

# AUD ✓ T MATTERS

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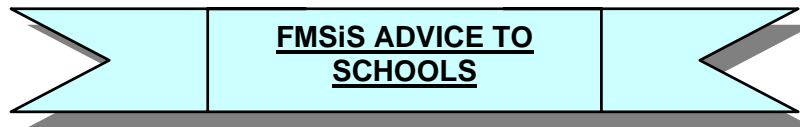
HEADTEACHER

BURSAR

FMSiS LEAD GOVERNOR

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Welcome to the third FMSiS-specific Audit bulletin that we have produced. Hopefully you'll find it a useful source of information, especially those schools looking to achieve the Standard by March 2008 & March 2009.

## Cohort Two Schools – March 2008 (Primary & Special Schools)

### WHERE SHOULD YOU BE AT?

All primary and special schools are required to have demonstrated compliance with the Standard by March 2010. In Leicestershire the Schools (Funding) Forum endorsed a phased approach requiring 50% of primary and special schools to have met the standard by March 2008 (cohort two) with the remaining 50% due in March 2009 (cohort three). In May 2007, all schools were notified by the Finance Service of which cohort they fell in. Those schools that are required to have met the Standard by March 2008, i.e. cohort two schools, will also have received notification of their eligibility to receive the LA's 'light-touch assessment' or whether they are required to seek formal external assessment.

Those schools that have opted for the 'light-touch assessment' (LTA) will be assessed by Internal Audit staff during December, January and February, following successful completion by the school of the FMSiS self-assessment (document G4) – notification was sent to all the LTA schools at the beginning of October 2007 of the specific month in which the assessment would take place, and the date by which completed self-assessments must be submitted to us by.

Those schools required, or which have elected, to have an external assessment should have already contacted one of the accredited assessors, detailed on the DCSF website ([www.dfes.gov.uk/valueformoney/](http://www.dfes.gov.uk/valueformoney/) then Financial Management > External Assessment) and organised a date for the external assessment. If you haven't already, then engaging an external assessor must be made a priority. Failure to have undergone an external

assessment before 31<sup>st</sup> March 2008 will result in a school being deemed as failing to meet the Standard.

Whether your assessment is through the LA's LTA or external, ideally you should now have completed, or be well on the way to completing your self-assessment. This assessment will provide comprehensive yet concise evidence as to how the school feels it meets the Standard. It is for the school to prove to the assessor, through the evidence supplied, that they do indeed meet the Standard and that the evidence declared as being in place is indeed so.

### **Cohort Three Schools – March 2009 (Primary & Special Schools)**

#### **WHERE SHOULD YOU BE AT?**

'Fail to prepare – prepare to fail.'

In our opinion, cohort 3 schools should have already begun to compile their self-assessment and portfolio of evidence, even though assessment is still over 12 months away. Our message all along to schools has been to begin early and not put yourselves under undue pressure to complete the self-assessment in a short timescale.

From the letter sent out by the Finance Service you will know which cohort you fall in. This is the ideal opportunity for you, as cohort three schools, to look at the self-assessment on the DCSF website ([www.fmsis.info/](http://www.fmsis.info/)) whether as individual schools or in development groups. By completing an initial 'mock' self assessment it will identify to you those areas of the Standard that you need to act on and dedicate extra resources to. By identifying any short comings now it will enable you to address any areas of non-compliance and to have adequate processes and controls in place prior to the assessment.

For example the current assessment states:

*"The governing body & finance committee agendas, supporting reports & minutes show that appropriate financial matters are considered, such as budgets (original and revised), budget monitoring, financial responsibilities and regulations, contracts and income & charges."*

It is not sufficient for a school to state that this area of the Standard is met without providing evidence to support this, so how would you support this statement? Do the minutes of governor meetings expressly state the approval of the budget? Are financial reports attached to copy meeting agendas and do the subsequent minutes detail discussions around the financial reports? If the answer to any of these questions is 'no', then now is the time to begin to address these issues. Minutes of Governors' meetings provide a large part of evidence, but by no means all evidence, to support a school meeting the Standard.

*“The School has a signed SIC (Statement of Internal Control) that was discussed and approved by the governing body in the past 12 months.”*

There is some useful information, both within the FMSiS toolkit itself and on EIS, about the Statement of Internal Control. Many schools believe that the SIC should be signed at the end of the financial year, and indeed most will do. However, it can be signed at anytime throughout the year and should relate to the current financial year’s financial processes. If you would prefer to undertake this task at the year end introduce it in March 2008 so that you can provide evidence to the assessor that it is in place; introducing it in the year of the assessment, i.e. March 2009, will be too late.

### **Re-assessment for Secondary Schools - March 2010 – Cohort Four**

Don’t let all your hard work go to waste. Review your self-assessment on at least an annual basis and ensure that you still meet the Standard. Be aware of any changes to the Standard in subsequent years. If you were given any recommendations to strengthen processes and controls in place have these been carried out? Ensure those processes that require completion annually are taking place (e.g. the signing of the Statement of Internal Control). Is it time to review charges, financial procedures & policies, and, as importantly, do you have evidence of these reviews having been undertaken? Even if no changes are to be made to these policies, ensure that the Governors have been consulted and have evidenced this through the minutes.

The Statement of Internal Control (SIC - previously called the Controls Assurance Statement) should have been in place since March 2007. It may be that during re-assessment you will be asked to provide evidence of the annual completion of the SIC and for you to provide evidence of this process for the previous three years. Ensure that you have the SIC as a standing item for the most appropriate Governors’ meeting.

### **The Assessment Process**

It is for each Authority’s Director of Resources to determine how the Authority’s schools will demonstrate that they meet the Financial Management Standard. Within Leicestershire, this has been undertaken by one of two methods for the March 2007 and March 2008 cohorts. **However, it must be stressed that no decisions have yet been taken for the assessment process for cohort three, March 2009, and onwards.**

Schools should not assume that the Internal Audit Section will be offering a similar ‘light-touch’ approach, or indeed, if offered, that the LTA will be based on the same qualification criteria as this year. Audit resources are reviewed on an annual basis in conjunction with a far-wider audit plan than simply schools. Resources are allocated on a priority basis following a risk-based review of all of the Authority’s main activities. The results of this risk

assessment will determine the level of resources to be assigned to the CYP Service in totality, and subsequently into individual 'jobs' such as FMSiS.

### **FMSiS now a requirement for OfSTED**

Until recently, a school's progress against the Financial Management Standard was not part of the OfSTED self-evaluation form (SEF) and thus was not directly part of the OfSTED inspection framework.

We are now aware that recent changes to the self-evaluation form (SEF) required prior to an OfSTED inspection now make explicit reference to whether, "The governing body has met the Financial Management Standard in Schools" (secondary schools' SEF), and that "the governing body is working towards, or has met, the Financial Management Standard in Schools" (primary and special schools' SEFs). It is likely that when the deadline date has passed by when all primary and special schools should have met the Standard the wording in the primary and special SEFs will be amended to match the more definitive wording in the secondary SEF.

### **Best Value**

The Standard contains a section relating to the processes in obtaining value for money and the application of best value principles. Whilst in this context best value is very much aligned with finance the actual remit of best value is much wider (for example **comparing** pupil attainment data against targets, against local and national averages, and against similar schools). There are four principles of best value, better known as the 4 C's. These are **Challenge**, **Compare**, **Consult** and **Compete**. These can all be applied in a school environment:

**Challenge** – how and why services are provided for in the way they are such as grounds maintenance, catering;

**Compare** – comparing both financial and non-financial data against indicators and targets - the DCSF benchmarking website gives all schools the opportunity to compare their costs, pupil: staff ratios with like schools;

**Consult** – to seek the views of all relevant parties, be it pupils, parents, staff or governors, prior to making major decisions from altering the school uniform to altering the school day;

**Compete** – through obtaining quotations or tenders for goods and services, over a prescribed limit.

The FMSiS toolkit ([www.fmsis.info](http://www.fmsis.info)) has a lot of useful information on value for money and best value statements (documents R34 & R37) including some interesting examples of where schools have sought best value.

Indeed, three schools in a cohort two primary school development group have applied the principles of best value and have collaboratively procured an external assessor to undertake the external FMSiS assessments for the group at a discounted rate (i.e. joint-procurement). This should certainly be given as an example in obtaining value for money in evidence supporting their FMSiS self-assessments. Well done!

### **Cash-flow**

It is important to remember that having the budget to buy something is not the same as having the physical cash in the bank account to pay for it. Hence, the importance of sound cash-flow management.

Section 3 of the Standard is associated with Policy & Strategy in relation to the annual budget being realistic and affordable in relation to available resources and cash flow. This is requiring schools to prove that areas identified in the School Development Plan for a particular year are achievable financially when compared to the delegated school budget (DSB) and that major items of expenditure are only incurred when the school is aware that they have sufficient cash flow funding to meet the costs. For example a school should not plan to spend their entire devolved formula capital funding in the first few months of a financial year as the funding is received in quarterly instalments, unless the school can be confident that it has sufficient cash flow from other sources to enable the expenditure to be made effectively in advance of the total funds being received. Schools will be aware of the balances held in the local cheque account and the monthly drip feeds due. A simple statement showing known and estimated monthly income levels (such as drip feeds, Standards Fund income, devolved capital income, use of premises fees due in that month, average interest payments, trip income due, estimated monthly catering income etc) and estimated monthly expenditure (estimated consumables expenditure each month, monthly utility bills, rates etc) could be used to provide evidence of cash flow management.

A template to help you complete a cash flow statement is available on the FMSiS page of the Electronic Information Service (EIS). Please see the end of this newsletter for the route to follow to access this page.

### **Ask the Auditor**

*Q:- Is it a requirement of the Standard to maintain a separate FMSiS file containing all of our evidence? This does require an element of duplication, for example through photocopying documents that exist elsewhere in the School, and leads us to question whether this is really necessary.*

*A:- We speak only from the viewpoint of those schools qualifying for the Internal Audit light-touch assessment. The method by which schools demonstrate compliance with the Standard is a decision for the school itself. We feel that schools have two options. Some schools prefer to collate and*

hold all of their FMSiS evidence in one file. Others have chosen simply to reference their self-assessments to where the relevant evidence can be located (e.g. "Finance Committee minutes - 13th April 2007", or "Bursar's 2007-08 Budget File Section D"). Whilst it is suggested that this latter method is perhaps more efficient, and certainly less time consuming, we have no preference for one option over the other. The key point is for the school being assessed to be able to **readily provide the relevant evidence** to the assessor upon request. It goes without saying that an assessor will quickly lose confidence in a school unable to find important evidence or information.

Where schools will undergo a formal external assessment, they should liaise directly with their appointed external assessor to determine in what format the evidence needs to be retained in. If the external assessment is to be undertaken remotely (i.e. by post) then it is assumed that the school will be required to collate all its relevant FMSiS evidence in one file, and to submit that file to the external assessor.

*Q:- What is a s.151 officer (section 1.4 of the self-assessment refers)?*

*A:-* Section 151 of the Local Government Act 1972 requires the Authority to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. Within Leicestershire, this person is the Director of Resources, Brian Roberts.

And Finally....

### **Help Is At Hand**

The FMSiS web-site ([www.fmsis.info//](http://www.fmsis.info//)) contains a lot of useful information to help schools to achieve the Standard. 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.

Although we have produced this bulletin the Audit Section **cannot** give detailed advice to schools on an individual basis 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).

The LA's Electronic Information Service (EIS) also has a dedicated FMSiS page which contains a lot of useful advice, including some documents shared by other schools (e.g. governor handbook) and previous editions of this bulletin.

Please follow this route from the EIS homepage to access the FMSiS page:

Websites > Finance > Financial Management Standard in Schools

