



National College for
Teaching & Leadership

School Centred Initial Teacher Training (SCITT) Providers Financial Guide

A best practice financial management and governance guide for SCITT providers

January 2017

Contents

About this guide	4
Definitions	4
The meaning of 'provider'	4
The meaning of 'trustee', 'director' and 'governor'	4
Contacting National College for Teaching and Leadership (NCTL)	4
Status	4
Effective date	5
Interpretation	5
Introduction	6
Part 1: Roles and responsibilities	7
1.1 Introduction	7
1.2 Responsibilities of the Department for Education (DfE)	7
1.3 Responsibilities of NCTL	7
1.4 Non-Compliance	8
1.5 Responsibilities of the provider's Governing Body	8
1.6 Responsibilities of the provider's Accounting Officer	9
Part 2: Main financial and governance requirements	11
2.1 The Business manager	11
2.2 Financial procedures manual	11
2.3 Principles of review of financial information	12
2.4 Income generation	12
2.5 Reporting	13
2.6 Exit planning	13
2.7 Internal control	13
2.8 Internal control framework	13
2.9 Accounting systems	14
2.10 Financial planning and control: Budget management	14
2.11 Income management	15
2.12 Bank account guidance	16
2.13 Petty cash management	17
2.14 Cash flow forecasting	17
2.15 Segregation of duties: Principles & practice	18
2.16 Procurement: Tendering, purchasing & payment	18
2.17 Assessment	19
2.18 Ordering	19
2.19 Receipt of goods or services	19
2.20 Processing purchase invoices	19
2.21 Payments	19
2.22 Whistleblowing	20
2.23 Risk management	20
2.24 Audit committees or equivalent	20
2.25 Delivering assurance	21
Part 3: Delegated authorities	22
3.1 Proper and regular use of public funds	22
3.2 Principles	22
3.3 Additional guidance	22

3.4	Principles applying to connected party relationships	22
3.5	Register of interests	23
3.6	Tax arrangements for senior employees	23
3.7	Gifts	23
3.8	Write-offs and entering into liabilities	24
3.9	Special payments	24
3.10	Compensation payments	24
3.11	Purchase of fixed assets	24
3.12	Asset register	24
3.13	Security of assets	25
3.14	Disposals	25
3.15	Loan of assets	26
3.16	Inventory items	26
3.17	Inventory register.	26
3.18	Inventory items disposal and loan to staff	26
3.19	Leasing	26
Part 4: NCTL's Viability & Intervention Team (VIT)		27
4.1	NCTL's Viability & Intervention Team	27
4.2	Financial management and governance self-assessment	27
4.3	National Audit Office	27
4.4	Provision of information	27
4.5	Investigation of fraud and irregularity	28
Annex A: Definitions		29
Annex B: Further information		32
NCTL		32
DFE		32
EFA		32
Charity Commission		32
HM Treasury		32
HM Revenue & Customs		32
Partner Organisations		33
Other resources		33
Acknowledgements		34

About this guide

This guide balances requirements for effective financial governance and management of funds. Compliance with the guide is **not mandatory** however is strongly encouraged, as it promotes best practice from the sector and aims to support the achievement of objectives for initial teacher training (ITT) providers.

This guide is **not aimed** at 'Higher Education Institute' (HEI) led providers. HEI led providers should comply with the requirements set by the Higher Education Funding Council for England on oversight of financial management. Further information can be found at www.hefce.ac.uk/reg/ha/.

Definitions

The meaning of 'provider'

The term 'provider' is used for any organisation that has a Grant Funding Agreement (GFA) with the National College for Teaching and Leadership (NCTL) for ITT and is established as the 'Accredited Legal Entity'. Providers can be, although not restricted to, local authority maintained schools, multi-academy trusts, traditional sponsored academies, free schools, studio schools, special providers and charities.

This guide aims to assist these different types of organisations in their financial management and governance, by providing best practice guidance and steer. This is one of the measures NCTL take to ensure providers are compliant with their GFA.

The meaning of 'board' and 'governing body'

In this guide there are frequent references to the 'board' and 'governing body'. These words are used interchangeably.

The 'board' or 'governing body' refers to the people, including the Accounting Officer, responsible and accountable for controlling the management and administration of the ITT provider. They have responsibility for directing affairs, and for ensuring that it is solvent, well run, and is delivering its objectives for the benefit of its stakeholders.

Contacting the NCTL

To seek prior agreement on particular transactions, to comply with reporting requirements, or to seek further guidance, providers should, in the first instance, contact the FA.team@education.gov.uk

Status

The guide can support variants of the providers' model including local authority maintained schools, multi-academy trusts, traditional sponsored academies, free schools, studio schools, special providers, private companies and charities.

The guide is aimed at providers' members, Accounting Officers (usually Principals or Chief Executives), Chief Financial Officers (e.g. Finance Directors and Business Managers), clerks to the Board of Trustees, local Governing Bodies of providers and providers' auditors.

HM Treasury's Managing Public Money also provides guidance on sound financial management.

Effective date

This guide is effective from January 2017.

This guide is updated every year so please ensure you are referring to the most up to date edition.

Interpretation

For clarification on any aspects of the content in this guide please contact the Viability & Intervention Team before proceeding at:

financial.monitoring@education.gov.uk

Introduction

NCTL allocates and funds accredited ITT providers, which includes SCITTs. The ITT providers train potential teachers across the country. These providers are required to have good governance and financial management arrangements ensuring public funds have been spent for the purposes intended.

ITT providers are accredited by the Chief Executive Officer (CEO) of the NCTL on behalf of the Secretary of State for Education following a recommendation for accreditation from the NCTL Accreditation and Performance Committee (APC). Before this, NCTL will have undertaken a detailed assessment of their proposed provision, management structure, financial viability and their capability to deliver ITT. Upon accreditation, providers sign a GFA with NCTL which sets out the terms and conditions of funding, including the governance and financial accountability expected of them. Providers are also issued with an accreditation certificate. More detail on this process can be accessed [here](#).

As leaders within the education sector, it is important that providers understand the expectations placed upon them by parliament and the public. Whilst providers should be confident and empowered about their role it is not enough simply to follow the rules. Governing Bodies (or equivalent) should adopt the spirit of the principles set out in this guide and to incorporate the seven principles of public life in all their decision-making. This requires Governing Bodies to think more deeply about their role, and how to protect their public and reputational assets. The seven principles of public life can be accessed [here](#).

The education system is changing rapidly and governance is an increasingly important issue for providers to address. This guide aims to build on and strengthen governance in key areas. It also recognises that providers should review their own effectiveness, impact and standards of governance and accountability. This governance is supported by the Viability & Intervention Team at the NCTL.

This guide has been developed with the aim to help you deliver effective governance and financial management as a provider, and to make the maximum positive impact on educational standards. It's also designed to help providers put in place proper systems of internal controls to ensure compliance with NCTL's GFA.

For further information or to discuss any aspects of this guide please do not hesitate to contact the Viability & Intervention Team by emailing: financial.monitoring@education.gov.uk

Part 1: Roles and responsibilities

1.1 Introduction

- 1.1.1 The NCTL will obtain assurance from a number of organisations to ensure there is compliance with the GFA. It is important that providers comply with their agreements and the mandatory requirements set by their respective funding bodies, for example the EFA for Academies. This guide does not aim to replace or supersede any agreements. It is simply a best practice guide which looks to support existing internal controls and processes.
- 1.1.2 ITT providers that may be **Academies** and **Colleges** should comply with EFA's assurance arrangements. Further information can be found at the following:
- www.gov.uk/government/publications/academies-financial-handbook
 - www.gov.uk/guidance/16-to-19-education-financial-management-and-assurance
- 1.1.3 ITT providers that are **Charities** should maintain accounting records and provide publicly accessible accounts in line with the Statement of Recommended Practice (SORP) for charities. Providers should also be aware of the Charity Commission's guidance for Trustees: CC3: The Essential Trustee: What you Need to Know and the other guidance listed in Annex D. In addition the Charity Commission website is a good general resource on the proper conduct and operation of charities.
- 1.1.4 ITT providers that are **Private Companies** must file annual accounts with Companies House for public access and comply with the requirements set for a limited company.
- 1.1.5 ITT providers that are **Local Authority Maintained Schools** should comply with the requirements set by the Local Authority on oversight of financial management. Further information can be found by contacting your Chief Finance Officer at the LA.
- 1.1.6 Any **other organisation** which does not fall into the categories above will have a detailed assurance framework incorporated into their Grant Offer Letter from the NCTL, stipulating terms, including the need of annual audited accounts, if applicable.

1.2 Responsibilities of the Department for Education (DfE)

- 1.2.1 DfE has ultimate responsibility and accountability for the public monies it distributes. DfE is responsible for ensuring there is an adequate framework in place to provide assurance that all resources are managed in an effective and proper manner and that value for money is secured.

1.3 Responsibilities of NCTL

- 1.3.1 The NCTL is an executive agency, of the DfE. Further information can be found at the DfE website [here](#).

1.3.1 NCTL's Accounting Officer is responsible and accountable to Parliament for how NCTL uses its funds. NCTL's Accounting Officer is also personally responsible for the regularity and propriety of all expenditure of its funds and for ensuring value for money. To discharge these duties, NCTL's Accounting Officer should be satisfied that all providers have appropriate arrangements for sound governance, financial management, securing value for money and accounting, and that the way the provider uses public funds is consistent with the purposes for which the funds were intended.

1.4 Non-compliance

1.4.1 Where NCTL has concerns about financial management and/or governance in a provider, it may refer it to the NCTL's Accreditation and Performance Committee (APC) and any other partner organisation as appropriate. The provider as a result should comply with all of the recommendations outlined by this Committee.

1.4.2 Providers may be referred to the APC if there are cash flow problems, risk of insolvency, other financial concerns (such as irregular use of public funds), or inadequate financial governance and management (including breaches of the duties, principles and requirements governing connected party relationships). Post referral, all recommendations by the APC should be followed up within the agreed timelines.

1.5 Responsibilities of the provider's Governing Body

1.5.1 The Governing Body has wide responsibilities under statute, regulations and the GFA. In relation to DfE funding, it is responsible for ensuring that the NCTL funds are used only in accordance with the eligible conditions of the GFA.

1.5.2 The Governing Body has wide discretion over its use of the ITT provider's funds, which it should discharge reasonably and in a way that commands broad public support. It is responsible for the proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use – the three key elements of value for money.

1.5.3 When reviewing their governance, providers can refer to the following [link](#).

1.5.4 All new providers are required to put in place a sound organisational structure to ensure that the ITT grants paid by the NCTL are used for the purpose intended and in accordance with the GFA. The structure should clearly define areas of responsibility to ensure proper segregation of duties and transparency in the way the provider manages its affairs. The provider should have a clearly defined organisational structure with identified lines of reporting for all areas of its operations.

1.5.5 The Board and its committees should meet regularly enough to discharge their responsibilities under their GFA to ensure robust governance and effective financial management arrangements. Board meetings should take place regularly with decision-making only conducted when sufficient members are present.

- 1.5.6 Whilst the Board cannot delegate overall responsibility for the provider's funds, it should approve a written scheme of delegation of financial powers that maintains robust internal control arrangements.
- 1.5.7 The provider should have a finance committee or equivalent to which the Board delegates financial scrutiny and oversight. The responsibilities of the Governing Body of the Accredited entity/Board and provider staff should be clearly defined and allocated so as to ensure proper segregation of duties in the way finance functions are managed and processed.
- 1.5.8 There should be clearly defined lines of responsibilities between the Governing Body of the Accredited entity/Board and the provider, including in the areas of stewardship, designation of Accounting Officer, financial management and provision of information.
- 1.5.9 Terms of reference for the Governing Body of the Accredited entity/Board would normally include:
- A. The approval of the annual budget including the delegation of the budget responsibilities to budget managers
 - B. The regular (at least termly) monitoring of actual income and expenditure against each budget and revised forecast for the year in the format
 - C. Reviewing reports by the Accounting Officer as to the effectiveness of the financial procedures and controls
 - D. Responsibility for the implementation and management of an effective system of internal controls that are consistent with the requirements set out in the Grant Funding Agreement.

1.6 Responsibilities of the provider's Accounting Officer

- 1.6.1 In line with your application, each ITT provider should designate a named individual as its Accounting Officer. The individual should be a fit and suitable person for the role. This should be the Principal, the Chief Executive or equivalent. The appointment of an Accounting Officer does not remove the responsibility of the Board, both individually and as a Board, for the proper conduct and financial operation of the provider.
- 1.6.2 The role of Accounting Officer includes specific responsibilities for financial matters. Accounting Officers should be able to assure high standards of probity in the management of public funds, particularly:

Regularity – dealing with all items of income and expenditure in accordance with legislation, the terms of the provider's GFA and compliance with the provider's internal procedures. This includes spending public money for the purposes intended by Parliament;

Propriety – the requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance;

Value for money – this is about achieving the best possible educational and wider societal outcomes, within the provider's objects, through the economic, efficient

and effective use of resources, the avoidance of waste and extravagance, and prudent and economical administration. A key objective is to achieve value for money not only for the provider but for taxpayers generally.

- 1.6.3 Whilst the provider's Accounting Officer is accountable for the provider's financial affairs, for keeping proper financial records, and for the management of opportunities and risks, the 'delivery' of the provider's detailed accounting processes could be delegated to a Chief Financial Officer or equivalent.
- 1.6.4 The Principal, Chief Executive (or equivalent) should be appointed as Accounting Officer, under the guidance of the Board, and should have appropriate oversight of financial transactions, by:
- ensuring that all the provider's property is under the control of the trustees, and measures are in place to prevent losses or misuse, including maintenance of fixed asset registers
 - ensuring that bank accounts, financial systems and financial records are operated by more than one person
 - keeping full and accurate accounting records
 - preparing accruals accounts, giving a true and fair view of the provider's use of resources, in accordance with existing accounting standards.
- 1.6.5 More detailed guidance on the role of an Accounting Officer is set out in chapter 3 of HM Treasury's Managing Public Money. HM Treasury's Guide, Regularity, Propriety and Value for Money describes what these concepts mean.

Part 2: Main financial and governance requirements

2.1 The Business Manager

2.1.1 The provider should have a Finance Director, Business Manager or equivalent, to lead on financial matters. The individual should play both a technical and leadership role, including ensuring sound and appropriate financial governance and risk management arrangements are in place, preparing and monitoring of budgets, and ensuring the delivery of annual accounts (if applicable).

2.1.2 The Governing Body of the Accredited entity/Board should designate a business manager (or equivalent), in particular to:

- a. advise it on the discharge of its responsibilities under the GFA, and satisfy it that all the terms and conditions of the GFA are complied with
- b. ensure the efficient, economical and effective management and distribution of funds paid by the NCTL to the provider, including capital assets, equipment, and staff
- c. ensure the introduction and maintenance of sound financial controls in respect of funds paid by the NCTL to the provider
- d. seek to ensure that financial considerations are taken fully into account in reaching decisions on management of the provider scheme.

2.1.3 The Governing Body should ensure that clear written directions are issued to the Business Manager and finance staff on their respective responsibilities. This is essential for sound financial control. Failure to formally allocate responsibilities can create a vacuum in important financial areas.

2.2 Financial procedures manual

2.2.1 Providers will need to document procedures and controls in the form of a manual. Generally such a document would be expected to include the following;

- (a) full details of provider management structure that is based on clearly defined lines of responsibility that for example separates purchase order functions from payment authorisation
- (b) details of the process involved in the documentation of gifts, hospitalities and ex-gratia payments. This should help the provider to identify areas of potential conflict of interest and be able to monitor them on a regular basis
- (c) safeguards for the provider's resources, including cash and fixed assets
- (d) guidelines on the preparation of any NCTL's returns and the production of annual accounts.

2.2.2 For a best practice exemplar guide and template for producing a finance manual, please visit our National Association for School Business Management website [here](#). This is a free resource. Although the templates and guides are aimed at Academies, the NCTL sees these as best practice and encourages their adoption for ITT providers.

2.3 Principles of review of financial information

- 2.3.1 An important part of any financial management system is the proper review of the information produced. This review ensures information is being produced and financial records are being adequately maintained and actual performance is monitored against the expected performance or budget and any variances followed-up.
- 2.3.2 The reviews should be regular and systematic and should normally be carried out by the Business Manager. The Business Manager should carry out the initial reviews of actual performance against budget to identify any variance. Then, where appropriate, obtain explanations of the variances from the budget holders. Significant variances should be reported to the Board and amended as necessary so that the provider remains within its overall resources allocation at all times.
- 2.3.3 The Business Manager should present a written budget statement to the governing body on at least termly basis. The statements should show the total budget compared against actual with full explanation for any variances. The statement should also show the expected outturn for the year by cost centre.
- 2.3.4 The Board should minute all their decisions especially in relation to budgets. Minutes should be confirmed as an accurate record at each meeting then physically signed and dated by the Chair.
- 2.3.5 The Board should notify the NCTL's Viability & Intervention Team if it begins to experience financial difficulty and has concerns over the provider's future.
- 2.3.6 In practice the systems of financial management will vary according to the size, organisational structure and particular needs of each provider. Some providers are very small and others are quite large. Nevertheless, the principles of setting financial objectives, budgets and controls that represent sound financial management arrangements need to be developed by all providers as guidance for their staff in the management of the provider's income, expenditure and use of resources.
- 2.3.7 Certain general financial control objectives and financial management are defined in the Grant Funding Agreement. Some of the key ones are:
- to maintain a sound system of internal financial management and controls, including safeguards against fraud and theft
 - to ensure that NCTL funding is used for the purposes intended
 - to ensure that the financial returns required under the terms of the Grant Funding Agreement are made to the NCTL and
 - to maintain a complete set of financial records with appropriate audit trails and to produce annual financial statements that are consistent with guidelines provided by the NCTL, if applicable.

2.4 Income generation

- 2.4.1 Any fees and charges should be determined in accordance with annex 6.1 of HM Treasury's Managing Public Money.

2.5 Reporting

2.5.1 The provider should prepare the appropriate annual reports and documentation, as outlined by their main funding body, e.g. EFA, etc.

2.6 Exit planning:

2.6.1 Providers, in conjunction with the NCTL, need to create, maintain and update, an Exit Plan throughout the period of the Grant so that it can be implemented immediately, if required. From time-to-time either the NCTL or the provider can instigate a review of the Exit Plan.

2.6.2 The objective of the exit plan is to ensure:

- an orderly and smooth transition of the grant funded activities from the provider to a successor body or the NCTL at the expiry or termination of the Grant;
- the continuation of grant funded activities;
- that there is no undue favour to the provider in any future competition for the Grant (in whole or in part); and
- that the responsibilities of both parties to the Grant Funding Agreement are clearly defined in the event of expiry or termination.

2.7 Internal control

2.7.1 The provider should have in place sound internal controls, risk management and assurance processes.

2.8 Internal control framework

2.8.1 The provider should establish a control framework that recognises public expectations about governance, standards and openness.

2.8.2 The provider's internal control framework should include:

- co-ordinating the planning and budgeting processes;
- applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties;
- preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate;
- ensuring that delegated financial authorities are respected;
- effective planning and oversight of any capital projects;
- the management and oversight of assets;
- the propriety and regularity of financial transactions;
- reducing the risk of fraud and theft;
- ensuring efficiency and value for money in the organisation's activities; and
- a process for independent checking of financial controls, systems, transactions and risks.

2.8.3 For a best practice exemplar guide and template for producing this, please visit our National Association for School Business Management [site](#) and select Internal Control Scrutiny and also Monthly Financial Management Information to Review.

2.9 Accounting systems

2.9.1 The provider needs effective procedures that ensure all transactions are accurately recorded, reported and monitored against plans/budgets. There will need to be definitive guidelines on the following key areas:

- Accounting System
- Purchasing
- Assets
- Income
- Bank and Building Society Accounts
- Cash holdings

2.9.2 Whether the accounting system used is manual or computerised it should record all transactions of the provider and provide an effective audit trail that traces all payments and receipts to the originating/source document. The system should also be capable of producing management information for use by the Board and budget managers in addition to providing the figures from which the financial statements are to be prepared.

2.9.3 Irrespective of the accounting system operated by the provider, the relevant procedures should be fully documented so as to provide the basis for ensuring compliance and consistency. Computerised systems will need additional management controls to ensure integrity and be backed up regularly.

2.10 Financial planning and control: Budget management

2.10.1 Prompt, accurate and up-to-date financial information should be readily available at appropriate levels within the provider. The arrangements should encourage regular interaction between the provider's financial and non-financial operations and activities. There should be prompt exchange of information to support decision-making on a sound and timely basis. Management will be more effective if management responsibilities and financial responsibilities are aligned.

2.10.2 In budgeting, the Board should bear in mind that:

- final NCTL grant figures may be lower than earlier figures dependent upon recruitment; and
- the need for appropriate actions to be taken during the year to deal with variations between actual and budgeted income and expenditure.

The budget should be based on a hierarchy of assumptions and priorities, aiding swift changes of plan in reaction to changes of circumstances. A record of the assumptions made in the preparation of the annual budgets should be kept and referred when any budget changes are considered during the course of the financial year.

2.10.3 Providers should always prepare a balanced or surplus budget.

Principal steps involved in budgeting are:

- a. to ensure everyone involved in the process is aware of the assumptions, constraints and targets which should be determined by reference to the provider's financial objectives
- b. to estimate the costs of each element of the overall plan, preferably over at least a three-year period. The second and third year costs need not be in as much detail as the first year. Costings over this number of years can be helpful in identifying core commitments and areas of discretionary expenditure
- c. to estimate the income from public and non-public sources. Uncertainty about recruitment and funding is inevitable and assumptions need to be made about the future level of funding the provider will receive based on the various factors which could influence it
- d. proper identification and evaluation of financial and non-financial risks that may directly impact on the budget allocation. The risks will need to be fully documented and regularly reviewed as part of the budgetary control process
- e. comparison of income and expenditure to identify the potential surplus or shortfall in funding required to meet any financial control objectives set by the Governing Body of the Accredited entity/Board
- f. revision of some financial objectives may be necessary once priorities have been identified to enable the preparation of a budget with reduced expenditure to match the expected income
- g. re-allocation of any surplus/deficit identified
- h. to present the budget to the Board for approval
- i. to inform those members of the provider with financial responsibilities what their budgets are, together with any constraints imposed and assumptions made; and to inform all provider staff of the financial aims of the provider.

For detailed guidance and templates on budget management please access this [link](#).

2.11 Income management

2.11.1 The provider should manage its cash position, avoid going overdrawn, and reconcile bank and control accounts regularly (if applicable).

2.11.2 The provider should have clearly defined and fully documented procedures for determining its income from all sources. The procedure notes should be reviewed by Finance staff and approved by the Business Manager annually. All grants receivable from the NCTL and other sources should be identified and checked against the original grant letter to ensure completeness and accuracy of the sums received. Other non-grant income should be quantified as accurately as possible for inclusion in the provider's budget; the NCTL's monitoring returns and the provider's annual accounts (if applicable).

2.11.3 All income should be included in the provider's budget and reported to the Board on a regular basis. Procedures should therefore be developed to ensure income is received on a timely basis. Proper debtors control procedures should also be

developed to ensure grants are received when due and any outstanding income is chased on a regular basis. A guide on NCTL ITT funding can be found [here](#)

2.12 Bank account

2.12.1 Providers should be aware of the various services available including online banking when choosing their banks/building societies. Individual circumstances at provider level will dictate which banking arrangements are best suited for each provider. The provider should investigate fully its requirements and match these to services available.

2.12.2 The opening of all bank accounts should be authorised by the Board or equivalent, which should set out, in a formal memorandum, the arrangements covering the operation of accounts. This should include transfers between accounts and cheque signing arrangements.

2.12.3 All funds received from the NCTL should, unless alternative arrangements are agreed with the NCTL (e.g. using one bank account), be deposited in a separate account with a UK clearing bank. No money may be paid into the accounts for purposes other than the funding of the provider's operations. The funds in the accounts may not be used for any purposes other than the settlement of the provider's properly authorised expenditure.

2.12.4 The provider should ensure that the bank is fully aware that the account should not be overdrawn.

2.12.5 Providers should implement the following controls, to ensure that there is segregation of duties between the authorisation, preparation and issue of cheques, so that no-one who may sign a cheque may also prepare and issue it:

- suitable authorised documents, (such as cheque requisitions), initiated or approved by non-signatories, who need not be governors, in respect of every cheque signed
- More than one signatory on each cheque/payment
- a maximum of four people, not all of whom need to be governors authorised to sign cheques. All should be kept up-to-date with current procedures. At least one signatory should be independent of the provider's day to day accounting process
- mandates held by the provider's bankers detailing arrangements, together with clear instructions that the provider's bank accounts should not become overdrawn.

2.12.6 The use of credit cards is permitted as long as the balance on the account is cleared in full at the end of each month.

2.12.7 The Board should authorise any cards to be used having considered the potential risk over and above that of the purchase order system and appropriate controls over usage. The following procedures should be helpful when considering the use of these cards:

- The Board should approve:
 - a list of authorised users;

- restrictions on the use of the card's spending limits;
- written instructions on the scope and use of the cards.
- A member of staff, who is not a card signatory, should be appointed to control the use of the cards and a signing-out procedure implemented for the issue of cards to authorised staff.
- Documentary proof of any goods purchased with the charge or credit card, including details of the nature and cost of those goods, should be returned to the person responsible for recording charge card transactions as soon after each purchase as is reasonably practical.
- Transactions should be reconciled to statements by someone other than a cards signatory.

For more detailed guidance and templates on banking arrangements please access this [link](#).

2.13 Petty cash management

2.13.1 As a general guide, provider's petty cash float should not exceed a set amount at any given time. This reduces the impact on provider's finances in the event of any loss.

2.13.2 In the interests of security, petty cash payments should be limited in value. The level may vary from one provider to another, but as a general rule, cash transaction payments should not exceed £20. Higher value payments should be made by cheque or equivalent (online).

2.13.3 Both petty cash withdrawals and payments should be entered into the petty cash records immediately. Regular reconciliations should be undertaken to ensure that the imprest system remains in balance. The reconciliation should be reviewed and signed-off by the Business Manager.

2.13.4 Access to cash, cash records and forms should be restricted to authorised provider personnel only. Secure safes and containers should be provided for cash, records and valuables.

2.13.5 There should be a random independent check of petty cash holdings and records. The Business Manager should undertake surprise counts at random and sign off the petty cash reconciliation statement on a monthly basis.

For more detailed guidance and templates on this please access this [link](#).

2.14 Cash flow forecasting

2.14.1 It is essential that providers can demonstrate good financial management by forecasting their cash position with reasonable accuracy to ensure that these conditions are adhered to, as well as maximising interest from available funds.

2.14.2 Providers should prepare cash flow forecasts to ensure that they will have sufficient funds available to pay for their operations from day to day, month to month, and year to year. The cash flow forecast should include all grants promised by the NCTL for the year.

2.14.3 Providers should attempt to determine the nature of any income and the possible time of receipt. Identification of income sources may assist in determining the profiling of receipts. The nature of expected income will also assist in the formulation of budget forecasts.

2.14.4 Payments should not be made in advance of need and providers should make use of normal credit periods. Often thirty days are allowed before payment is required. Making use of this thirty day credit period is considered good practice, and is not regarded as borrowing. However providers should also be aware of the possible benefits of early payment discount and take advantage should this provide better value for money.

For more detailed guidance and templates on this please access this [link](#).

2.15 Segregation of duties: Principles & practice

2.15.1 Duties should be properly segregated between individuals. One of the prime means of control is the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of error or intentional manipulation through checks built into the routine.

2.15.2 Some examples of functions that can be separated include:

- authorisation of transactions such as a purchase order or a payment
- signing of cheques/BACS transmission
- execution, placing of orders and receiving of goods and services, or charging and receipt of a fee
- receipting of income and banking
- custody of the goods or services
- maintaining accounting records and
- reconciliation of control and bank accounts
- proper set-up of computerised accounting system in the area of inputting, authorising and processing payments.

2.15.3 The segregation of duties will need to be addressed in relation to the staff available and their levels of responsibility in the financial management of the provider. NCTL recognise that in smaller providers it will not be possible to allocate all the functions set out above to different persons. In most cases it is not necessary to separate the functions between more than two staff.

For more detailed guidance and templates on this please access this [link](#).

2.16 Procurement: Tendering, purchasing & payment

2.16.1 For a best practice exemplar guide and template for this please visit our National Association for School Business Management [site](#) and select ' Procurement and Tendering Policy'.

2.17 Assessment of value for money

- 2.17.1 Prior to placing an order, the provider should follow procedures relevant to the type and value of the purchase. In all cases the provider should ensure value for money is obtained.

2.18 Ordering

- 2.18.1 Orders should be made in writing and placed at the time and on the basis agreed with the supplier. It should be exceptional for orders to be made orally and these should subsequently be confirmed in writing.

2.19 Receipt of goods or services

- 2.19.1 All goods and services should be accompanied by a goods/services received note. The officer receiving the goods/services should check for quality and accuracy delivered by the supplier. The goods/services received note should be kept in a safe place and upon receipt of the supplier invoice the note should be reconciled and attached to the invoice before the invoice is authorised and processed for payment.

2.20 Processing purchase invoices

- 2.20.1 Supplier statements should be reconciled regularly to the outstanding invoices. Where a detailed creditor's ledger is maintained the supplier statements should be reconciled with each individual supplier account.

2.21 Payments

- 2.21.1 The Business Manager should ensure the efficient and economical distribution of funds paid by the NCTL to the provider. The Governing Body of the Accredited entity/Board should therefore satisfy itself that the payment arrangements are such as will ensure that bills are being paid promptly when they fall due with discounts for prompt payment where appropriate.
- 2.21.2 However, to avoid the possibility of goods and services not being received, payment should not normally be made before receipt of goods. If such payments are required, providers should consider the degree of risk before approving the payment.
- 2.21.3 In applying segregation of duties, cheques should not be signed by the person who is responsible for authorising the purchase order. Cheques should be signed in accordance with the bank mandate which should require that all cheques are signed by two signatories. At least one signatory should be independent of the provider's day to day accounting process, and whenever practicable the signatories should also be independent of the Accredited entity's own day to day accounting function.

For more detailed guidance and templates on this please access this [link](#).

2.22 Whistleblowing

- 2.22.1 Providers should have appropriate procedures in place for whistleblowing, including making sure all staff are aware to whom they can report their concerns, and the way in which such concerns will be managed. The EFA has developed resource for Academies, which is relevant to **all** ITT providers on 'Fraud and financial irregularities in academies' which NCTL encourage you to adopt.
- 2.22.2 For a best practice exemplar guide and template on a whistleblowing policy, please visit our National Association for School Business Management [site](#), and select Whistleblowing Policy.

2.23 Risk management

- 2.23.1 The provider should make a considered choice about its desired risk profile, taking account of its legal obligations, business objectives and public expectations. The provider should recognise, manage, track and present future risks arising from its operations, including a likelihood and impact assessment. Therefore the provider should maintain a risk register.
- 2.23.2 The provider should make a contingency and business continuity plan setting out what it would do to ensure its continued operation. An example of one can be found [here](#).
- 2.23.3 The provider should ensure that it has adequate insurance cover in compliance with its legal obligations.
- 2.23.4 The provider should determine its own level of cover which should include buildings and contents, business continuity, employers and public liability insurance and any cover required for motor vehicles. This list is not exhaustive.
- 2.23.5 For a best practice exemplar guide and template on risk please visit our National Association for School Business Management [site](#) and select Risk Management Strategy.

2.24 Audit committees or equivalent

- 2.24.1 Providers should establish a committee, appointed by the Board to provide assurance over the suitability of, and compliance with, its financial systems and controls.
- 2.24.2 Committee functions should be established in such a way as to achieve internal scrutiny which delivers objective and independent assurance.
- 2.24.3 The committee's work should focus on providing assurances to the Board that risks are being adequately identified and managed by:
- reviewing the risks to internal financial control at the provider and
 - agreeing a programme of work to address, and provide assurance on, those risks.

For a best practice exemplar guide and template on this area please visit our National Association for School Business Management [site](#) and select School Finance & Audit Committee Terms of Reference.

2.25 Delivering assurance

2.25.1 Providers should manage their programme of risk review and checking of financial controls in the way that they deem most appropriate to their circumstances.

Options include:

- the appointment of an internal audit service (either in-house, bought-in or provided by a sponsor);
- the performance of a supplementary programme of work by the provider's external auditor;
- the appointment of a non-employed trustee with an appropriate level of qualifications and/or experience to check the provider's internal controls, who neither charges, nor is paid by the provider for their work. This appointment is not mandatory but is one way of being able to conduct internal checks;
- a peer review, with the work being performed by the Chief Financial Officer, or a suitably qualified or experienced member of the finance team, from another provider, as an independent reviewer.

2.25.2 The provider may wish to commission a programme of work that combines the above options. For example, a trustee appointed under the third bullet above to carry out checks can delegate some of the detailed checking to an external contractor or peer reviewer. The adequacy of the arrangements at each provider will be established as part of the process leading to the Accounting Officer's annual statement, and, where appropriate, through the self-assessment review of financial management and governance or other review of the governance arrangements.

Part 3: Delegated authorities

3.1 Proper and regular use of public funds

3.1.1 The provider should be able to show that public funds have been used as intended by Parliament.

3.2 Principles

3.2.1 Providers should ensure that:

- spending has been for the purpose intended and there is probity in the use of public funds;
- spending decisions represent value for money, and are justified as such;
- internal delegation levels exist and are applied within the provider; for a template on delegation levels please click [here](#).
- a competitive tendering policy is in place and applied; and
- relevant professional advice is obtained where appropriate, including that of their external auditor where necessary.

3.3 Additional guidance

3.3.1 There is a range of guidance available on public sector procurement requirements, including DfE's [buying for schools](#) and its [providers procurement resource](#). Additional guidance can be found in annex 4.6 of HM Treasury's [Managing Public Money](#). Advice on relevant contractual thresholds is provided in the Official Journal of the European Union ([OJEU](#)).

3.4 Principles applying to connected party relationships

3.4.1 Providers should be even-handed in their relationships with connected parties by ensuring that:

- Staff understand and comply with their statutory duties to avoid conflicts of interest, not to accept benefits from third parties, and to declare interest in proposed transactions or arrangements
- all members, trustees, local governors of providers and senior employees have completed the register of interests retained by the provider and there are measures in place to manage any conflicts of interest
- no member, trustee, local governor, employee or related individual or organisation uses their connection to the provider for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the provider.

3.4.2 The Board should ensure that the requirements for managing connected party transactions are applied across the organisation. The chair of the Board and the Accounting Officer should ensure that their capacity to control and influence does not conflict with these requirements. They should manage personal relationships with connected parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

3.4.3 Providers should recognise that some relationships with connected parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the chair of the Board and Accounting Officer
- payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector; and
- relationships with external auditors that go beyond their duty to deliver a statutory audit.

The provider should maintain sufficient records, and make sufficient disclosures in their annual accounts (if applicable), to evidence that transactions with these parties, and all other connected parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

3.5 Register of interests

3.5.1 The provider's register of interests should capture relevant business and pecuniary interests of members, trustees, local governors and senior employees, including:

- directorships, partnerships and employments with businesses that provide goods or services to the provider
- Trusteeships and governorships including at other educational institutions and charities irrespective of whether there is a trading relationship with the provider and
- for each interest: the name of the business, the nature of the business, the nature of the interest, and the date the interest began.

3.5.2 Providers should consider carefully whether to include the interests of other individuals in the register of interests. This may include other employees of the provider and close family members of individuals already on the register. Interests are not limited and the Board should consider whether other interests should be registered. If in doubt the presumption should be towards including an interest in the register.

3.6 Tax arrangements for senior employees

3.6.1 Providers should ensure that their senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax, as set out in HM Treasury's [Review of the Tax Arrangements of Public Sector Appointees](#).

3.7 Gifts

3.7.1 The provider should have a policy and register on the acceptance and giving of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgment or integrity; and should ensure that all members of staff are made aware of this. When giving gifts, the provider should

ensure that the value of the gift is trivial (<£10), is within the provider's scheme of delegation, the decision is fully documented, and has due regard to propriety and regularity in the use of public funds.

- 3.7.2 Providers should maintain full details of all gifts and hospitality received by staff including Business Managers. Losses should also be recorded on a separate register.

For a best practice exemplar guide and template for producing this please visit our National Association for School Business Management site and select Gifts and Hospitality Policy.

3.8 Write-offs and entering into liabilities

- 3.8.1 The provider should seek prior approval from the NCTL's Viability & Intervention Team for the following transactions:
- Writing-off debts, losses and any uncollected fines.

3.9 Special payments

- 3.9.1 Special payments are transactions that fall outside providers' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control than other payments. They include:
- staff severance payments
 - compensation payments

Therefore providers should seek advice and prior approval from NCTL, before making any of the payments listed above.

3.10 Compensation payments

- 3.10.1 Compensation payments are made to provide redress for loss or injury, for example: personal injuries; traffic accidents; or damage to property. If a provider is considering making a compensation payment it should base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

- 3.10.2 Providers should consult with the NCTL's Viability & Intervention Team for any payments which may exceed the set limits by the Governing Body.

3.11 Purchase of fixed assets

- 3.11.1 Procedures relating to the purchase of assets should be followed especially with regard to limits, authorisations and tender policies. All assets purchased should be entered in the asset register if the cost is over the specified value.

- 3.11.2 As a general guide, the NCTL expects providers to 'capitalise' assets valued in excess of £1,000 which are intended for use on a continuing basis for a period of more than one financial year.

3.12 Asset register

3.12.1 All providers should maintain an asset register which contains details of all capital items. The register should record the following details:

- date of purchase
- description of the asset including a unique identification mark such as a serial number
- cost: this should include VAT and delivery cost
- source of funding
- location of asset
- details of loss, disposal or write-off.

3.12.2 The register should be kept up-to-date at all times and available for inspection by internal and external auditors. Such a register can:

- form an important part of the provider's procedures for ensuring that staff take responsibility for the safe custody of assets
- enable management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse. To this end, all the provider's fixed assets should be physically audited on an annual basis
- help the provider to manage the effective utilisation of its assets and to plan for their replacement
- help the external auditors to draw conclusions on the financial statements and the provider's financial system and
- support insurance claims in the event of fire, theft or other losses. Any losses should be reflected on the register as outlined above

3.13 Security of assets

3.13.1 Equipment should be secured by means of physical and other security devices. Authority to access should be clearly documented.

3.13.2 All the items in the register should be permanently and visibly marked as the provider's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and where significant, reported to the Board.

3.14 Disposals

3.14.1 Capital asset disposals transfers, loss/destruction and write-offs should be reported to the provider's Board promptly. The loss should then be reflected on the register.

3.14.2 Items which are to be disposed of by sale or destruction should be appropriately authorised for disposal and, where significant, should be sold following competitive tender.

3.14.2 Providers should ensure that any disposal achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money.

3.14.3 For a best practice exemplar guide and template on this please visit our National Association for School Business Management [site](#), and select Write- Off and Asset Disposal Policy.

3.15 Loan of assets

3.15.1 Fixed Assets (e.g. computers and printers) should not be removed from the provider's premises without the permission from the provider's Business Manager or equivalent. A record of any loan should be recorded by the provider and the record updated when the asset is returned.

3.16 Inventory items

3.16.1 As a general guide, Inventory items are items valued >£25 and <£100 and are intended for use on a continuing basis for a period of more than one financial year.

3.17 Inventory register

3.17.1 New Inventory items should be labelled and their details entered into the inventory items register, which should be separate from the fixed assets register. The details on the register should include the bar code number, date of acquisition, cost, asset category, make/model and location.

3.17.2 All provider inventory items should be held at the provider's premises and their on-going availability physically verified annually. Any variance should be identified and adjusted on the register.

3.18 Inventory items disposal

3.18.1 Inventory items that are disposed of, transferred, lost, destroyed and written off should be reported to the provider's Board. The loss should be removed from the inventory register promptly.

For more detailed guidance and templates on this please access this [link](#).

3.19 Leasing

3.19.1 Providers **should** ensure that any lease arrangement maintains the principles of regularity, propriety and value for money. Providers should seek advice from their professional financial adviser and/or external auditor if they are in any doubt over whether a lease involves an element of borrowing.

Part 4: NCTL's Viability & Intervention Team

4.1 NCTL's Viability & Intervention Team (VIT)

- 4.1.1 In order to gain assurance over the adequacy of financial arrangements governing the use of public funds by providers, NCTL's VIT will conduct a number of financial management reviews. These will examine whether the systems and control mechanisms that exist in each provider meet the requirements set out in the GFA.
- 4.1.2 Assurance visits will also be conducted to allow NCTL to gain assurance on the data provided by a provider which is used in the calculation of grants, and whether this data is accurate, complete and supported by evidence. The scope and timing of NCTL's assurance visit approach is determined annually.
- 4.1.3 NCTL's VIT may from time-to-time carry out audits at the provider. The provider should provide NCTL with access to all books, computer records, information, explanations, assets and premises. NCTL may take copies of any relevant documents. NCTL may conduct interviews during its audits at any reasonable time. NCTL will give the provider reasonable advance notice in writing of its proposed audits.
- 4.1.4 The provider should retain all records necessary to verify the provision delivered by it, or its sub-contractors, in relation to its GFA, at least six years after the end of the period to which funding relates.

4.2 Financial management and governance self-assessment

- 4.2.1 All new Recently Accredited providers (RAP) should complete a short financial management and governance self-assessment (FMGS) and submit it to NCTL within three months of opening. A copy of this template will be issued at the start of your first operational year.

4.3 National Audit Office

- 4.3.1 The National Audit Office (NAO) via the NCTL has the right to access the books of accounts and all relevant records, files and reports of a provider for inspection, or for the carrying out of value for money studies. The provider should co-operate with NCTL and NAO officials to provide such help, information and explanation as is reasonable and necessary.

4.4 Provision of information

- 4.4.1 The provider should provide NCTL, with information NCTL requires in exercising its responsibilities and to meet funding requirements. This information should be of sufficient quality to meet the purposes for which it has been requested. The provider should provide the information when and how NCTL and its agents request it. NCTL will consider the impact on provider business in the deadlines it specifies for the provision of information.
- 4.4.2 In the event that the provider does not return the information NCTL requires by the specified deadline, or that the information is not of an acceptable quality, NCTL

may carry out whatever investigations it deems necessary to collect the information, where appropriate in consultation with the provider.

4.4.3 The provider should notify NCTL of the vacating or filling of the positions of chair of the Board, Accounting Officer and Chief Financial Officer (or equivalent) as soon as possible.

4.5 Investigation of fraud and irregularity

4.5.1 Providers should be aware of the risk of fraud and irregularity occurring and, as far as possible, address this risk in their internal control and assurance arrangements by putting in place proportionate controls. Providers should take appropriate action where fraud and irregularity is suspected or identified.

4.5.2 All cases of attempted, suspected or proven fraud shall be reported to the NCTL/ DfE and other relevant authorities [EFA, etc.] as soon as they are discovered, irrespective of the amount involved. The following information is required:

- full details of the event(s) with dates
- the financial value of the loss
- measures taken by the provider to prevent recurrence
- whether the matter was referred to the police (and why if not); and
- whether insurance cover or the risk protection arrangements have offset any loss.

4.5.3 NCTL will not tolerate fraud. It reserves the right to conduct or commission its own investigation into actual or potential fraud, theft or irregularity, in any provider either as the result of a formal notification from the provider itself or as the result of other information received. NCTL may involve other authorities, including the police, as appropriate. NCTL will publish reports in line with its own policy.

4.5.4 For a best practice exemplar guide and template on fraud policy please visit our National Association for School Business Management site and select Anti-Fraud and Corruption Policy.

Annex A: Definitions

For the purposes of this guide, the following definitions will apply.

ITT provider	An organisation which has entered into a GFA with the NCTL.
Accounting Officer (AO)	The senior executive of the provider, designated as accountable for regularity, propriety and value for money. This could be the Principal, Chief Executive, executive Principal or equivalent.
Asset	Anything that is capable of being owned or controlled to produce value and that is held to have positive economic value. Can be 'revenue' (e.g. cash) or 'capital' (e.g. a building).
Balanced budget	A formal budget plan setting out projected income and expenditure drawing on unspent funds from previous years as necessary. Providers do not have to balance income and expenditure in each year to zero and can carry forward unspent grants.
Capital	Capital assets or funding are those from which a provider can expect to derive a benefit for more than one year: typically land, buildings, vehicles, information technology etc. Capital assets are usually referred to as fixed assets.
Chief Executive	The senior executive of the provider.
Chief Financial Officer (Business Manager)	The individual who leads the finance department, such as the Finance Director, Business Manager or equivalent.
Economy	Obtaining an outcome for the least possible input of resources.
National College for Teaching & Leadership (NCTL)	The NCTL is an executive agency of the DfE.
Effectiveness	Obtaining the desired outcome.
Efficiency	Obtaining the best possible outcome for the resources input.
Financial Management and Governance Self-assessment (FMGS)	A submission for completion and return to NCTL by a notified date, by new recently accredited providers. The return requires providers to self-assess financial management arrangements in several specified areas.

Financial year	This is usually the same as the academic year, from 1 September to 31 August. For most other public sector bodies (e.g. NCTL) it means the period from 1 April to 31 March.
Grant Funding agreement (GFA)	The agreement between the providers and the NCTL, which includes funding arrangements, obligations of both parties and termination provisions. In this guide when the GFA is mentioned, it is a collective term for both the GFA and the Grant Offer Letter (GOL).
Principal	The head teacher of a provider.
Propriety	The requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance.
Public funds	Funds which, ultimately, derive from parliamentary authority. All providers' income, expenditure, assets and liabilities are open to scrutiny.
Regularity	The requirement to deal with all items of income and expenditure in accordance with legislation, the terms of the provider's GFA and this guide, and compliance with internal Provider procedures. This includes spending public money for the purpose intended by Parliament.
Risk protection arrangements (RPA)	The RPA is a mechanism through which the cost of certain risks that materialise from 1 September 2014 will be covered by public funds for 'Academies' that opt in.
Secretary of State (SoS)	The Secretary of State for the DFE.
Special payments	Payments outside the normal range of activities approved by Parliament and therefore requiring greater control. They include ex gratia payments, staff severance payments, compensation payments and other extra-statutory or extra-contractual payments. See annex 4.13 of HM Treasury's <u>Managing Public Money</u> .
Value for money	Achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the provider's charge, the avoidance of waste and extravagance, and prudent and economical administration.

Whistleblowing	When an employee reports suspected wrongdoing at work and makes a disclosure in the public interest, under the protection of the Public Interest Disclosure Act 1998 as appropriate.
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Annex B: Further information

NCTL

- [National Association of School Business Management \(NASBM\) Best Practice Library](#)
- [Funding: initial teacher training \(ITT\)](#)
- [Grant Funding Agreement Terms and Conditions](#)
- [Initial teacher training criteria](#)
- [Initial Teacher Training Advisory Group \(ITTAG\)](#)
- [School Direct: information for schools](#)

DFE

- [Academies procurement resource](#)
- [Buying for schools](#)
- [Effective buying for your school](#)
- [Governors' Handbook](#)
- [Risk protection arrangements](#)
- [School Governance: a policy overview](#)
- [Whistleblowing](#)

EFA

- [Academies accounts direction](#)
- [Academies Financial Handbook](#)
- [Academies investigation reports](#)
- [Academies severance payments](#)
- [EFA e-bulletin](#)

Charity Commission

- [CC14: Charities and investment matters: a guide for Trustees](#)
- [CC25: Managing charity assets and resources: an overview for Trustees](#)
- [CC26: Charities and risk management](#)
- [Charities and charity Trustees: an introduction for school governors](#)
- [SORP Charity accounts and reports: what you need to know](#)
- [Accounting and reporting by charities: statement of recommended practice \(the 'Charities SORP'\)](#)
- [Charity Commission: detailed guidance home page](#)

HM Treasury

- [Audit committee guide](#)
- [Orange Book: Management of Risk - Principles and Concepts](#)
- [Managing public money](#)
- [Review of the tax arrangements of public sector appointees](#)

HM Revenue & Customs

- [Charities and Corporation Tax](#)
- [Employers: home page](#)
- [Employment status indicator](#)
- [Introduction to money Laundering Regulations](#)
- [VAT: How and When to Register](#)

Partner Organisations

- [NASBTT](#)
- [Action Fraud](#)
- [Association of School and College Leaders \(ASCL\)](#)
- [CIPFA – The good governance standard for public services](#)
- [Freedom and Autonomy for Schools \(FASNA\)](#)
- [Information Commissioner’s Office – Freedom of Information](#)

Other resources

- [Academies Act 2010](#)
- [Code of conduct for board members of public bodies](#)
- [Academy Finance Directors Forum](#)
- [Fraud Act 2006](#)
- [National Audit Office](#)
- [Official Journal of the European Union](#)
- [Public Accounts Committee](#)
- [The Civil Service Code](#)

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If you have suggestions for future revisions please contact the Viability & Intervention Team at financial.monitoring@education.gov.uk.



National College for
Teaching & Leadership

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