

AUD ✓ T MATTERS

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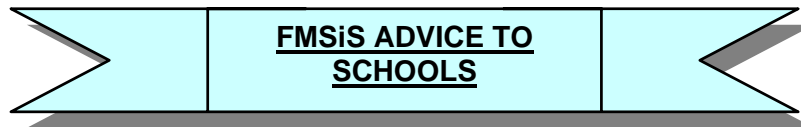
HEADTEACHER

BURSAR

CHAIR OF GOVERNORS

Issue No.2

June 2007



This is the second FMSiS-specific Audit bulletin that we have produced. In this issue we are looking to debrief schools with the results of the first cohort of schools to seek FMSiS accreditation (i.e. Cohort One – March 2007 – all Secondary Schools).

The timetable for future Cohorts is, as follows:-

Cohort	Schools Due For Assessment	Schools Expected to Meet the Standard by
Cohort Two	c. 50% of Primary and Special Schools	31 st March 2008
Cohort Three	c. 50% of Primary and Special Schools	31 st March 2009
Cohort Four	Three-Yearly Reassessment of all Secondary Schools	31 st March 2010
Cohort Five	Three-Yearly Reassessment of Cohort Two Schools	31 st March 2011
Etc.	Etc.	Etc.

(with subsequent reassessments for all schools on a three-yearly basis.)

Cohort Two and Cohort Three Schools (Primary and Special Schools)

The LA has now determined which Primary Schools fall into which Cohort. Logically, this has been determined by development group area, in order that all schools within a certain development area are put forward for FMSiS assessment together, to enable Schools / Development Groups to work collaboratively towards meeting the Standard. The split of schools is, as follows:-

Cohort	Deadline to Meet the Standard by ...	Recommended Actual Dates of Assessment	Development Groups in Cohort
Cohort Two	31 st March 2008	December 2007 to February 2008	Anstey / Birstall / Glenfield Charnwood Coalville Groby Hinckley / Burbage / Earl Shilton Ibstock Loughborough Market Harborough / Kibworth Melton Oadby
Cohort Three	31 st March 2009	December 2008 to February 2009	Ashby Barrow / Quorn Blaby / Countesthorpe Bosworth / Desford Braunstone / Leicester Forest East Castle Donington / Shepshed Enderby / Lutterworth Syston / Thurmaston Vale of Belvoir Wigston

Secondary Schools

Secondary Schools are reminded that, although they are not to be reassessed until March 2010, there is still an important need to maintain their FMSiS portfolios up-to-date. An example is the Controls Assurance Statement (now referred to by the DfES as the Statement of Internal Control), which needs to be drawn up, considered and signed off on an annual basis. An assessment in March 2010 may well ask to see the signed CAS/SIC for each of the years up to and including the year of reassessment.

Qualifying Criteria for Cohort Two Schools to be offered an Internal Audit Light-Touch Assessment (LTA)

The Internal Audit Section has set aside a limited amount of resources in our Audit Plan to offer light-touch assessments to *some* Primary Schools, as an alternative to formal external assessment, and at no cost. Schools qualifying for LTAs may still elect by choice to be assessed externally. We have now agreed on the final qualifying criteria for the light-touch option. Light-touch assessments will be offered to those Cohort Two Primary Schools who meet all of the following eligibility criteria (as at 31st August 2007):-

- an audit opinion at the last routine audit visit of “above the standard that we measure against”;
- the school has been audited in the last 36 months (i.e. we couldn't rely on an audit opinion that was, say, five years old) – in practice this will mean those schools audited in the period 1st September 2004 to 31st August 2007;
- the school returned a completed action plan to the LA following its last audit visit;
- the school runs SIMS FMS6 as its accounting package;
- the school has a balanced budget; or alternatively has an approved deficit, and its current financial position is broadly in line with the terms of the approved deficit.

We shall be writing to those Cohort 2 schools qualifying for a LTA at the end of the Summer Term, and will ask you to confirm your intended method of assessment (LTA or formal external assessment). Schools not eligible for light-touch assessments will be required to seek formal external assessment from one of the accredited external assessors listed on the FMSiS web-site (www.fmsis.info/). Schools will be required to meet any costs of external assessment from their delegated budgets.

Cohort One Results

The results of the Cohort One assessments of the Authority's 54 Secondary Schools were, as follows:-

16 Schools were deemed to have met the Standard through formal external assessment (30%)

32 Schools were deemed to have met the Standard via Internal Audit Light-Touch Assessment (59%)

4 Schools were deemed to be non-compliant with the Standard (8%)

(2 Schools' results are still awaited (3%)).

Whilst in several cases the assessment result was initially withheld for a short period pending receipt of further information, the final results are very positive and are testament to the hard work and effort of school staff and governors. Those schools measured as meeting the Standard should be rightly proud of their achievement.

Completion of Self-Assessments (document G4)

A number of schools in Cohort One did not complete their self-assessments fully. This led to time being wasted requesting further information from schools. The self-assessment should indicate clearly that each Section of the

Standard has been met, what evidence the school has to demonstrate this, and where that evidence can be located. For example:-

1.5 The School has effective governance arrangements covering issues which include conflicts of interest and whistle blowing					
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments
A	There is an up to date register of business interests that is compliant with best practice guidance.	Yes		<i>Register exists and is retained in the Bursar's office. Its format is modelled on the LA's recommended format.</i>	
B	There is a process to ensure regular review and updating of the register.	Yes		<i>The Register is reviewed in the Autumn term last year. There is clear evidence on file that the register has been reviewed annually in the past.</i>	

It is not acceptable for a school to simply state that an area is "in progress" or "planned for development over the next 12 months". Schools are required to be fully compliant with the Standard at the time of their assessment. Internal Audit Light-Touch assessments for Cohort Two schools will take place during the months December 2007 to February 2008. It is, therefore, necessary for schools to be fully compliant with all areas of the Standard by the end of November 2007.

What Evidence Should Schools Produce?

Schools are required to produce a portfolio of evidence to demonstrate that they meet each area of the Standard. There is no definitive list of what evidence should be provided to demonstrate compliance with each area of the Standard, and in many cases compliance can be demonstrated via a variety of means. We have uploaded a document to the Audit pages of the LCC web-site to give schools an idea of what types of evidence were typically provided by Cohort One schools last time around. This list can be referenced at the following web-address:-

http://www.leics.gov.uk/index/education/support_for_schools/finance/audit_schools_colleges.htm

or alternatively, use the following abridged URL <http://tinyurl.com/3xko3z>

(See under section for Financial Management for Schools (FMSiS)).

Please remember that this list is meant to be a guide and is neither prescriptive, nor necessarily exhaustive.

Governor Induction Booklet / Pack

It was particularly pleasing to note that many of the Cohort One schools had compiled very good, yet quite diverse, Governor Induction Packs. Practically all of the schools were pleased with their final products and considered the pack to be a most useful addition to the information it could give to new (and indeed existing) governors. Secondary Schools identified at a very early stage that several parts of the Standard could be met through the production and distribution of a comprehensive Induction Pack for governors. Some schools even went a stage further and produced a similar Induction Pack for staff.

SDP / Annual Budget

Without doubt the main problem that we encountered when doing Cohort One assessments was with regard to Section 3.1(A) of FMSiS, and in particular the financial link between the School Development Plan (School Improvement Plan) and the annual and medium-term budgets. Some schools were unable to prove to our satisfaction the link between the SDP and the budget. We offer the following pointers as general advice:-

- the SDP should cover a period of at least three years
- the SDP should be costed with estimates for all major items of proposed expenditure / development / staffing resource
- the SDP should be formally approved by the governors
- the estimated costs for each year as per the SDP should be easily identifiable in the School's multi-year budgets (or in the supplementary working papers)

Schools are unlikely to be able to achieve the Standard if the financial link between the SDP and the school budget is not clearly demonstrable.

Clerk to the Finance Committee

The FMSiS guidance suggests that ideally neither the Headteacher nor the Bursar should clerk the meetings of the Finance Committee (although the guidance does suggest that larger schools may find this more practical to achieve than some smaller schools). Schools should make every effort to ensure that the Finance Committee is clerked by an independent person, the thought process being that a Bursar cannot possibly play a full part in the meeting if he / she is concurrently writing the minutes. Additionally, there are independence / conflict of interest issues.

In several cases, Cohort One schools were criticised for the quality of their minutes. Whilst generally the minutes of full governors' meetings were noted to be satisfactory, in several instances the quality of the finance committee minutes was less so. The FMSiS web-site gives more guidance on effective clerking of meetings.

Benchmarking

A handful of Cohort One schools had done very little work on benchmarking using the DfES Benchmarking web-site. It is pertinent to mention that the same DfES Value for Money Unit is responsible for both the Benchmarking web-site and FMSiS itself. It therefore follows with some logic that the DfES sees evidence of benchmarking as an integral part of a school demonstrating that it meets the Financial Management Standard.

Financial Procedures

All schools are bound by financial rules and procedures. These can basically be found in two distinct documents:-

- the LA Scheme for the Financial of Schools (LMS Scheme of Delegation)
- the school's own internal Finance Policy / Manual

FMSiS assessment will test that both documents are up-to-date and relevant, and also that governors and key staff are made aware of the existence of both documents. Some schools had some novel ways of distributing these documents to key individuals, including:-

- including them in governor induction packs / staff handbooks (or at least a reference to them, what they are, and where they can be located)
- uploading them to the school intranet, or indeed the school web-site
- providing training to staff and governors in how to access these documents (and others) on EIS
- saving copies of them to CD, along with other relevant policies (e.g. Health & Safety) and distributing a copy of the CD to relevant individuals (n.b. there is a danger with this method that staff may hold different versions of policies as they become revised over the years!)

The Finance Service's pages within EIS contain the LA Scheme for Financing of Schools, the Financial Regulations that back the Scheme up (formerly the LMS Scheme of Delegation) and a model School Finance Policy.

http://eis/index/websites/finance/edfinance_policies.htm

Controls Assurance Statement (CAS) / Statement of Internal Control (SIC)

The CAS (also known as the SIC) is a new document / requirement that many schools will be unfamiliar with. A model CAS exists on the FMSiS web-site. The CAS should be approved by the governors and signed by the Headteacher, the Chair of Governors and the Chair of the Finance Committee.

The CAS should be signed only after the governors have received satisfactory evidence of good systems of internal control at the school. One example might be the receipt of the last audit report, compilation of a subsequent action plan, and checks to confirm that audit recommendations have been implemented. Another example could be evidence of a controls self-assessment having been undertaken by the school in the past 12 months. Additionally, the FMSiS web-site includes a pre-certification checklist for governors to work through prior to signing-off the CAS.

The CAS should make reference to any known, or potential, high-risk weaknesses (Section 4) and what action the school is taking to address them (Section 5). Examples might include budgetary problems, falling rolls, fundamental changes to the status of the school (e.g. changes to catchment areas, age limits), outsourcing decisions (e.g. decision to opt-out of the County Catering contract to run catering in-house). By declaring such areas on the CAS keeps them relevant in the governors' domain, and helps to ensure that they continue to be monitored closely.

Ideally, the CAS should be signed as at 31st March each year, although Cohort Two schools are advised to bring this date forward for the first (2007/08) CAS in order that the CAS can be signed prior to FMSiS assessment date.

Financial Reporting

At the recent LA Bursar / Secretary / Registrar meetings, the Finance Service and LEAMIS discussed the advice given in the FMSiS toolkit for financial reports to include both an accompanying narrative discussing significant variances between budgets and actuals, and also a predicted out-turn figure for the end of the financial year. This information should not only enable Senior Management to identify and address potential overspends, but also to identify where unplanned underspends are likely. With regard to the latter, this could lead to priorities within the School Development Plan being brought forward if budgetary availability permits.

Governors' Matrix of Financial Competencies

A number of schools were unsure exactly which governors should complete the competency matrix. Our advice is that it should be the Chair of Governors, the Chair of Finance Committee and all governors on the Finance Committee. Furthermore, consideration might be given to getting any new governors to complete the matrix, as an aid to identifying which new governors might well be suited to placement on the Finance Committee.

We would discourage schools from completing just one entry for the whole of the Finance Committee (i.e. as a combined entity). This serves no real purpose in identifying where there may be a training need in a particular area for a particular individual.

Help Is At Hand

The FMSiS web-site (www.fmsis.info/) contains a lot of useful information to help schools to achieve the Standard. The web-site was revised significantly in April 2006, including a simplification of the assessment documents to be used, and a suggested evidence database (document G5C). This web-site should be a school's first port of call to resolve any queries. Secondly, the school's Assistant Accountant in the Finance Service is well placed to offer good advice, as are the school's feeder High Schools / Secondary Schools, all of which have already gone through the assessment process in Cohort One. The Audit Section **cannot** give detailed advice to schools on how to meet the Standard due to its role as assessors, and thus the need to retain a certain independence from the preparation for assessment process (i.e. we have to be able to demonstrate that we're not assessing areas of the Standard that we have been directly involved in the completion of).