Nau mai, haere mai!
Welcome to

The Board's Role in Finance

e tipu e rea

Preparing our minds for the session

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E te hui	For this gathering
Whāia te mātauranga kia mārama	Seek knowledge for understanding
Kia whai take ngā mahi katoa	Have purpose in all that you do
Tū māia, tū kaha	Stand tall, be strong
Aroha atu, aroha mai	Let us show respect
Tātou i a tātou katoa.	For each other.

What we’ll cover

- Introduction to Financial Governance
- Roles, Responsibilities & Ethical Finance
- Policies, Procedures & Internal Controls
- Budgeting & Monitoring Finances
- Annual Financial Statements & Reporting

What you'll learn

By the end of this session, you should be able to:

- Recognise your board's duty to manage public funds responsibly.
- Identify the difference between the role of your board and the principal when it comes to school finances.
- Describe the purpose of finance policies, procedures, and internal controls.
- Identify key considerations for budgeting and financial monitoring.
- Confidently ask questions about the financial information presented to you.
- Carry out the annual finance tasks required of your board.

Before we begin

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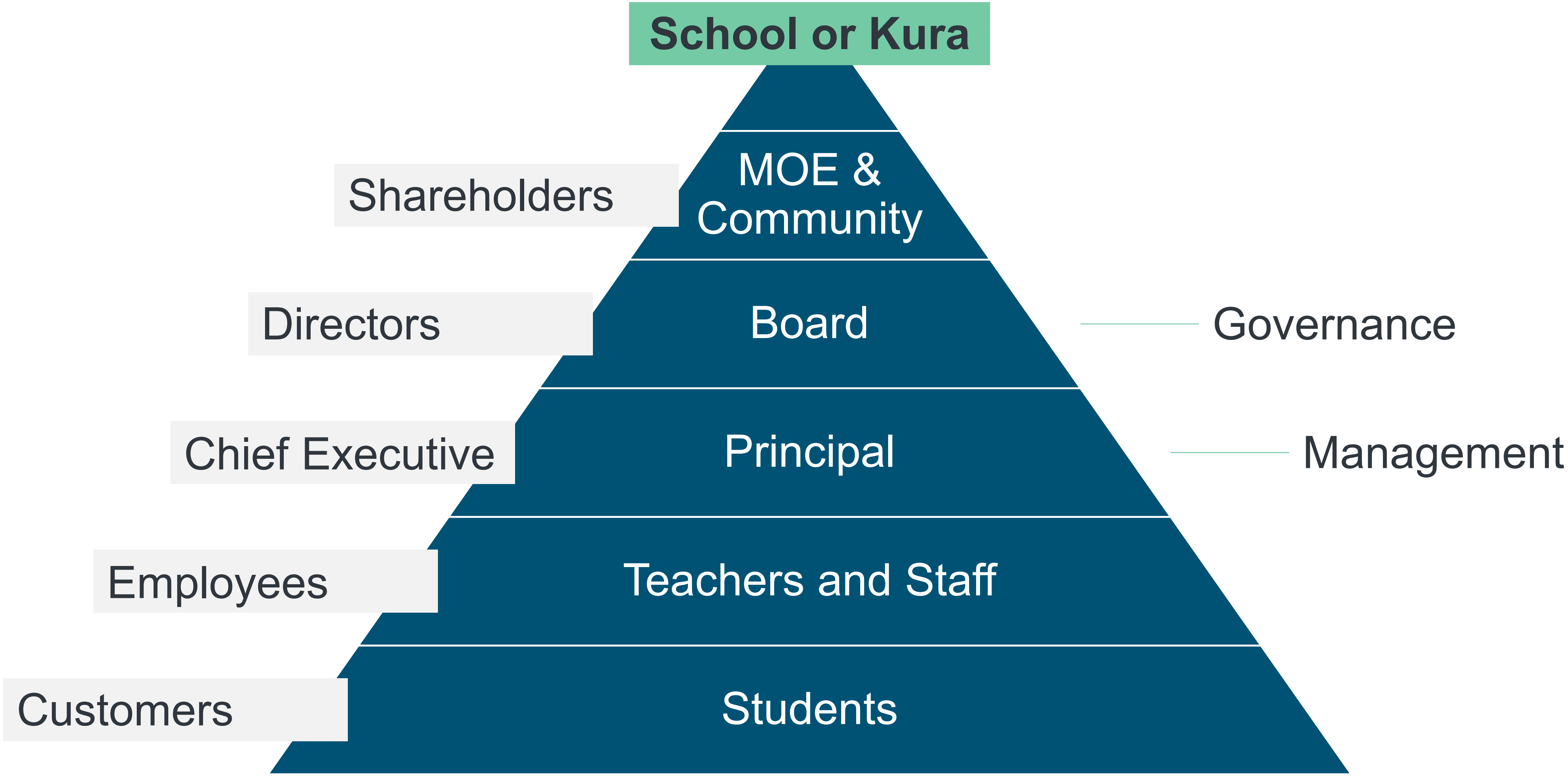
It's normal to find finance a bit daunting…

But there's plenty of guidance, resources, and support designed to help your school or kura succeed.

Part 1

Introduction to Financial Governance

Similar to a business



Education and Training Act 2020

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The Board

Section 125
Board is the governing body

The board is responsible for the school's governance, including setting the policies for its control and management.

Section 127
Objectives of boards in governing schools

By meeting its objectives, the board ensures the school is safe, inclusive, honours Te Tiriti o Waitangi, and supports every student in achieving their best.

The Principal

Section 130
Principal is chief executive of board in relation to school’s control and management

Within the bounds of board policy and New Zealand law, the principal has full discretion to manage the school’s day-to-day administration as they see fit

The board sets the strategic direction and the polices by which the school is controlled and managed.

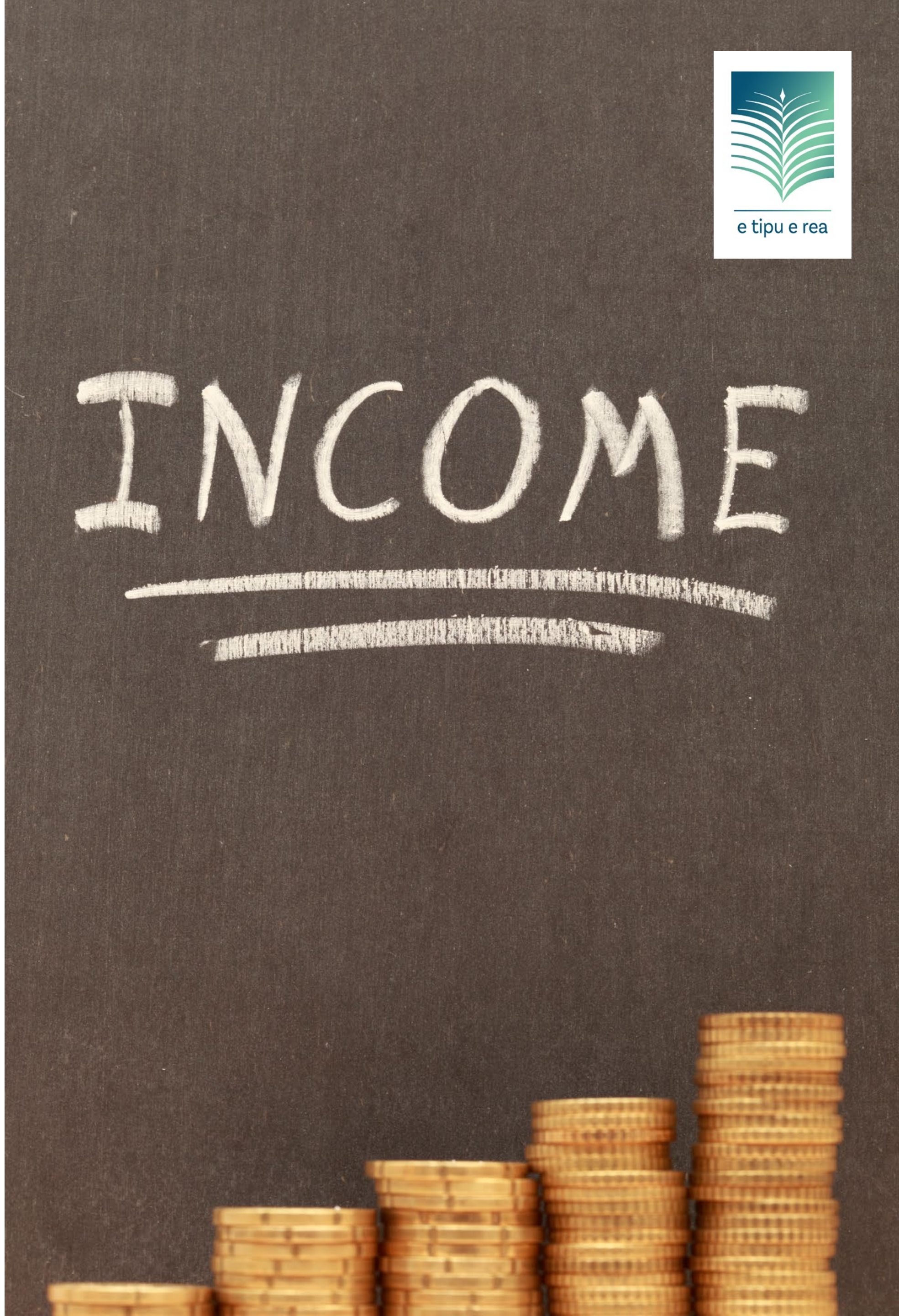
The board entrusts the principal to implement these plans on a day-to-day basis.

Through an effective self-review programme, the board measures the performance of the school against the plans set.

Where does the money come from?

Common types of income for boards:

- **Operations Grant** – covers the school's day-to-day running costs.
- **Special Government Funding** – for projects like new classroom builds.
- **Locally Raised Funds** – from donations, grants from community groups, fundraising, and international student fees.



All board funds are public funds

- As Crown Entities, boards are accountable for all their expenditure.
- Financial decisions must support the effective operation of the school, be within budget, and align with the strategic plan.
- Funds should not be spent on anything considered extravagant or wasteful.
- Sensitive expenditures must be managed appropriately – donations, koha, personal use of communications, technology, gifts, etc.

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What finance-related laws apply?

- Education and Training Act 2020
- Education (School Boards) Regulations 2020
- Education (School Planning and Reporting) Regulations 2023
- Crown Entities Act 2004
- Public Finance Act 1989
- Financial Reporting Act 2013
- Goods and Services Tax Act 1985
- Income Tax Act 2007
- Holiday and Employment legislation

Activity 1: Financially responsible

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Consider the following questions

- What do you think this statement means?
- What things does your board do to be financially responsible?

A board must perform its functions and exercise its powers in a financially responsible way

Section 127 (2c)
Education and Training Act 2020

Part 2

Roles, Responsibilities & Ethical Finance

Who does what?

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Board	Principal
• Sets the strategic plan and allocates resources to achieve goals	• Implements the annual plan using the allocated resources
• Establishes and maintains finance policies and delegations	• Establishes and maintains finance procedures
• May create a finance committee and delegate powers	• May delegate finance tasks to staff and financial service providers
• Approves the annual budget • Monitors through regular reporting • Documents decisions and the decision-making process	• Arranges preparation of the annual budget • Monitors and controls spending as approved • Provides regular financial reporting to the board
• Ensures the annual financial statements are prepared, audited, and published online	• Arranges for the annual financial statements to be prepared, audited, and published online
Acts ethically and in a financially responsible way	

Finance and ethics

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Boards must be able to demonstrate

- **Probity –** having strong moral principles, honesty, and decency.
- **Prudence –** being cautious, careful, and practical; applying good sense and judgement to decision-making.
- **Effective management of conflicts of interest** – whether real, potential, or perceived.

What is a conflict of interest?

When an individual's personal interests
could compromise
or could be seen to compromise
their judgment, decisions, or actions.

Managing conflicts of interest

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- Adhere to the **Code of Conduct for School Board Members**.
- Maintain a **Conflicts of Interest Policy** and **Register of Interests**.
- Follow the key steps:

1. Recognise there is a conflict of interest.
2. Disclose the conflict of interest.
3. Manage the risks associated with the conflict of interest.

Note: for contracts above $25,000 that a board member has a financial interest in, the board must get approval from the Secretary of Education to proceed.

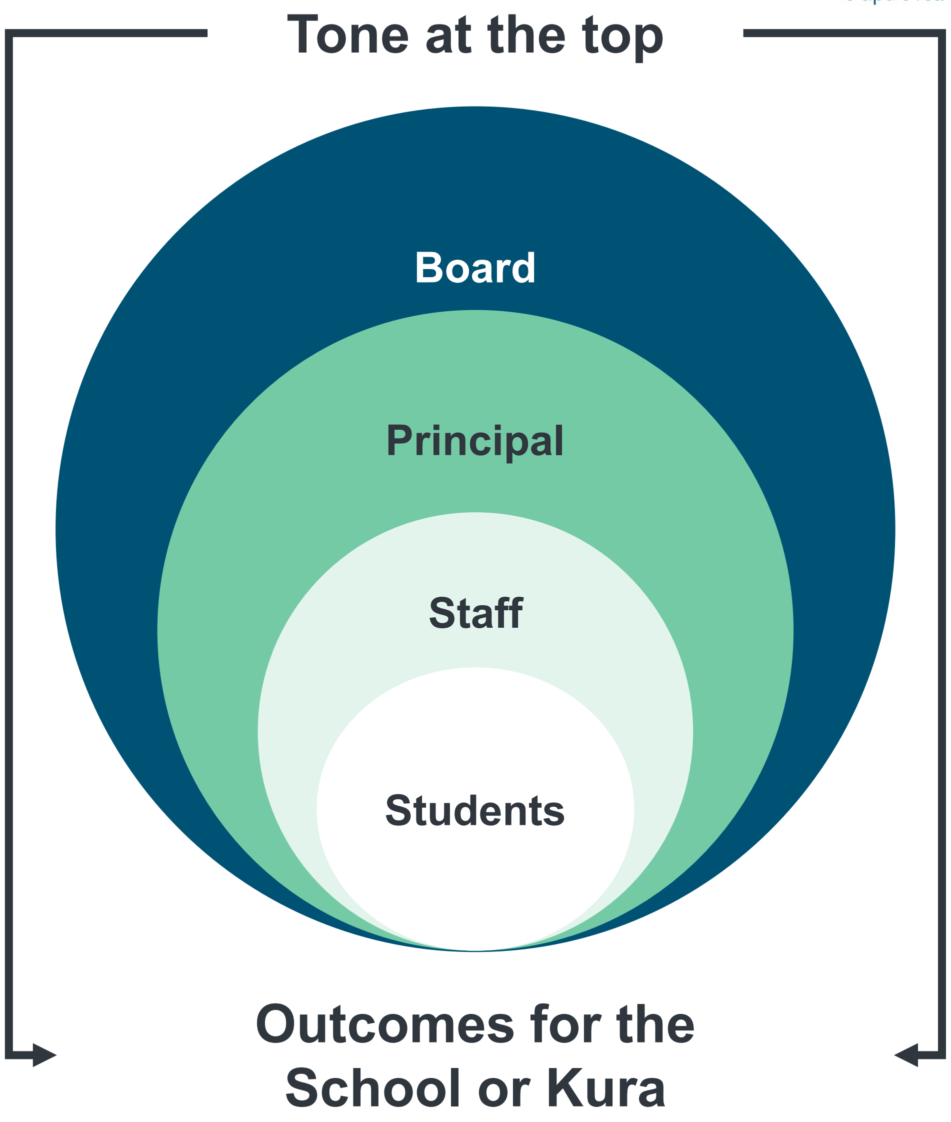
Activity 2: What is the tone at the top?

The tone at the top is

- Established by leadership (governance and management).
- Describes their commitment to openness, honesty, integrity, ethical behaviour, and decision-making.

Discuss in pairs or groups

- What is the tone at the top like in your school or kura?
- How does it flow through to your students?



Part 3

Policies, Procedures & Internal Controls

What’s the difference?

- **Policies** define responsibilities, delegations, and the outcomes your board wants to achieve.
- **Procedures** (processes) set out how policies will be implemented in the school.
- **Internal controls** are activities to detect errors, prevent theft and fraud, and ensure information is accurate.

What do you need to cover?

- Asset management
- Cash management
- Credit cards
- Entertainment
- Finance activities
- Schedule of delegations
- Protected disclosures
- Sensitive expenditure
- Theft and fraud prevention
- Travel

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Why internal controls matter

They help catch errors, promote accountability, keep financial information accurate, and reduce the risk of theft and fraud.

Critical areas include:

- Segregation of duties
- Controls for spending
- Banking and cash handling
- Invoicing
- Payroll

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Activity 3: Board policy

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Consider one of your board's finance policies.

For example, your financial planning and condition policy or asset protection policy.

- What does the policy say?
- What parameters does it set?
- How do you know the policy is being followed?
- What procedures assure you that the policy is being implemented as planned?

Part 4

Budgeting & Monitoring Finances

What it is a budget?

A budget is the best estimate of what you plan to receive and spend during the financial year.

It is a guide and can be adjusted as things change.

There are three stages:

1. Preparing the budget
2. Approving the budget
3. Monitoring the budget

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Budget areas

- **Cashflow budget** – tracks all cash entering and leaving bank accounts.
- **Operating budget** – details the money you receive and the expenses you need to pay.
- **Capital Expenditure budget** – for large purchases (such as classroom furniture) with more than one year of useful life.
- **Balance Sheet budget** – based on the above, used to predict the value of your assets, liabilities, and equity at the end of the year.

Budget considerations

- Start and end positions
- Expected income
- Roll projections
- Cyclical maintenance
- Asset replacement
- Other costs
- Strategic priorities
- Staffing

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Staffing in schools

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Ministry-Paid Staff	Board-Paid Staff
• Are paid directly by the Ministry of Education.	• Are paid by the board through the operations grant and other funding.
• Include your principal and teacher entitlement staff.	• Includes support staff and extra teachers above staffing entitlement.
• Allow flexibility through the Banked Staffing System.	• Is the biggest expense for a school or kura.
• Are reported through the Staff Usage Report (SUE).	• Can lead to cash flow and financial difficulties to if not managed properly.
• Overuse may need to be paid back.	

Finance reports

These let you know when you can spend, when to stop, and when to pause and take a second look.

Can be prepared in-house, by an external provider, or a mix of both.

Reports should be:

- Accurate and timely
- Limited to what is useful and relevant for decision-making
- Presented in a way that suits your board

Questions your board could ask

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- Can we pay our bills?
- How are we tracking against the budget?
- What does staffing look like?
- What is happening with the roll?
- Is there painting/cyclical money put aside?
- Do we have an asset replacement plan?
- Net surplus/deficit for the year to date?

When the unexpected happens

- What happened?
- Why did it happen?
- Will it happen again?
- Corrective action?

Activity 4: Signs of financial health

How does your school or kura stack up?

- ❑ Student roll numbers are stable or increasing
- ❑ The board is not heavily reliant on local funds
- ❑ There is no major banked staffing overuse
- ❑ Cyclical maintenance obligations are up to date
- ❑ No serious risks were identified during the last audit
- ❑ Operating income is greater than expenses
- ❑ Current assets are greater than current liabilities
- ❑ Total assets are greater than total liabilities

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Part 5

Annual Financial Statements & Reporting

What are annual financial statements?

Annual financial statements show how your board has used its funds to achieve its strategic goals.

They must be:

- Prepared annually (in-house, external provider, or combination)
- Submitted to the Auditor-General within 90 days of the financial year-end
- Included in your Annual Report (once audited)

What information does the auditor need?

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- Draft annual financial statements approved by your board.
- Supporting working papers and documents used to prepare the draft statements.
- Evidence of internal controls over payments and receipts throughout the year.
- Signed school board minutes, including sub-committee and in-committee minutes.
- Approved budget, general ledger, and trial balance.
- Employment settlements (if applicable).

<u>Once the audit is complete</u>

- Final annual financial statements (adopted by your board).
- Statement of responsibility and letter of representation (signed by current principal and presiding member).

Key tasks and dates for schools and kura

31 Dec	Draft budget preliminarily approved by your board
Feb/Mar	Final budget formally approved by your board
31 Mar	Draft annual financial statements and information submitted to the auditor
May	Final annual financial statements, statement of responsibility and letter of representation returned. Independent auditors report issued.
31 May	Annual report submitted to the Ministry of Education
ASAP after audit completed	Annual report published on your website

How did we go?

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You should now be able to:

- Recognise your board's duty to manage public funds responsibly.
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Support and next steps

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Closing the session

Ka whakairia te tapu	Restrictions are moved aside
Kia wātea ai te ara	So the pathway is clear
Kia turuki whakataha ai	To return to everyday activities
Haumi e. Hui e. Tāiki e!	Enriched, unified and blessed!

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Ngā mihi nui!

Thank you!

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