

Audit Committee - 2nd February 2006

Report of the Director of Finance

Proposed Audit Work during the 2006/2007 Financial Year

Purpose of the Report

1. This report sets out the proposed changes to the programme of audit work in the 2006/2007 financial year and beyond.

Background

2. Audit Services have, historically, produced a strategic plan covering a 4-year period. The present Strategic Plan commenced on 1st April 2004 and runs to 31st March 2008.
3. The Department for Education and Skills (DfES) has recently determined that the Financial Management Standard in Schools (FMSiS) will become compulsory for all secondary schools with effect from 2006/2007 financial year and I will be required to sign a declaration that all the secondary schools comply with the standard. If some do not comply by 31st March 2007, I will need to describe how the Council is working to ensure that they achieve compliance within a reasonable timeframe.
4. The DfES has also declared its intention, following a period of consultation on the detailed proposals, to extend the requirement to all primary and special schools, on a phased basis. The DfES have indicated that their preferred timetable is for all schools to comply with FMSiS by 31st March 2010.
5. The DfES allows local authorities to determine how to ensure that schools achieve compliance with the FMSiS and to determine if an external assessment is to be compulsory.
6. The term "external assessment" means external to the schools and the DfES have stated that it is acceptable for local authority officers, including those working in internal audit, to undertake the assessment against the standard. There is provision within the DfES scheme for the Council to make a charge to schools for a service that it provides in respect of compliance with FMSiS.
7. I have agreed that Audit Services will provide a service to all of the Council's schools, commencing on 1st April 2006, and will advise and support schools as they work towards compliance with FMSiS. That service will, where the school meets the standard, culminate in the award of an external assessment to the school. However, such an assessment is valid for three years only and schools will have to be re-assessed at the end of that period.

Although the work that Audit Services presently undertake at schools will confirm whether or not many of the systems and procedures are working in practice, assessing compliance against FMSiS will still require significantly more resources than are presently allocated to the audit of schools.

8. The existing Strategic Audit Plan provides for secondary schools to be audited every other year and primary and special schools to be audited once every four years. These cycles will need to be amended to ensure that each school is audited every three years and is subjected to a full assessment against FMSiS at the same time.
9. The Head of Audit Services and I are of the opinion that this additional work cannot be absorbed within existing resources and a decision sheet has been approved by the Cabinet Member for Legal, Personnel and Property for the recruitment of an additional, qualified, auditor to enable the Audit Services Division to make a minor restructure in order undertake the additional work in relation to FMSiS.

Finance

10. The report relates to the work of the Audit Services Division.
11. The cost of the audit work is met from existing budgets but an additional charge will be made to schools to enable Audit Services to undertake the work in relation to FMSiS.

Law

12. The Accounts and Audit Regulations 2003 require the Council to have an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.

Equality Impact

13. This report does not raise any equalities issues.

Recommendations

14. The decision that Audit Services assesses Dudley's schools for compliance with FMSiS is endorsed.
15. The Council should levy an additional charge on each school to fund the work of Audit Services in respect of FMSiS.
16. The proposed changes to the Strategic Audit Plan and the resources of the Audit Services Division that are required in order to provide the FMSiS compliance service to schools are accepted.



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DIRECTOR OF FINANCE

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