

**DfES FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (FMSiS)**

Report of the Chief Internal Auditor

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**1. Purpose**

- 1.1 To clarify the position on the timetable for the 'roll-out' of the FMSiS to all schools.
- 1.2 To clarify how the authority's approach to the requirement for all schools (other than nursery schools) to meet the FMSiS reflects the concerns expressed both by Hertfordshire schools and the Implementation Review Unit that advises the DfES.
- 1.3 To clarify the authority's arrangements for the involvement of governors in FMSiS.
- 1.4 To clarify the timing of the proposed charge to schools for the 'light touch' FMSiS assessment.
- 1.5 To seek the Forum's agreement to proposals set out in paragraph 9.3 of the paper submitted to the previous meeting of the Forum on 25<sup>th</sup> April, i.e.
  - the scale of charges set out in the paper
  - our proposal to collect this charge in equal instalments over three years (or for this to be levied to each school in the year that the audit occurs)
  - the timetable for schools to notify us of their preferred option for FMSiS assessment.

**2. Timetable for the 'roll-out' of the FMSiS to the non secondary sectors.**

- 2.1 The DfES has confirmed that a ministerial decision has been taken that the FMSiS standard is now a legal requirement for schools, and that the following timetable applies:

100% Secondary schools	31 <sup>st</sup> March 2007 – existing requirement
40% all other schools	31 <sup>st</sup> March 2008
40% all other schools	31 <sup>st</sup> March 2009
20% all other schools	31 <sup>st</sup> March 2010.

- 2.2 At the meeting of the Forum on 25<sup>th</sup> April, it was suggested that there was some uncertainty about this 'roll-out', since a position statement published by the Implementation Review Unit (IRU) on 18<sup>th</sup> April expressed concerns about the 'roll-out' to primary (and middle and special) schools.
- 2.3 The DfES has since confirmed that the views of the IRU had already been taken into account in reaching the decision to proceed with the 'roll-out'. Indeed, some of the concerns expressed in the IRU paper are repeated in the DfES FMSiS Guidance to Local Authorities 2007 – which was received by email the day after the meeting of the Forum.

### **3. The DfES Implementation Review Unit paper**

- 3.1 This is attached as Appendix A.
- 3.2 The paper submitted to the previous Forum meeting explained how officers in Internal Audit and Children Schools and Families have listened to and responded to the concerns expressed by representatives of Hertfordshire schools.
- 3.3 At the centre of this response is the move to a light touch approach to the FMSiS assessment, which we had devised ahead of the DfES guidance.
- 3.4 The IRU paper refers to duplication with existing audit procedures. From the outset we have sought to integrate the FMSiS into our existing audit coverage – but inevitably the focus has been on the FMSiS given that it is a new requirement. Our proposed approach will combine established audit coverage with the FMSiS assessment for schools that choose the 'light touch' option. (Where a school seeks formal certification, this may have to be undertaken separately if that school's audit is not otherwise due).
- 3.5 The IRU paper cites induction procedures for governors and staff as an example of an area within the FMSiS where authorities have been overly prescriptive. During 2006/7, Internal Audit provided secondary schools visited with a suggested list of documents and sources of reference for school financial management that could be included or referred to in the induction pack – we believe that this accords with the IRU preference for a  
  
"shorter summary with other cross-references to existing sources of information".
- 3.6 We had anticipated the IRU observation that authorities should undertake lighter touch audits that take account of risk, in our 'light touch' approach, explained in section 5 below.

### **4. The involvement of governors**

- 4.1 Since November 2005, all HCC schools have been invited to FMSiS overview sessions, either facilitated or delivered by the Financial Services to Schools team (FSS). Since September 2006, FSS has been running workshops enabling schools to complete their FMSiS self-assessments on-line. Initially these were aimed at secondary schools, and, from June 2007, workshops will be held for non-secondary schools. All training literature has made specific reference to governors being

welcome to attend. Twilight sessions have also been included, aimed at attracting governors.

4.2 Courses run by FSS as part of the Governance Unit's training programme have included reference to, and examples on, the Standard. In addition, 13 school-requested cluster/bespoke governor training sessions, again covering FMSiS, have been delivered by FSS. The governor training programme booklet for 2007/08 includes specific reference to training on FMSiS, inviting governing bodies to request training either for the own school or cluster of schools.

4.3 Reference to all training can be found on FSS web page [http://www.thegrid.org.uk/info/traded/financial/standard\\_in\\_schools/index.shtml](http://www.thegrid.org.uk/info/traded/financial/standard_in_schools/index.shtml)

## **5. The Authority's proposed approach to the Financial Management Standard in Schools in 2007/8 onwards – 'light touch'.**

5.1 The proposed 'light-touch' approach to the FMSiS assessment will add two days to the audit of all schools.

5.2 The assessment will focus on about half of the 18 standards that make up the FMSiS. The standards covered will be those that align most closely to our current audit coverage and which we judge most critical to a school's financial management. Further, we are able to obtain information from the School Funding Unit that enables us to form a judgement on some of the other standards – which we could examine if we judged this necessary.

5.3 In secondary schools there is usually a finance manager, or equivalent, who can supply most of the information we need to complete the assessment. In primary and other schools, the Head, of necessity, usually plays a more active role in the school's financial management. In the case of primary and other schools we anticipate that we will need up to two hours of the Head's time to obtain information needed to complete the light touch assessment.

## **6. Timing of the 'light touch' charge**

6.1 All schools will be charged £150 per annum, with the first charge being made this year, unless:

- the Forum decides on behalf of all schools that rather than annual instalments schools should be charged £450 every third year, i.e. when their FMSiS assessment actually occurs
- the schools opts (or has already opted) for a formal certification assessment undertaken by Internal Audit or another accredited provider.

## 7. Conclusion

7.1 We believe that we have demonstrated that we have responded to the concerns expressed about the implementation of the FMSiS in our proposed assessment approach – and we will continue to heed the feedback we receive.

7.2 We seek the Forum's agreement to the proposals set out in paragraph 9.3 of the paper submitted to the previous meeting of the Forum on 25<sup>th</sup> April, as below.

7.2.1 Proposed scale of charges:

FMSiS assessment option	2007/8 charge £
Light touch assessment	150 per annum
Formal external certification by Internal Audit	900
Formal external certification by another accredited organisation	Whatever fee the organisation requires

7.2.2 Our proposal to collect the light touch charge in equal instalments over three years (or for this to be levied to each school in the year that the audit occurs, at £450 in 2007/8).

7.2.3 The updated timetable for schools to notify us of their preferred option for FMSiS assessment, namely:

- any secondary school that wishes Internal Audit to carry out a formal FMSiS external certification *before* the Autumn term advises us of this as soon as possible
- any primary, middle or special school wishing to be in the first wave of schools required to meet the FMSiS by 31<sup>st</sup> March 2008 advises us of this by 30<sup>th</sup> June 2007
- any primary, middle or special school that wishes Internal Audit to carry out a formal FMSiS external certification this year advises us of this by 30<sup>th</sup> June 2007
- any school intending to undergo a formal certification by a commercial provider notifies us of this as soon as possible (any school taking this route should ensure, in advance, that the provider has been accredited by the DfES or the Authority's Finance Director).