protection Act?	
	SECURITY	
	Is official cash retained on the premises overnight always below the insurance limit (ie typically safe £500/£1,000, locked receptacle £200)?	
	Is the safe kept locked at all times?	
	Are banking arrangements adequate considering value and staff safety?	
	Are confidential records retained (and ultimately destroyed) securely and in adherence to statutory directives (HMR&C, Data Protection principles)?	
	LOCAL BANK ACCOUNT/CHARGE CARDS/BACS PAYMENTS	
	Are all payments over £5,000 countersigned by a designated governor?	
	Are blank cheques never pre-signed?	
	Does the official bank account always have a credit balance?	
	Are BA2 returns submitted to the Exchequer Services Section monthly?	

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	Are SIMS bank reconciliations undertaken promptly upon receipt of bank statements? Is this reconciliation evidenced?	
	Is the SIMS VAT Control Account regularly reconciled (at least annually)?	
	If the school holds a charge card has this been set up with reasonable credit limits and transaction limits to minimise the risk of financial loss should the charge card be lost/stolen?	
	Are you able to confirm that the charge card is never used to withdraw cash?	
	Is the card held securely at times of non-use?	
	Where the school makes supplier payments by BACS, is there a strong division of duties between the operational tasks (eg processing of payments) and the higher lever tasks (eg authorisation of BACS runs)?	
	Where the school uses petty cash, are reimbursements made in line with the school's finance policy?	
	ORDERING PROCEDURES/PROCUREMENT	
	Is more than one person involved in authorising orders and paying invoices to create an adequate division of duties?	
	Are official orders raised for all appropriate purchases?	
	Where telephone orders have to be made urgently are confirmatory orders raised on the SIMS system no later than the next working day?	
	Are goods received agreed to orders, including prices charged?	
	Are written quotations obtained for significant purchases in accordance with limits contained within the school's finance policy and can this be evidenced?	
	Do governors consider requests for exemptions to the school's quotation policy and do they ratify the award to contracts for services/goods where the lowest quotation is not accepted? Is this evidenced?	
	Are copies of SIMS orders filed numerically, including any spoilt or cancelled?	
	Does the school submit reserved debtors and creditors forms to the Finance Service at the end of each year to ensure that all significant valued transactions are charged to the appropriate financial year's accounts?	
	DEVOLVED FORMULA CAPITAL	
	Is the school easily able to identify devolved formula capital income and expenditure (eg through separate cost centres or DFC specific ledger codes)?	
	Are individual payments charged to capital above the de-minimis level of £2,500 or, where the value is below this amount, is the payment associated to a larger project and can this be evidenced? (Minor expenditure below the de-minimis limit will normally be revenue spending and not capital).	
	Have previous years' unspent allocations been transferred into the current year?	
	Have allocations been spent within the DCSF prescribed three-year timescale?	

FINANCE COMPLETED BY:		DATE:
RAG	AREA	NOTES
	INCOME CHARGES AND COLLECTION	
	Do the governors review all changes (eg lettings) at least annually?	
	Is all income received by the school recorded in a suitable format (eg through receipt books, tills, class registers or sales books)?	
	Where a till is used to receipt income, is there a reconciliation between cash counted and total income as stated on the till 'z' number reading? Is there evidence of this reconciliation?	
	Is all income collected banked in its entirety and promptly entered onto SIMS?	
	Is income collected typically banked within one week of its receipt?	
	Is income collected kept quite separate from petty cash or private fund cash?	
	Are you able to confirm that income collected is never used to cash personal cheques?	
	Is photography commission paid into private funds to negate the need to account for output VAT (assuming that the private fund is not VAT registered)?	
	INVOICING PROCEDURES	
	Are invoices issued by the school pre-numbered and refer to both 'LCC' and the authority's VAT number?	
	If invoices raised on the SIMS system (Accounts Receivable Module), is an aged-debtor report produced regularly to assist in the follow up of any overdue invoices?	
	Where invoices are raised manually, does the school have a system in place for the identification and follow up of any outstanding invoices?	
	Where invoices are raised manually and contains VAT, is VAT allocated when posting income to SIMS?	
	SCHOOL RESIDENTIAL TRIPS	
	Are school trips operated through official funds in order to benefit from VAT recovery, where incurred (educational trips)?	
	Can it be evidenced through the financial accounting system that trips are not run at a profit?	
	Are trip finances accurately recorded on separate spreadsheets to mirror cashbook postings on FMS?	
	PERSONNEL SYSTEMS	
	What is the % budget spent on? Teachers Teaching support staff Office support staff Other support staff	

<p>Other Notes</p> <p>Potential Challenges:</p> <p>Potential Support Needed including Hours:</p>	
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