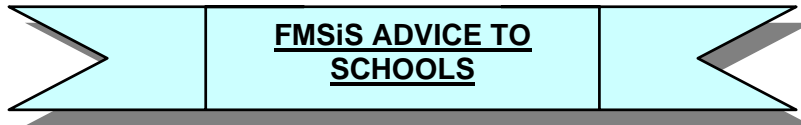


* PLEASE CIRCULATE TO:- HEADTEACHER BURSAR FMSiS LEAD GOVERNOR

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Welcome to the sixth FMSiS-specific Audit bulletin. Hopefully you'll find it a useful source of information particularly for those of you who will be due for reassessment this time around.

Cohort One (Secondary Schools) Reassessment Results - (March 2010) - Update

The results of the cohort one assessments of the Authority's 54 Secondary Schools and Colleges required to meet the Standard by March 2010 are as follows:-

Internal Audit Light-Touch Assessment (27 Schools)

26 schools met the Standard via Internal Audit Light-Touch assessment (48.1%). Of these 26 schools, 7 were initially placed on narrow fails pending receipt of further information.

1 school failed to meet the Standard via Internal Audit Light-Touch assessment (1.9%) and will be declared as non-compliant in the year-end statement to the Department for Education (DfE).

External Assessment (27 Schools)

15 schools to date have met the Standard through formal external assessment (27.8%)

12 schools remain where the results are still to be confirmed by external assessors (22.2%)

If your school has 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.

Self-assessments templates (G4s) were by and large well completed, and evidence portfolios well referenced. However, there were some areas where the evidence shown in the G4 was vague. The evidence to confirm compliance with the Standard should be

clearly recorded on the G4. Reference to minutes where decisions have been made including dates, the type of evidence and where it is contained within your evidence portfolio, is recommended in order to demonstrate that there is evidence to back up the school's own assessment.

Known problem areas

The areas listed below have been identified as areas where schools have either misunderstood or misinterpreted the evidence required for the self-assessment. Listed below are the main areas which have been identified during the latest assessments. We appreciate that schools have already gone through the assessment process and are familiar with the Standard, however, it is worth considering the points listed below and whether you have the required evidence in place especially for Sections 3 and 5.5.

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 i.e. dated 31st March 2010 for the twelve months previous (1st April 09 to 31st March 10). The SIC should declare any potential significant issues and evidence portfolios should clearly show governors engagement in 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 are effective systems of internal control in place before signing the SIC.

Section 2.1 – Governor Training & Development

At times records presented to support Governor training were found to be inadequate. Some schools simply showed evidence of governors being made aware of training courses available, which is in itself insufficient. Schools should through their link governors, be able to show a process of robust appraisal of individual governor competencies, and the action taken to address weaknesses, be they individual or of the governing body collectively.

Section 3.1 - School Development Plan / 3 Year Budget

This area is still causing concern with a number of schools being unable to provide adequate evidence that this section of the Standard has been met. The School should have a fully 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 medium-term budget plan but 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 of potential concern 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 DfE 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 always been forwarded to the LA as is required by the Standard. These can be submitted to the CYP Finance Service.

Section 5.5 – Financial Procedures

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. 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.).

Reassessment of Cohort Two Schools – March 2011 (Primary / Special Schools)

We are now in a position to confirm that a limited amount of time has been set aside in the 2010/11 Audit Plan to provide cohort two, **qualifying** schools with the Internal Audit Light Touch Assessment (LTA) option as an alternative to formal external assessment. Unfortunately, we are no longer able to offer the assessments free of charge. There is now a charge of £350 per assessment. Schools qualifying for LTAs may still elect by choice to be assessed externally. Schools must meet **all** of the following criteria, by 30th June 2010 to qualify for the light touch approach:

- ◇ an audit opinion at the last routine audit visit of at least “**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 July 2007 to 30th June 2010**;
- ◇ 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.

(*) - For those schools recently audited the offer of an LTA will be made subject to the Action Plan being returned by 30th September 2010.

We shall be writing to all cohort two schools at the end of the Summer Term to advise them if they are required to appoint an external assessor or if they qualify for a LTA. If the latter, we 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 the cost of the assessment from their delegated budgets.

For those schools that qualify and opt for the LTA, assessments are likely to be carried out during the period November 2010 to February 2011. It is proposed to write to those schools again during September 2010 to advise them when we require the completed G4 self-assessment to be submitted and during which month they will be assessed. For

schools that require or elect for an external assessment it would be prudent to engage an external assessor at an early opportunity. Previous years have shown a huge call on demand in the final couple of months.

Regardless of whether a school qualifies and accepts an LTA or appoints an external assessor the level of work required in preparation for being assessed is identical.

As a reminder those schools that are required to be re-assessed by March 2011 are those which fall into the following development groups:

Anstey, Birstall, Glenfield
Charnwood
Coalville
Groby
Hinckley / Burbage / Earl Shilton
Ibstock
Loughborough
Market Harborough / Kibworth
Melton
Oadby

Please note that the date of assessment is not negotiable and all schools within this development group area will be expected to be assessed by 31st March 2011.

Whilst the assessment process will be much the same as back in 2008, 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 as 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 2011 for not having a Statement of Internal Control for 2009 and 2010.

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 DfE in April 2010. 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.

Ask the Auditor

FMSiS and Internal Audit Visits

Q. Why must we have a routine audit visit when we have passed the Financial Management Standard in Schools?

A. The Department for Education (formerly the DCSF) is clear in pointing out that the FMSiS is not intended to replace the internal audit function. Both have quite distinct remits. FMSiS is concerned with leadership and governance, strategic planning and use of resources. Internal Audits are concerned much more with operational issues, internal control, risk management, reviewing systems and procedures (for example, reviewing the systems for the receipting and banking of income to give assurances that all income is wholly and accurately accounted for). A good internal audit report will feed positively into any FMSiS assessment.

Within Leicestershire, we are unique in that we offer many of our schools a "light-touch" alternative to formal external FMSiS assessment. Part of how we determine which schools qualify for a light-touch option is determined by the school's last routine audit opinion. Additionally, schools that perform exceptionally well at routine audit stage, as well as schools that pass FMSiS, will see their next audit date extended as a recognition of their "low risk" categorisation.

We have revised our routine audit programmes to focus less on those areas that *are* covered in FMSiS assessments (e.g. governor training and development), so as to avoid any unnecessary duplication, although we do look to give continued prominence during routine school audits to any areas that are known FMSiS-problem areas (e.g. school development planning / 3 year budgeting). This approach seeks to provide an "early warning" system to schools to forewarn of potential FMSiS-failure should areas highlighted not be actioned promptly.

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 Corporate Resources, Brian Roberts.

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 work towards achieving 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.

Details of those companies accredited to provide external assessments can be found on the FMSiS website <http://www.fmsis.info/news/?id=64>.