

Agenda Item: 3

Meeting: Schools Forum
Date: 28 June 2010
Subject: School Audit Strategy 2010/11-2012/13
Report of: Head of Audit
Summary: To present to the Schools Forum the proposed School Audit Strategy 2010/11-2012/13

Contact Officer: Kathy Riches, Head of Audit

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

The Schools Forum is requested to:

- a) note and comment on the proposed School Audit Strategy
- b) approve top sliced DSG funding at the current level of £38,231 over the next four years to enable Internal Audit to deliver a programme of light touch FMSiS re-assessments.

1. Introduction

- 1.1 The purpose of this report is to present the proposed School Audit Strategy 2010/11-2012/13 to the Schools Forum for note and comment, and to seek approval for continued DSG funding to enable a rolling programme of FMSiS re-assessments to be undertaken.
- 1.2 The report outlines the background to FMSiS and the need for a change in approach, in order to put the proposed change in context.

2. Background to FMSiS

- 2.1 During 2006/7 the Department for Education and Schools (DFES) introduced a requirement for all schools to be assessed against the Financial Management Standard in Schools (FMSiS). The FMSiS is a mandatory requirement to provide assurance to the Department, HM Treasury, National Audit Office and Local Authorities that schools have adequate arrangements in place to manage their resources effectively.
- 2.2 In March 2006 a requirement was introduced whereby the Chief Financial Officer (CFO) needs to sign a declaration attached to the Section 251 Outturn

statement to the effect that relevant schools either meet the Standard or are subject to appropriate action to ensure they meet the FMSiS. The evidence to support the declaration is a matter for CFO judgement and does not just have to include the FMSiS but can also take account of relevant comments in the reports of auditors, advisers and inspectors, of budgetary and accounting performance and of any other relevant information available.

- 2.3 The former Bedfordshire County Council decided to require the schools to follow the external assessment route when introducing FMSiS into its Scheme for Financing Schools. A timetable was introduced for all schools to meet the Standard over a four year period. The schools were required to submit a self assessment supported by a portfolio of evidence, which was independently assessed by the local authority. This Scheme for Financing Schools has also been adopted by Central Bedfordshire Council. A significant amount of audit resources has been used over the last four years to assess schools against the Standard.
- 2.4 All schools (excluding Nursery schools) were required to have met the Standard for the first time by 31st March 2010 and some schools are now due to be re-assessed. It is therefore timely to review both the approach to the assessment of schools against the Standard and also the audit of other risk areas within schools.

3. The need for a Change in Approach

- 3.1 The DCSF issued revised guidelines for FMSiS assessments in April 2010. These recommend a “considered risk based assurance exercise” to establish whether schools being re-assessed have met the Standard, and suggest a “light touch and supportive approach”.
- 3.2 The DCSF is encouraging authorities to synchronise audit and assessment arrangements wherever practical, and to make efforts to minimise any additional burden for schools. After the initial assessment and the implementation of any recommendations to improve financial management, FMSiS good practice is expected to become embedded in the day to day business of the school.
- 3.3 FMSiS brings a consistency to the control environment and provides a baseline for the school to assess itself against, but it does not take into account all the risk areas confronting individual schools in any detail. A probity audit will provide a more focused audit, tailored to the school’s risk profile.
- 3.4 There is a need to ensure that Internal Audit resources are used effectively. The current audit arrangements for the assessment of schools against the Standard are resource intensive and have resulted in a lack of audit resources to focus on other key risk areas within schools. As a result, regular routine probity audits in schools have not been undertaken.
- 3.5 In addition, the work undertaken as part of the overall Audit Needs Assessment for Central Bedfordshire has identified a number of risk areas within schools that would benefit from audit review.

4. Revised Strategy

- 4.1 The revised Strategy is attached at Appendix A.
- 4.2 The Strategy recognises that a number of schools had not met the Standard as at 31st March 2010. This includes schools where the assessment was in

progress, schools that had submitted the portfolio of evidence and had not been assessed and some schools that had not submitted the evidence in accordance with the required deadline. Time has been allocated during 2010/11 to enable the outstanding assessments to be completed. Internal Audit is working with the Director of Children's Services to promote both the DCSF expectations that all schools should meet the Standard, and the requirements of Central Bedfordshire Council's Scheme for Financing Schools. A position statement is attached at Appendix B.

- 4.3 Once all schools have been successfully assessed against this Standard, the authority will have a level of assurance that schools are aware of the requirements of the Standard and have demonstrated that they have the controls in place to meet that Standard. This will enable a risk based approach to be adopted for future re-assessments and school audits, in line with recent DCSF guidance. This approach is outlined in more detail in the strategy.

5 Financial Considerations

- 5.1 FMSiS assessment work is additional to the core function of Internal Audit and is currently funded by top slicing the Direct Schools Grant. During 2009/10 Internal Audit received £38,231. Approval to continue to receive funding at this level for the next four years is requested, in order to deliver the rolling programme of re-assessments proposed in the strategy.
- 5.2 The current funding arrangements have not covered the full cost of delivering the assessments. No account has been taken of the cost of re-assessment should a school fail, or the additional time needed if the quality of the submission is poor and inadequate documentary evidence has been provided. It is anticipated that the light touch approach proposed would enable the assessments to be undertaken within budget.

6. Conclusion

- 6.1 The revised Strategy will enable Internal Audit to address the need for a considered risk based approach to FMSiS re-assessments together with a rolling programme of probity assurance work.
- 6.2 The continued funding of FMSiS re-assessment through top slicing DSG will enable Internal Audit to continue to undertake the work.

Appendices:

A – School Audit Strategy 2010/11-2012/13

B- FMSiS Position Statement