FSSU Video Series

Financial Training for Newly Appointed Principals-

FINANCIAL INTERNAL CONTROLS

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PRINT

Training

New Principals Training Resources

Training resources

Training videos:

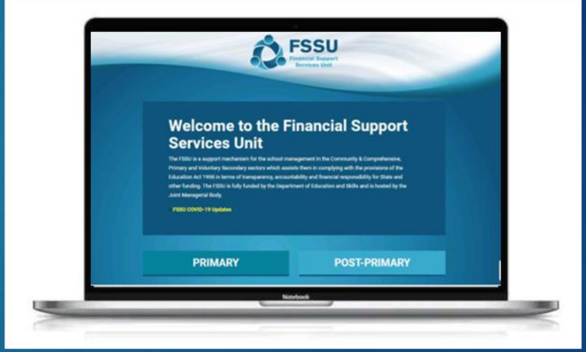
- Financial Internal Controls
- Monthly Reporting Process and Key Reports
- Monthly Reporting –Focus on The Income and Expenditure Report & BOM Summary Finance Report

Further Resources:

[> Key Internal Financial Controls Checklist]

This checklist will help new Principals to develop and implement best practice internal financial controls

[> Internal Financial Controls Manual]
[> Financial Governance Manual for VS Schools]
[> Financial Governance Manual for C&C Schools]



FSSU Financial Support Services Unit ©

Internal Financial Controls

What are Internal Financial Controls?

Internal financial controls assist the board of management to:

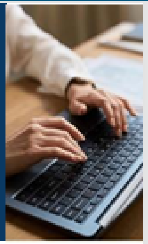
- Safeguard the school's assets
- Administer the school's financial affairs in a way that proactively identifies and manages risk
- Help prevent and detect potential fraudulent activity
- Monitor and act upon financial reporting by ensuring proper books of account are maintained so that timely and relevant financial information can be obtained

Internal Controls Documents
1. Key Internal Financial Controls Checklist

Key Internal Financial Controls

For Principals

Community & Comprehensive and Voluntary Secondary Schools



Introduction

The financial administration of the school is under the control of the board of management subject to the general supervision and control of the patron/trustees. The board delegates the day-to-day management of the school to the Principal and he/she is given authority to act on behalf of the board. All financial decisions in relation to the school must be authorised and ratified by the Principal.

This summary document consists of key financial control areas, which are intended to serve as a guide for new Principals to develop and implement best practice internal financial controls within their schools.

This list is not an exhaustive list but is meant to highlight the key areas that a new Principal needs to be aware of starting off in their role.

For further guidance on internal financial controls please refer to our manual below: Internal Financial Controls Manual for Schools.

Key Internal Financial Controls for Principals

Annual Accounts

- Ensure that the annual accounts are prepared for the external accountant on a timely basis
- 2 signatures on the final accounts- must be 2 members of the board, the chairperson and another member
- Final accounts submission to be made to the FSSU by **the deadline of 28th Feb** each year
- A copy of the approved annual accounts should be forwarded to the trustees/patron annually.
- The school's external accountant/auditors should be invited to present the annual accounts to the board of management.
- A financial report should be provided to parents of students in the school. This should be prepared by the external accountant as part of the preparation of annual accounts.

Bank Accounts

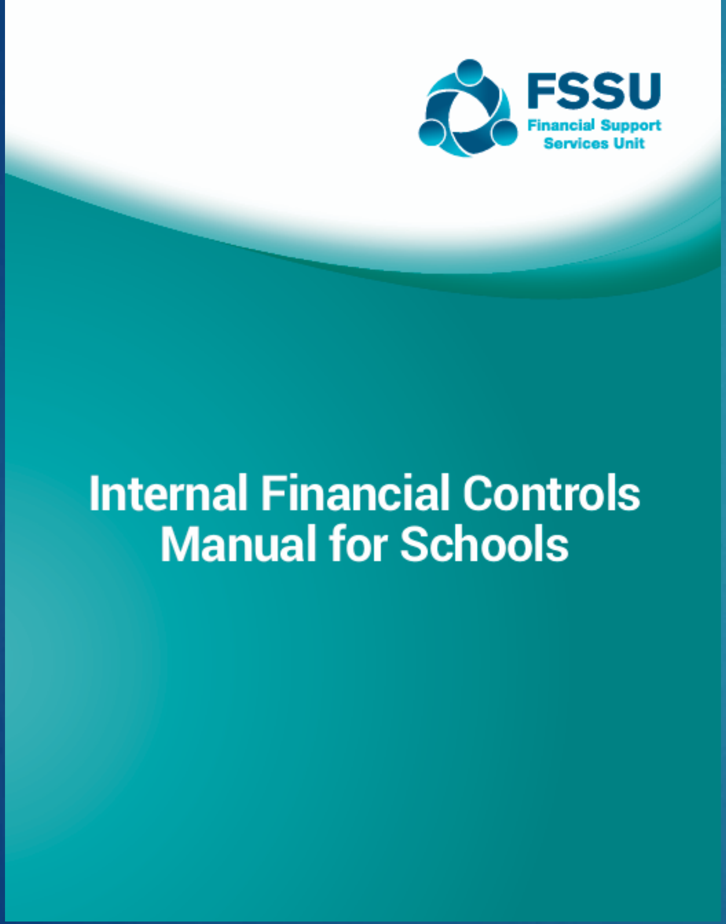
- Consider reducing the number of bank accounts to the minimum accounts necessary. All accounting systems can separately identify various categories of income and expenditure.
- Bank statements must be in the name and address of the board of management.
- Bank statements should be printed, filed and stored in a secure location.
- The board should introduce electronic banking.
- The board must approve and implement an electronic banking policy.
- The board should only use business banking online to facilitate 2 approvers of online payments
- Further information can be found on our website here: Banking - FSSU

Board of Management

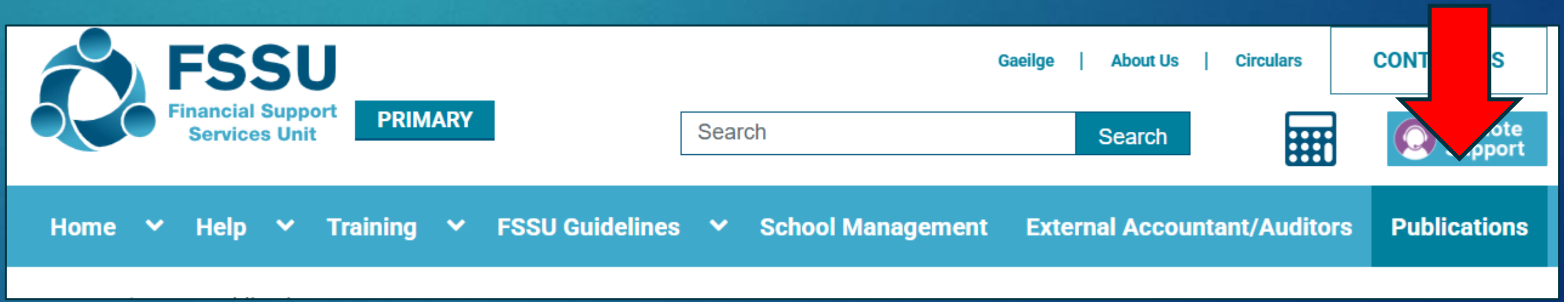
- Board should meet every 5/6 weeks.
- Finance must always be on the board agenda
- All board members should be given a copy of the financial reports at the main board meeting.
- It is not envisaged that the financial reports are reviewed in detail at the main board meeting by the full board; detailed analysis of the reports is the function of the finance sub-committee.
- The financial reports to be presented to the board are listed here.
- All board members are provided with a copy of the financial reports, and these are collected and shredded after the meeting. One copy is retained with the board minutes.

https://www.fssu.ie/post-primary/training/training-resources/new-principals-training-resources/

Internal Controls Documents
2. Internal Financial Controls Manual



Contents



Important Internal Controls

- Income
- Banking
- Budgeting
- Purchasing
- Revenue
- OLCS
- Fixed Assets
- PA & Outside Users of the School Premises

Important Internal Controls

- **Income**
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Internal Controls

Income

- Electronic collection system
- 2 people counting cash
- Issue receipts
- Cash lodged intact
- Cash stored in a safe

<u>NB Keep school income separate from Petty Cash</u>

Important Internal Controls

- Income
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Internal Controls - Banking

- ✓ Introduce electronic banking
- ✓ 2 online approvers/cheque signatories – Always the Principal and another person approved by the board
- ✓ Person entering the payments on the system/writing the cheque should not be an approver
- ✓ All signatories/approvers must view & initial **all** invoices & supporting documentation before approving **all** payments
- ✓ Keep number of bank accounts to a minimum
- ✓ Board must approve signatories/online approvers and record this approval in the minutes
- ✓ Banking/electronic policy in place

Internal Controls - Banking

- Bank statements in the name & address of the board
- Never sign a blank cheque
- No post-dated, unsigned or partly completed cheques to be used or stored
- **Warning <u>always</u> confirm change in bank details with a phone call**

Internal Controls - Banking

- All cash should be lodged intact
- Never use school income for petty cash
- The board should approve the use of petty cash
- Petty cash policy in place

NB No Debit Card Permitted

Internal Controls

Credit Card

- Board of management and approval required

- Transactions recorded in the school accounts
- **NO** cash withdrawals

- Only the Principal should have a school credit card – SCA required

- Credit card policy in place

- Monthly credit card statement should have all back up attached and signed by the Principal & chairperson

Important Internal Controls

- Income
- Banking
- **Budgeting**
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Internal Controls - Budgeting

Preparation of budget	• Board of management must prepare a budget • Prepared before June • Cannot budget for a deficit
Approval of budget	• Reviewed by finance sub-committee • Approved by board • Submit to trustee(for VSS) & DEY(for C&Cs)
Monitoring	• Enter budget into accounts system • Monitor income and expense against budget monthly
FSSU Training	• Budget template • Training & support

Important Internal Controls

- Income
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- **Purchasing**
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Internal Controls

Purchasing

- Purchasing system and procedures in place
- Principal signs off on all purchases
- Adhere to the budget
- Large purchases approved by the board
- Ensure school is using OGP contracts and Public Procurement Thresholds

Important Internal Controls

- Income
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Internal Controls

RCT, VAT & Payroll

- **RCT & VAT**
- ***Payroll***
- **Auto-Enrolment**
- **ERR**

Internal Controls

RCT & VAT

What is RCT?

Relevant Contracts Tax (RCT) is a withholding tax which the Revenue Commissioners requires Principal Contractors to deduct from payments due to a sub-contractor for construction projects

Who is the Principal Contractor?

“any board or body established by or under statute … and funded wholly or mainly out of funds provided by the Oireachtas”.

Types of work included in RCT

- Construction projects
- Emergency & Summer Works
- Installation of prefabs
- Repairs to buildings incl. electrical, plumbing

Internal Controls

RCT & VAT

<u>What is reverse charge VAT</u>

Reverse charge VAT is a mechanism by which the responsibility for accounting for VAT is transferred from the seller to the buyer.

Reverse charge VAT **<u>only applies</u>** to RCT related invoices

All boards of management of schools must be registered for RCT & VAT

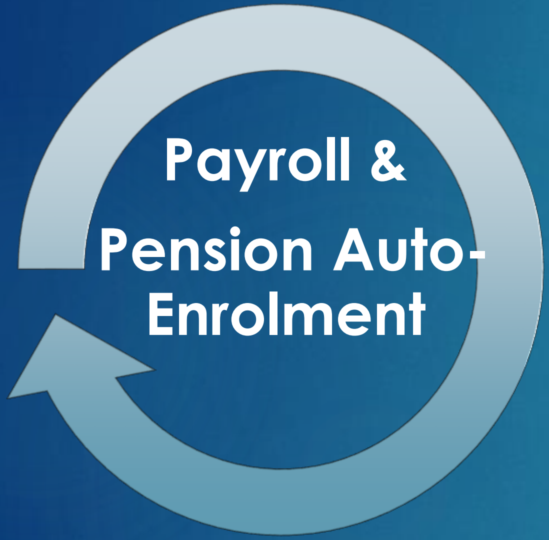
Only registered for VAT for the purposes of reverse charge VAT

If RCT applies - VAT will also apply

Internal Controls - RCT & VAT Controls

- Register for RCT & VAT
- All invoices for repairs, construction & capital works should be processed through RCT & VAT
- Confirm Revenue Payment Notification has been made before authorising any payment to the supplier
- Separate RCT & VAT files must be maintained
- Returns and payments made to Revenue by due date
- The finance sub-committee must review the RCT & VAT returns

Internal Controls – Payroll & Pension Auto-Enrolment



- ✓Contracts of employment in place or offered to all employees
- ✓Review all rates of pay and working hours for employees
- ✓Any changes in rates of pay must be approved by the BOM
- ✓All pay must be processed through payroll
- ✓Vouchers should never be given in lieu of wages
- ✓Payroll file must be maintained
- ✓Principal to approve payroll before its processed
- ✓Finance sub-committee approve gross to net report
- ✓Returns and payments made to Revenue by due date
- ✓Register for Pension Auto-Enrolment

Internal Controls

ERR – Enhanced Reporting Requirements

What is ERR?
Enhanced Reporting Requirements (ERR) is a Revenue reporting requirement which requires employers to report details of certain expenses and benefits to Revenue. This commenced on 1 January 2024.

What types of expenses and benefits are reportable?

- Small benefits exemption
- Travel and subsistence
- Remote working daily allowance

Paid to:

- Employees paid by the board
- Employees paid by the Department of Education e.g. teachers, SNAs
- Board of management members (excluding payments for Travel & Subsistence)

Important Internal Controls

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Internal Controls

OLCS

Circular 24/2013

AN ROINN OIDEACHAIS AGUS SCILEANNA | DEPARTMENT OF EDUCATION AND SKILLS

Circular 0024/2013

To: The Managerial Authorities of Recognised Primary, Secondary, Community, and Comprehensive Schools

OPERATIONAL GUIDELINES FOR BOARDS OF MANAGEMENT AND STAFF DESIGNATED TO OPERATE THE ON LINE CLAIMS SYSTEM IN RECOGNISED PRIMARY AND POST PRIMARY SCHOOLS

OLCS – Report staff absences & record details of substitutes

- Maintain high level of integrity of the system
- Formal approval of roles for OLCS personnel
- All back up should be retained securely
- Usernames & passwords should not be shared
- Role separation
    - ✓ Ensure data entry and approver roles are separate
    - ✓ First approver should be the Principal
    - ✓ Second approver approves the Principals absences

Internal Controls – OLCS Reports

Board of management meeting

Substitutes & part time teachers report

Circular 0024/2013 states that *'a report should be read into the minutes of every board of management meeting listing the names of all substitutes and part-time teachers for whom claims have been made on the OLCS system since the last board meeting'*

Absence reporting

Absence reports from the OLCS must be distributed to all relevant staff once per term. One copy should be approved by the staff member and returned to be filed. The staff member may retain a second copy

Important Internal Controls

- Income
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Internal Controls

Fixed Assets

Sample Assets Register						
Quantity	Item	Cost	Date Purchased	School Dept.	Where Kept	Identity No's.
	COMPUTERS					
2	HP 7500	€4,800.00	04/08/20XX	IT	Rooms 10,34	C/CP/1-2
3	HP 7300	€3,120.00	03/11/20XX	Staff.	Rooms 11,35	S/CP/1-3
1	HP 7500	€1,100.00	04/08/20XX	IT	Principal's Room	CP/1
2	Dell 2100K	€2,820.00	04/01/20XX	Staff.	Rooms 13,47	Ad/L/1-2
	OFFICE EQUIPMENT					
1	Canon 3060 Printer	€9,680.00	03/08/20XX	Staff.	Secretary Room	T/CV/1-16
	AUDIO-VISUAL					
5	Sony 21" TV	€2,250.00	01/01/20XX	A/V	Rooms 9,10,25,32,34	TV 1-5
3	Sony DVD Players	€750.00	03/03/20XX	A/V	Rooms 9,25,32	DVD 1-3
2	Sony Video Recorders	€480.00	05/09/20XX	A/V	Rooms 10,34	VR1-2
7	O/H Projectors	€2,600.00	02/03/20XX	Education	Rooms 1,2,3,6,7,12…	O/H P 1-7
20	Interactive White Boards	€11,120.00	03/08/20XX	Class	Store Rooms	T/BS/1-20

What is a fixed asset register

Detailed list of all fixed assets in the school

What is the purpose of a fixed asset register

Used to keep record and safeguard the school's assets

Internal controls around fixed assets

- ✓ Fixed asset register should be maintained
- ✓ All fixed asset purchases approved by the board
- ✓ Patron/trustee approval need in advance for any modifications to buildings/grounds
- ✓ Finance sub-committee oversees fixed asset register
- ✓ Ensure adequate insurance in place
- ✓ Stock counted once a year

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Internal Controls

Parents Association

All fundraising must be approved by the board in advance

Principal/DP should attend meetings & report to BOM

Bank statements in school name & address

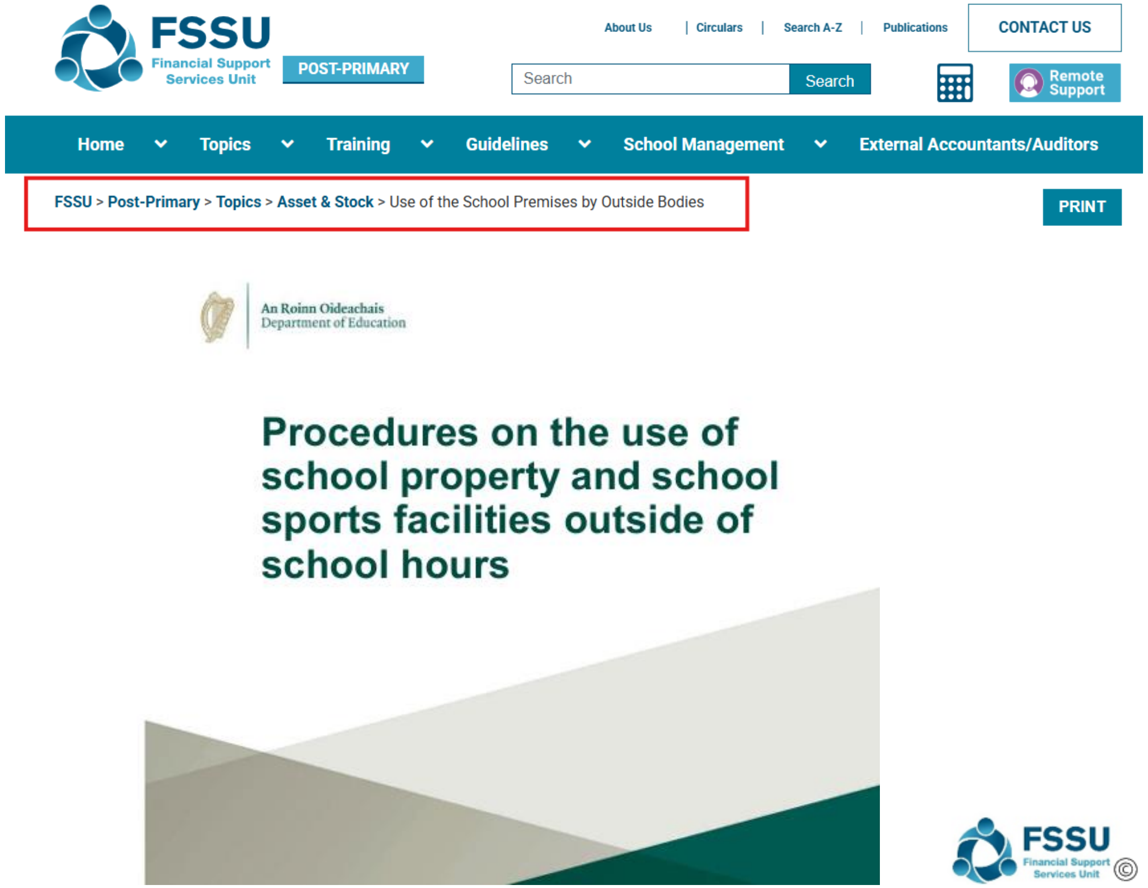
Principal should be signatory/online approver of PA bank account

PA bank account included in year end accounts

Bank account should only have day to day running costs

Internal Controls – Use of School Premises by Outside Bodies

- √ External users must be approved by the board
- √ External users must complete the use of school premises form
- √ A copy of their insurance must be obtained annually
- √ BOM should not have a net cost
- √ Inform your insurer



Thank you for attending

If you have any other questions, please call or email us:

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