# Financial Training for Newly Appointed Principals-

## FINANCIAL INTERNAL CONTROLS

# Training Resources

**Training videos:**

- ***Financial internal controls***
- Monthly reporting review with secretary/treasurer
- Monthly reporting review with secretary/treasurer - balance sheet review

**Further Resources:**

Key Internal Financial Controls Checklist

This checklist will help new Principals to develop and implement best practice internal financial controls within their schools.

# 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 in Primary Schools

### Introduction

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.

## Key Internal Financial Controls for Principals

### Annual Accounts

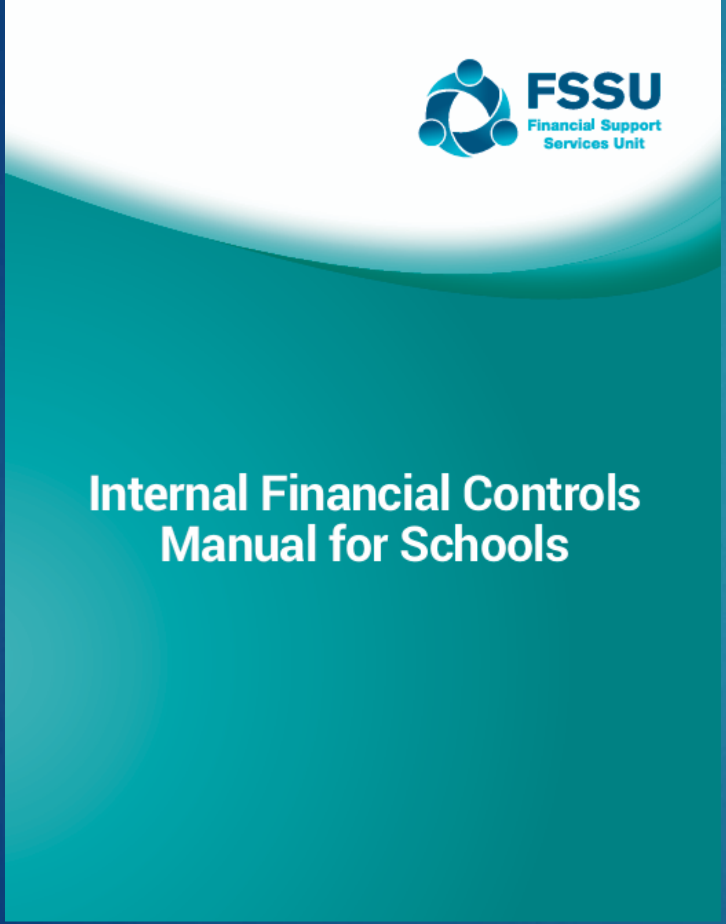
- Ensure that the annual accounts are prepared for the external accountant on a timely basis
- 2 signatures on the final accounts- must be 2 members of the board, the chairperson and treasurer
- Final accounts submission to be made to the FSSU by **the deadline of 28th Feb** each year
- A copy of the 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.

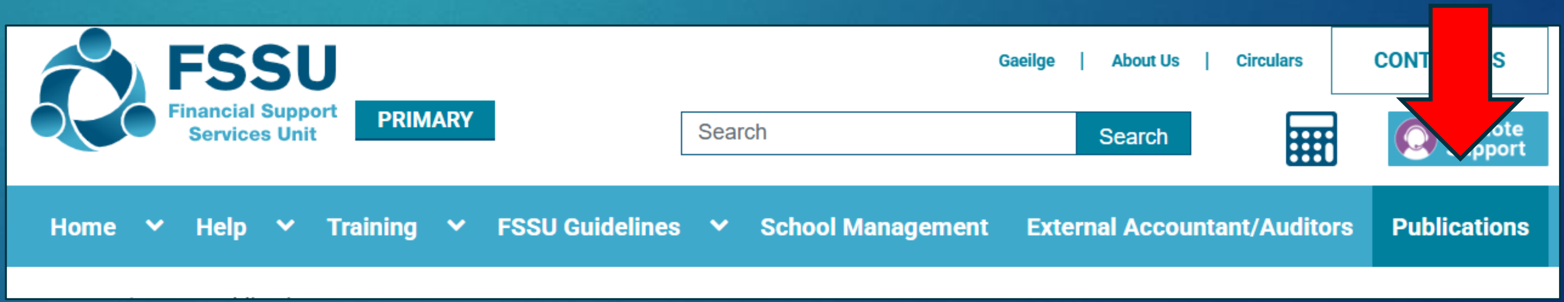
# Internal Controls Documents
# 2. Internal Financial Controls Manual






**Contents**





# Important Internal Controls

- Income
- Banking
- Budgeting
- Purchasing
- Outside Users of the School Premises
- Revenue
- OLCS
- Fixed Assets
- Parents Association

# Important Internal Controls

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

# Internal Controls

# Income

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

**NB Keep school income separate from Petty Cash**

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# Important Internal Controls

- Income
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# Internal Controls - Banking



- ✓ Introduce electronic banking
- ✓ 2 online approvers/cheque signatories – Always the treasurer and chairperson. Chairperson may delegate to another board member
- ✓ 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 always 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 patron approval required

- Transactions recorded in the school accounts
- **<u>NO</u>** 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 chairperson and treasurer

# Important Internal Controls

- Income
- Banking
- **Budgeting**
- Purchasing
- Outside Users of the School Premises
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# Internal Controls - Budgeting



**Preparation of budget**

- Boards must prepare a budget
- Prepared before June
- Cannot budget for a deficit

**Approval of budget**

- Reviewed by the treasurer
- Approved by board
- Submit to patron (if requested)

**Monitoring**

- Enter budget into MRT or accounts system
- Monitor income and expense against budget monthly

**FSSU Training**

- Budget template
- Training & support

# Important Internal Controls

- Income
- Banking
- Budgeting
- **Purchasing**
- Outside Users of the School Premises
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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
- Retain records for 7 years

# Important Internal Controls

- Income
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# Internal Controls

# RCT, VAT & Payroll

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

# 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

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# Internal Controls

# RCT & VAT


## What is reverse charge VAT

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 **only applies** to RCT related invoices

All schools must be registered for RCT & VAT

Schools are 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 treasurer must review the RCT & VAT returns

# Payroll & Pension Auto-Enrolment

- Contracts of employment for 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
- Treasurer 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)

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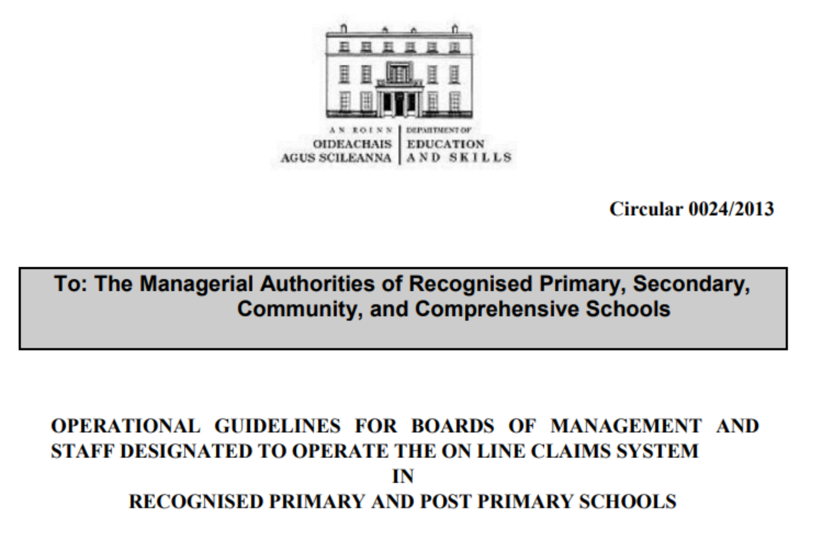
# Internal Controls

# 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

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- **Fixed Assets**
- Parents Association

# 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 approval need in advance for any modifications to buildings/grounds
- ✓ Treasurer oversees fixed asset register
- ✓ Ensure adequate insurance in place
- ✓ Stock counted once a year

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- **Parents Association**

# 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

↓

Board member 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

# Important Internal Controls

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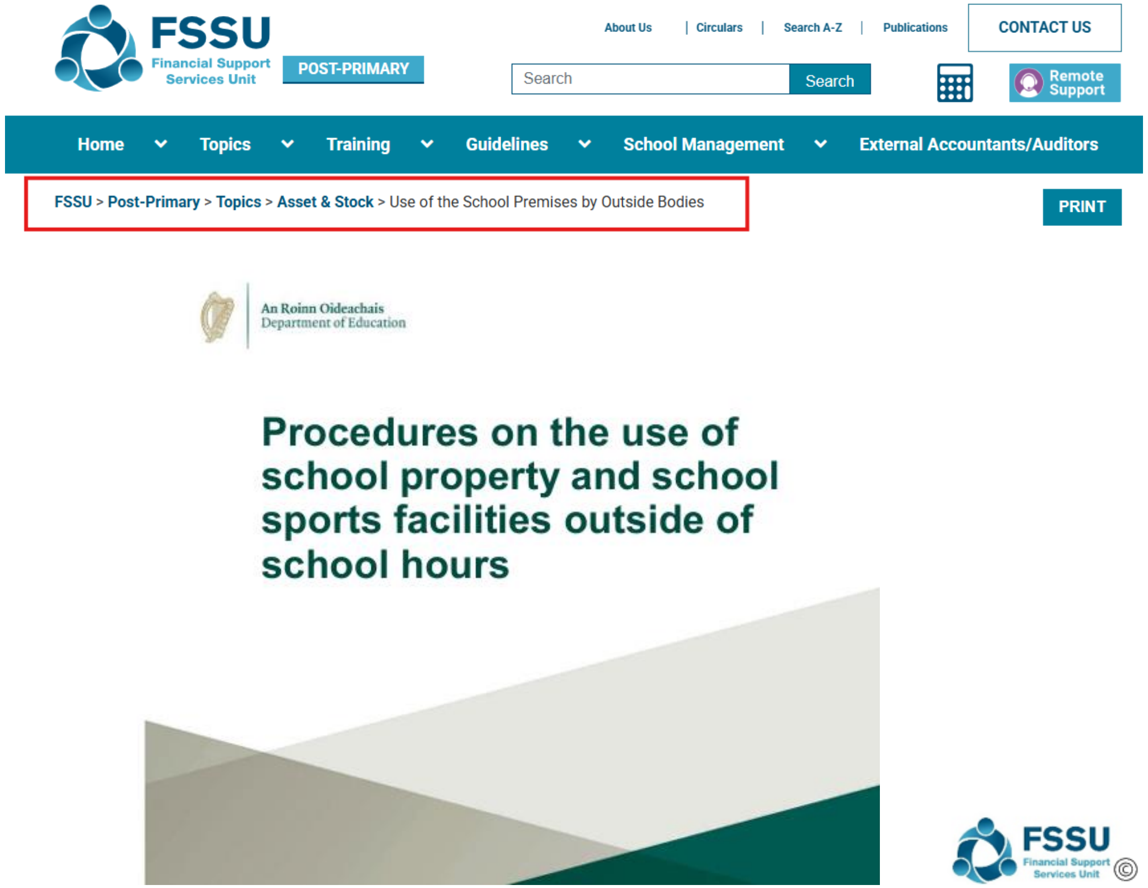
# Internal Controls – Use of School Premises by Outside Bodies



- √ External users must be approved by the board
- √ External users must complete the use of school premises form
- √ Form to be sent to patron
- √ A copy of their insurance must be obtained annually
- √ School 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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