

## Lessons to be learnt for Governors

Following the high profile reporting of financial issues identified at a Lincoln based multi-academy Trust, what lessons can be learnt? And what actions should governors take in response?

It is clear from the DfE report that the overriding principle to be adopted by governors going forward is that it is not sufficient just to act appropriately, they must also be seen to be acting appropriate. The acid test for governors is how the man on the street would interpret their actions, given that it is public money that is being spent.

There are several key areas in the report that will require review. The report clearly identifies related party transactions and potential conflicts of interest in transactions as a key area. This includes the employment of relatives of management, transactions with management and transactions with entities related to management or with whom a conflict of interest could be perceived. It is therefore important that all governors revisit their register of interests to ensure that it is complete. They also should review their procedures for the approval of transactions where conflicts of interest may be present. Governors should also review their procedures over the authorization of expenditure in general to ensure that authorisation is obtained at an appropriate level based on the type and value of expenditure to ensure that public money is being spent appropriately and in accordance with the academy's funding agreement.

We recommend that governors review the detail of the DfE report in full and consider what controls at their academy would have prevented the identified issues occurring. When considering controls a three stage approach should be adopted;

1. Firstly you need to identify what controls are currently in place over the key risk areas.
2. Secondly you need to consider whether these controls are sufficient. If not then they need to be strengthened or new controls introduced.
3. Finally if the controls are considered to be appropriate then what review is required to ensure that these controls are operating as designed?

We would recommend that this is incorporated into the Responsible Officers quarterly plan of work. Whilst an annual audit of the financial statements is performed by the external auditor, the Responsible Officers role is to review the health of the financial systems throughout the year. This reinforces the need for the Responsible Officer to have relevant experience in order that they can perform their responsibilities in full.

If you require assistance in the review of your controls or if you wish to discuss the implications of the DfE report further then please do not hesitate to contact us by calling 0845 880 0320 or email [info@streetsweb.co.uk](mailto:info@streetsweb.co.uk)