

## A GOOD PRACTICE SELF-EVALUTATION TOOL FOR FINANCIAL GOVERNANCE

### 1. Introduction

- 1.1 The importance of reviewing the effectiveness of governance arrangements is widely accepted and practiced in the further and higher education sector. There is a considerable body of advice and guidance available on the arrangements for institutional governance from the various national bodies including the Committee of University Chairmen, the funding bodies, Leadership Foundation for Higher Education, Association of University Administrators and the Association of Colleges.
- 1.2 CIPFA's Further and Higher Education Panel has promoted effective governance arrangements for audit committees in its publication - *Handbook for Audit Committee Members in Further and Higher Education (2005)*.
- 1.3 Given the centrality of financial governance to the good governance of further and higher education institutions, the lack of specific guidance on establishing and promoting good financial governance available to the sector is somewhat surprising. The CIPFA Further and Higher Education Panel's recent publication – *Guide for Finance Committee Members in Further and Higher Education (2008)* – makes a major contribution to redressing this deficit.
- 1.4 *A Good Practice Self-Evaluation Tool for Financial Governance* builds on the Panel's previous work by providing a practical way for those responsible for financial governance (finance governors) to review periodically their effectiveness and identify areas for future development. It provides a simple way for the executive officer with lead responsibility for financial matters to test the design and organisation of the interface between financial management and financial governance. It is also a mechanism for clerks to finance committees to satisfy themselves that the arrangements for the annual cycle of committee business enables and supports the achievement of good practice in financial governance.

### 2. The self-evaluation tool

- 2.1 The *Guide for Finance Committee Members in Further and Higher Education* considers in detail the establishment and operation of the finance committee and its responsibilities in an institution for the following:
  - Financial strategy
  - Annual budget
  - Budget monitoring
  - Financial management
  - Fees and charges
  - Third party transactions
  - Financial results.
- 2.2 The self evaluation tool is a questionnaire that looks at the following themes that underpin the effectiveness of those responsible for financial governance in the areas outlined above:

- The **role of finance governors**
- Their **skills and expertise**
- **Behavioural and operational aspects**
- The **information and support** provided to finance governors
- The **activities and functions** undertaken by finance governors
- The **review** of governance.

2.3 Each question included in the evaluation tool provides an opportunity to reflect on a particular aspect of financial governance and on the institution's practice and performance, resulting in an assessment of areas for development. In general, negative assessment against the question posed should result in some consideration of the impact of the assessment on the system of financial governance. It may lead to appropriate action for further developing this aspect of the institution's arrangements.

2.4 The judgement can be expressed as a score from 1 – 4 based on the response to the question where:

1. No, not at all
2. Yes, partly
3. Yes, mostly
4. Yes, strongly.

### **3. Using the self-evaluation tool in practice**

3.1 The tool can be used in a number of ways, by:

- finance governors singularly or jointly to assess their own performance
- lead financial officers to assess the adequacy of the institution's arrangements
- clerks to the finance committee to assess the adequacy of the institution's arrangements
- internal auditors.

3.2 The tool poses various questions which in formulating assessments require both subjective and objective responses, the degree of subjectivity or 'opinion' varies between questions – so the tool could be completed by the groups above and give varying responses for the same institution. This itself is a strength of the tool as it allows those with different responsibilities to reflect their judgement in an assessment.

3.3 Where governors are using the tool, it is important that the chair of the finance committee agrees the arrangements for its use and that the forum is one that allows them to feel free to express their views. It therefore may be appropriate for governors to meet without officers of the institution to review the questionnaire and then feed back the issues they have identified for future development to the clerk and lead financial officer.

3.4 If agreed with the chair of the committee, it may be appropriate for the clerk or lead financial officer to pre-complete some aspects of the questionnaire with some of the factual aspects of the institution's arrangements (eg timing of budget reports and monitoring, review of financial regulations and training arrangements for new governors) but ensuring that drawing conclusions on the effectiveness should be left to governors.

#### **4. Frequency of use**

- 4.1 It is recommended that the tool is used as part of a cycle of governance effectiveness review and ideally should be considered on at least a three year cycle.
- 4.2 In addition, the tool can be used when establishing new or revised arrangements by clerks and lead financial officers to evaluate models prior to their implementation and may prove useful for internal auditors as part of reviews of financial management arrangements.

#### **5. Other sources of guidance**

Guide for Finance Committee Members in Further and Higher Education  
(CIPFA, 2008)

Handbook for Audit Committee Members in Further and Higher Education  
(CIPFA, 2005)

The CIPFA Better Governance Forum

<http://www.cipfanetworks.net/governance>

Financial Management and Control Evaluation for Further Education Colleges  
(LSC)

<http://www.lsc.gov.uk/news/latestnews/FMCE.htm>

Leadership Foundation for Higher Education

<http://www.lfhe.ac.uk/governance/using/>

Guide for Members of Higher Education Governing Bodies in the UK  
(Committee of University Chairmen)

<http://www.hefce.ac.uk/lgm/governance/>

Association of Colleges

[http://www.aoc.co.uk/en/college\\_governors/](http://www.aoc.co.uk/en/college_governors/)