

Financial Guideline 2018/2019 – 15

Community & Comprehensive Schools

Appointment of an External Accountant by the Board of Management

1. Introduction:

Community and Comprehensive schools will be required to prepare statutory accounts each year to comply with the Education Act 1998. The Department of Education and Skills has prescribed the school year end to be 31st August. The school year **2019/2020** is the first year for boards of management of Community and Comprehensive schools to be compliant with the above legal requirement. It is therefore necessary that all boards of management engage an external accountant/auditor.

2. Guidance on engaging an external school accountant/auditor:

It is essential to appoint a professionally qualified accountant that holds a current **Practicing Certificate** and has **Professional Indemnity Insurance**. Accountants with the relevant qualifications will be regulated by their professional body and will keep their skills and knowledge up to date through continuing professional development.

The duties of the external accountant/auditor are:

- Prepare annual school accounts in accordance with the FSSU prescribed template.
- Prepare a summary financial report for parents
- Presentation of the annual school accounts at the board of management meeting.
- Submit the school's annual return on the FSSU secure online cloud-based system. The school's annual return consists of inputting the school's trial balance, uploading the approved annual schools accounts and completing the information required by the Charities Regulator on the online system.
- Preparation of adjustments to the school's trial balance to be posted on the school's accounts package.
- The Department of Education and Skills requests that where an external accountant/auditor becomes aware of fraud or misappropriation of school funds in the course of their work with a recognised school, the external accountant/auditor will inform the FSSU immediately.

Information concerning legislative requirement, scope and nature of the duties are set in the Appendices.

3. Tendering Process

- Competitive tendering procedures should be followed for the selection of the accountant/auditor. The invitation to tender may be issued directly to the accountant /auditors practices which would be capable of carrying out the contract and are of good professional standing.
- Three tenders must be obtained.
- The invitation should be standard for all accountant/auditors practices invited and contain adequate information concerning the scope and nature of the contract. See Appendices.
- A date for receipt of tenders must be specified.
- Tenders should be evaluated according to the principle of obtaining best value for money.
- The opening of tenders should take place in the presence of at least three persons designated by the board for the purpose, one of whom must be the Principal. The Finance Sub-Committee could also fulfil this function.
- Where it is proposed to accept a tender, other than the lowest suitable tender, a proposal to that effect showing the precise reasons for the course intended, must be formally put before a meeting of the board.
- Unsuccessful tenderers should be informed without undue delay that they have been unsuccessful.

4. Meeting the new accountant/auditor

- Formally meet the partner/manager of the accountancy practice selected to set out the accounting services required and discuss these in detail.
- Ask if they are familiar with the reporting requirements for schools under the Education Act 1998, DES circulars, FSSU guidelines, Charities Act and other government legislation.
- It is important to have continuity of staff from the accountancy practice carrying out the work and request that a least one senior member of the staff is always assigned to the job.
- Enquire about additional support services they can provide to the school.
- Ensure that you have a clear understanding of their fee structure.

5. External school accountant/auditor - Engagement Letter

Once the board of management has selected an external accountant/auditor, a Letter of Engagement should be agreed and signed by the board. This will be provided by your external accountant/auditor and should cover the responsibilities of the board of Management and the external accountant/auditor.

This document is a contract between you and the accountancy practice which details, amongst other things, the boards responsibilities, the practice's responsibilities and the basis on which fees will be charged. This document should be reviewed carefully and all amendments notified to the accountant/auditor immediately.

The engagement letter should include:

- The scope and details of the contract as set out in the tendering process
- Any additional requests agreed at your meeting with the accountant/auditor, including:
 - the accountant/auditor will arrange a meeting with the Principal/Finance sub-committee to review the final accounts and discuss the issues that came to their attention during the course of their work. During this review it is important that Principal/Finance sub-committee members fully understand the accounts and get clarification on any figures that they are not familiar with
 - The accountant/auditor shall prepare a report highlighting the weaknesses in the school's internal controls and accounting systems and give their recommendations
 - The accountant/auditor will attend the board meeting and present the annual school accounts.

A copy of the signed engagement letter should be filed in the school.

Further information or clarification on any of the issues raised in this guideline can be obtained from the FSSU.

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11th December 2018

Appendix A

1. Annual Accounts

In order to be compliant with Section 18 of the Education Act 1998, **all schools are obliged to prepare a set of annual accounts. A hard copy signed by two members of the Board of Management must be submitted to the FSSU each year once they have been approved by the Board of Management. A copy should be forwarded to the school's Trustees/Patron.** The trial balance of the approved accounts must be submitted to the FSSU via a secure online cloud based system by the schools External Accountant Auditor.

This requirement is set out in the Department of Education and Skills Circular, 0002/2018 which is available on our website www.fssu.ie

2. Timetable for Annual Accounts

Schools and their External School Accountants/Auditors are required to comply with the following timescale:

Stages of School Annual Accounts Preparation	Date Deadline
The school supplies all necessary financial information to the External School Accountant/Auditor for the school year ending on the previous August 31 st	September 30th
The draft annual accounts are returned by the External School Accountant/Auditor	November 30th
Once the school Board of Management is satisfied that the accounts are an accurate reflection of the school's financial situation, they are formally ratified by the Board, <u>signed by the Chairperson and one other Board member.</u> Two copies should be forwarded to the Trustees/Patron	December 31st or earlier as required by the Trustee/Patron
A hard copy of the school's Annual Accounts duly signed by the Board of Management is forwarded to the FSSU.	February 28th
External School Accountants/Auditors are required to access a secure online cloud-based system and to input the school trial balance.	February 28th

The deadlines above should be seen as the **latest dates** at each stage of the procedure. Some Patrons /Trustees may require a shorter timescale. In any event, the timescale allows a maximum of **six months** following the end of the school year to complete the annual accounts for submission to the FSSU.

3. Format of School Accounts

A standardised format for the annual accounts of a Community and Comprehensive school has been approved by the Department of Education and Skills. **The FSSU will only accept accounts that are prepared using the approved format.** The school accounts should include the 'General Information' page as per the sample report available on www.fssu.ie. The school's annual accounts should be

prepared for the year ending August 31st each year to coincide with the academic year. The school should be supplied with a minimum of four sets of accounts in hardcopy.

For a detailed sample of a set of school accounts see www.fssu.ie. In particular, the detailed Income and Expenditure Account – the Management Information – should follow the format outlined.

4. **Legislative and Regulatory Framework**

The legislative and regulatory framework governing schools in the Community and Comprehensive sector can be summarised as follows:

- **The Education Act 1998:** This act provides a statutory basis for the education system. It sets out the rights and responsibilities for all involved in education (Appendix 2)
- **The Department of Education and Skills (DES)** has the statutory responsibility to implement the Education Act including the funding of recognised schools and accountability for such funding (www.education.ie)
- **Governance Manual for Community and Comprehensive schools** issued by the **ACCS** which all schools are obliged to follow. The guidelines are applicable to all areas of the school's operations including activities not funded by the Department of Education and Skills. The FSSU issues supplementary guidelines which should be read in conjunction with this manual (<https://www.fssu.ie/post-primary/fssu-guidelines/>)
- **The Trustees / Patrons** of schools exercise a general supervisory role and are ultimately responsible for the financial well-being of the school. The governing document for each sector provides details of their requirements.
- **Charities Act 2009** applies to all schools as each school is classified as a charity. All Community and Comprehensive schools are required to register with the Charities Regulator. The Charities Regulatory Authority has indicated that a school must adequately identify, distinguish and report upon unrestricted, restricted and designated income to enable adequate reporting upon both income and reserves (Charities Regulatory Authority- Internal Financial Control Guidelines for Charities).
- **Revenue Commissioners** requirements for PAYE, VAT and RCT and other relevant taxes.
- **Central Statistics Office** requires all schools to submit financial information. The FSSU submit this information on behalf of schools from the accounts submitted online by the External School accountant/auditor.

5. **Computerised Format**

It is strongly recommended that all schools use the Surf Accounting package as it has been customised for Community and Comprehensive schools in accordance with the agreed format. All schools should also be using a computerised payroll package to process school payroll.

6. **Financial Report to Parents**

Under section 18 of the Education Act 1998, the school is required to provide a financial report to parents of students in the school. To comply with this requirement, we have provided a

recommended template for this report on our website. Where requested, external school accountants/auditors are encouraged to prepare this report for the school.

7. Charitable Donations

A number of schools are availing of tax relief on Charitable Donations under the Taxes Consolidation Act 1997. It has been brought to our attention that some schools are not in compliance with the requirements of the scheme and are including income from transition year students, books and other payments which confer benefits on those making the payments. Schools not in compliance could be subject to significant penalties by Revenue. Can you please advise your schools of this when preparing their annual accounts?

Thank you for the valuable support that you provide to schools in the Community and Comprehensive sector. Please feel free to contact us with any suggestions or queries you may have.

Appendix B

Education Act 1998 – Accountability and School Finance

The 1998 Act sets out the role of Patron and Board of Management of schools. The Patron, in accordance with Section 8 is “the person(s) who, at the commencement of this section, stands appointed as Trustees or as the Board of Governors of a post-primary school, shall be deemed the Patron for the purposes of this Act...”

The Board of Management undertakes responsibility for the conduct, management and financial administration of the school but is subject to the general supervision and control of the Patron/Trustees. The preparation of the school’s annual accounts must take these relationships into account.

The Education Act 1998 sets out a statutory framework for Irish Education at post-primary level. The Act serves an important purpose in providing transparency and clarity regarding the rights and responsibilities of Patrons/Trustees, Boards of Management, Principals and other stakeholders and in **facilitating best practice, quality outcomes and the effective and efficient deployment of resources.**

Section 12 of the Act deals with annual state funding to schools and the grants to be provided by the Oireachtas to recognised schools.

Section 14 provides for the establishment on an agreed basis of representative Boards of Management in recognised second level schools. Subject to the general supervision of the Patron/Trustees, the Board of Management, in accordance with the functions as set out in the Act, **is responsible for the government and direction of the schools, the use of school resources and the management of its finances.**

Section 15 of the Act states:

- “It shall be a duty of a board to manage a school on behalf of a Patron and for the benefit of students and their parents and to provide or cause to be provided an appropriate education for each student at the school for which the board has responsibility.”
- “A board shall consult with and keep informed the patron of decisions and proposal of the board.”
- “A board shall **have regard to the efficient use of resources (and in particular the efficient use of grants provided under Section 12) the public interest in the affairs of the school and accountability to students, their parents, the patron, staff and community served by the school.**”

Section 18 is the key section of the Act which states:

“the board shall keep all proper and usual accounts and records of all monies received by it or expenditure of such monies incurred by it and shall ensure that in such year all such accounts are properly audited or certified in accordance with best accounting practice; accounts kept in pursuance of this section shall be made available by the school concerned for inspection by the Minister and by parents of students in the school, in so far as those accounts relate to monies provided in accordance with section 12.”

Detailed guidelines on all aspects of school finance and accounts are available from the Financial Support Services Unit. Our website is www.fssu.ie