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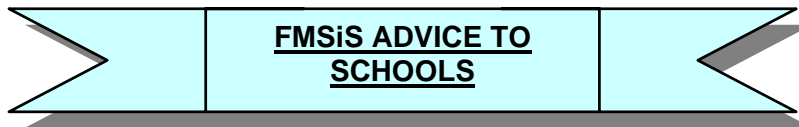
* PLEASE CIRCULATE TO:-

HEADTEACHER

BURSAR

FMSiS LEAD GOVERNOR

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Welcome to the fifth FMSiS-specific Audit bulletin. Hopefully you'll find it a useful source of information whether you have recently been assessed or whether you are soon due for reassessment.

Cohort Three Results - (March 2009) - Update

The results so far of the cohort three assessments of the Authority's 117 Primary Schools required to meet the Standard by March 2009 are as follows:-

Internal Audit Light-Touch Assessment (73 schools)

36 Schools have already met the Standard via Internal Audit Light-Touch assessment (49.3%)

16 Schools' results are currently 'On-Hold' pending the supply of further information following the Internal Audit Light Touch assessment (22%)

21 Schools are due to have their Internal Audit Light Touch Assessment in February 2009 and thus their results are not yet known (28.7%)

External Assessment (44 schools)

6 Schools have met the Standard through formal external assessment (13.6%)

38 Schools where the results are still to be confirmed by external assessors (86.4%)

If your school has recently been externally assessed, we would be grateful if you could submit a copy of the result and/or assessor's report to the CYP Finance Service in due course.

What went well?

Initial results are once again encouraging, both from Internal Audit light-touch assessments and from external assessments. Where schools are on "conditional passes", these are by and large down to areas of non-compliance highlighted later in this bulletin.

Self-assessments templates (G4s) were by and large well completed, and evidence portfolios well referenced. It is clear from the evidence provided that many schools started the process early and engaged a governor to assist in preparation and gathering information. Schools by and large were noted to have excellent Finance Policies, Governor Induction Handbooks, and procedures for the ongoing training and development of governors. It would be helpful if when completing the G4 that reference is made to the dates of Governors meetings where key decisions have been made e.g. Budget Approval, Statement of Internal Control, Approval of Finance Policies and Finance Procedures etc.

Interestingly, this time around, we have sensed more positivity from schools towards FMSiS with many schools commenting that they have found the process (or at least elements of it) beneficial. Schools by and large are telling us that their induction processes are stronger, training and development of both staff and governors is higher on the agenda and governors meetings (and subsidiary minutes) more structured and effective.

Known problem areas

Certain areas still appear to be causing problems with a number of schools not providing the required evidence during the assessment. Listed below are the main areas which have been identified this time around. All schools are encouraged to consider whether they do meet the Standard in these areas in particular.

Section 1.2 – Approval of Budget

Occasionally, the approval of the budget is after the LA's deadline for the receipt of the budget intention return. Try to ensure that governors' meetings are scheduled to pre-date important deadline dates (e.g. budget approval).

Section 1.4 – Statement of Internal Control (SIC)

The SIC needs to be completed on an annual basis and dated retrospectively ie dated 31st January 2009 for the twelve months previous (1st February 08 to 31st January 09). The SIC should declare any potential significant issues and should clearly show governors involvement in the completion of this process (e.g. pre-certification checklist, review of last audit report and action plan etc). Evidence should confirm that governors have sought reasonable assurance that there effective systems of internal control before signing the SIC.

Section 3.1 - School Development Plan / 3 Year Budget

There are still a number of schools who are unable to provide adequate evidence that this section of the Standard has been met. The School should have a costed School Development plan of at least three years in length, which is subject to annual review, and the costs of which can be **clearly identified** in the three or five year budget, or subsidiary working papers. A school will not meet the Standard in this area by simply having a costed SDP and a three-year budget, if the **link** between the two isn't clear. A school must be able to demonstrate that its priorities are budgeted for and affordable.

Section 3.1 - Medium Term Budgetary Planning

Some Schools presented as evidence a five year budget plan which showed the School to be in a potential deficit situation in future years. Whilst accepting that longer term forecasting is very difficult to do with any degree of accuracy there should in such cases be clear evidence of discussion with governors about this and confirming that the situation will be kept under constant review and action taken as soon as a potential deficit becomes a likely reality. In our opinion, a medium-term plan predicting future deficits should be declared as an issue on the school's Statement of Internal Control.

Section 3.2 - Benchmarking

Schools need to provide evidence that a Benchmarking exercise has been carried out. This should form a report showing the results of the Benchmarking and evidence that this has been presented to and discussed by Governors. It is not sufficient for the School simply to have accessed the DCSF Benchmarking web-site. FMSiS expects governors to challenge the data provided and not simply look to conclude that no further action is required "as the school is roughly the average of its statistical neighbours". As we have said before, we do feel that some schools have looked to benchmark too much data. If benchmarking is to be undertaken effectively, in our opinion schools should look to review just a handful of budget / CFR headings each year (e.g. teaching staff / energy one year, non-teaching staff / premises costs the next etc.).

Section 4.2 - Best Value Statement

The majority of schools had completed a Best Value Statement which was included within the evidence portfolio, however, a copy of the Best Value Statement had not been forwarded to the LA in some cases as is required by the Standard. These can be submitted to the CYP Finance Service.

Section 5.5 – Financial Procedures

Some Schools are erroneously replicating Section 5.4 and referring to the School's Finance Policy. Section 5.5 is all about business continuity – having written procedures in case of key staff being absent (e.g. how to raise an order, how to prepare the weekly banking etc.). These procedures will supplement SIMS FMS / Personnel Manuals and will ensure the School can continue the function effectively in the absence of key staff.

Reassessment of Cohort Four Schools – March 2010 (Secondary Schools)

Come March 2010 it will have been three years since Secondary Schools were first required to be assessed against the Standard and will be time to be re-assessed under the DCSF-defined three-yearly cycle. Whilst the assessment process will be much the same as back in 2007, assessors will perhaps not be as lenient in terms of 'new' processes as there will be the expectation this time around that these are fully embedded within the school's practices and procedures (e.g. governor induction processes). Hopefully second time around won't seem as overwhelming as much of the workload will be to update existing portfolios. Some little, yet important, bits of advice:-

- ◇ Review your self-assessment on at least an annual basis to ensure you still feel that you meet the Standard;
- ◇ Ensure your FMSiS portfolio is kept up-to-date for example with latest minutes where important issues such the budget, policies and continuation of LA services were approved;
- ◇ Ensure those processes that require completion annually are indeed taking place annually (e.g. the signing of the Statement of Internal Control). It is likely that the assessor will require evidence of this for each year between assessments. For example, it would be frustrating if an assessor criticised a school in 2010 for not having a Statement of Internal Control for 2008 and 2009.

It is important that the school is self-assessing against the latest version of the Standard. The FMSiS web-site was last updated by the DCSF in April 2008, although changes were by and large cosmetic. Further amendments may be made in April 2009? It is worth keeping an eye on the FMSiS web-site in case any amendments are made, also the Finance Service pages on EIS and Internal Audit FMSiS Bulletins.

As yet there has been no decision as to whether the option of an Internal Audit light-touch assessment will again be available. Schools will be kept up to date as to what will be happening and we will ensure that schools are notified of what the position will be and the criteria to meet to qualify for the light-touch option.

Ask the Auditor

Q - *"Why do we need to have written Financial Procedures (Section 5.5) at the school when we use the Group Bursar Service?"*

A – This has been a particular area where a high proportion of schools have not been able to provide evidence during assessments. The Financial Procedures referred to within Section 5.5 of the G4 Self-assessment relate to documentation that the school should have detailing **how** to do something. Whilst it is appreciated that the Group Bursar service may carry out most of the financial processes within the school, there are also financial tasks which perhaps the School Administrator performs, for example, preparing cash for banking, collecting income, backing-up the SIMS system etc. There should be some form of documentation within the school which details **how** these processes are carried out in order that there is an element of business continuity in the absence of key staff.

Some examples of the types of documentation which the school should hold in support of evidence for Section 5.5 of FMSiS are:

- SIMS Procedure Manuals (FMS6, Equipment Register, Personnel etc.)
- Written Ordering Procedures
- Instructions how to prepare the monthly BA2
- Instructions how to balance the VAT control account
- Backing-up procedures
- Banking procedures
- Recording of Dinner Monies
- Administering the Private Fund Account

This list is not exhaustive.

FMSiS also requires that Schools have their Financial Procedures formally approved by Governors, and should ensure that they are reviewed on a regular basis, as is the case with the School's Finance Policy.

Schools are reminded that written Financial Procedures are fundamentally different to the School's Finance Policy. A finance policy expresses what a school is required to do (e.g. back-up the SIMS system daily) whilst financial procedures will discuss how to do it (e.g. the back-up media can be located in cabinet A, log onto SIMS via route ... etc.).

Q - *"Is it necessary for a governor to be present during a light-touch assessment?"*

A - We are conscious that many governors will lead busy lives, and indeed many will have full-time jobs. We appreciate fully the efforts made by some governors to be present during assessments. However, providing a school's self-assessment and evidence portfolio is complete and easily referenced, past assessments have concluded that in the main it is not necessary for a governor to be present throughout the assessment.

Q - *"Just how many light-touch assessments has the Internal Audit Section undertaken?"*

A - Over the three-year cycle 2007-2009 we shall have undertaken 187 light-touch assessments (out of 287 schools). In all three cohorts, a consistent qualification criteria were used, and no charge was made to any of these schools. Considering that the average cost of an external assessment is now in the region of £1k - £1.5k, the savings to the Authority (and specifically to individual schools' budgets) is close to being in the region of a quarter of a million pounds.

Q - *"Is there a minimum level of training that a finance governor should receive?"*

A - In our opinion, all governors should have attended the LA's governor induction programme "Ready, Steady, Govern". Additionally, finance governors should be encouraged to attend the LA's course "The Ins and Outs of Finance". Attendance on other courses will be dependent on their particular roles and responsibilities (e.g. SEN, Health & Safety, FMSiS briefings etc.). Schools are reminded that governor development can be through a variety of means in addition to formal training courses. For example, in our opinion all finance governors should attend an informal one-to-one session with the school bursar during which issues such as the budget setting process, understanding budget monitoring reports etc. can be covered. Additionally, the school's governor handbook (governor induction pack) can be a useful source of information, as can the DCSF's "Guide to the Law for School Governors" - available from the Governornet website (www.governornet.co.uk). Additionally, the LA provides lots of information to governors through the "Leicestershire Governor" publication, briefings for Chairs and Clerks, and via the Electronic Information Service (EIS). The LA has distributed user-ids and passwords to all schools enabling governors to access EIS remotely.

Help Is At Hand

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. Because of our role as assessors, we 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 FMSiS web-site (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.

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.

And finally.....

Details of those companies accredited to provide external assessments can be found on the DCSF's Value for Money website www.dfes.gov.uk/valueformoney . Go to 'Financial Management' and 'DCSF Approved FMSiS External Assessors' List'.