

INTRODUCTION

This audit report covers the review of the LMS Financial Management System.

The audit was conducted during December 2006 and January 2007.

The LMS Financial Management System is considered a fundamental or material system and is reviewed annually.

Background

Audit Services last carried out an audit of the LMS Financial Management System in early 2006.

That audit was issued in May 2006 with a satisfactory audit opinion. It was the first audit carried out on the LMS FMS using a Fundamental scope. It was therefore a complex and involved audit that included flowcharting the system

This audit is, therefore, a lighter touch, concerned primarily with ensuring that the previous recommendations have been implemented and risk areas addressed.

Objectives

The objectives of the audit were:

- To ensure that the system controls are adequate to safeguard the Council's assets;
- To ensure that the system performs to a reasonable standard to meet the relevant performance indicator;
- To provide Management with both an independent opinion and level of assurance on the LMS Financial Management system, based on findings from the audit review.

Scope of Audit

The scope of the review was to provide assurance that a robust system is in place to set, approve and issue the Education Budget, in particular the Schools Budget, in accordance with DfES guidance.

The specific scope was the testing of the management and operation systems in place in respect of budget setting and approval:

- The calculation and issue of individual school budget estimates and final budget figures
- Update and reconciliation of the Council's CEDAR financial system
- Section 52 report with regard to completion within DfES timescales and approved by DfES
- Systems overview and testing with regard to pupil numbers (Form 8- SEN: PLASC and Early Years Census)
- Agreed recommendations have been implemented

Audit Method

The methodology included the following:

- Systems Review;
- Completion of a wide series of tests, for which sampling methodology was employed;

AUDIT OPINION AND MAIN CONCLUSION

Audit Opinion

Following the completion of this report, the Audit Manager considers that overall the monitoring and control of the LMS Financial Management System is **good**.

There are **two** recommendations: both at Level 2 (necessary for sound internal control and confidence in the system to exist).

See Appendix 4 for definitions.

Critical Recommendations

There are no critical recommendations for this system.

EXECUTIVE SUMMARY

Strengths

The system for the calculation of the schools budget was found to be robust

There is adequate control over the Section 52 return to ensure it is accurate and sent to the DfES on time.

Areas for Improvements

The system for verification and the prompt communicating of the data to the LMS Accountant is in need of improvements

Summary Comments

The review has identified that there is a sound system for the calculation of schools budget in line with DfES guidelines.

PRINCIPAL FINDINGS AND COMMENTS

BUDGET CALCULATION

- 1 There was evidence that the budget was calculated and approved in line with DfES guidelines and good practice. It also complied with established procedures and flowcharts
- 2 The review found this to be satisfactory, there were no recommendations

CEDAR

- 3 The LMS Accountant remits the schools budgets and any amendments to the Corporate Support Services- Systems for uploading into Cedar.
- 4 The review found this to be satisfactory, there were no recommendations

SECTION 52

- 5 The review identified that the Section 52 return was made in line with DfES guidelines and was promptly and accurately returned to the DfES. It was reported to the Schools Forum.
- 6 The review found this to be satisfactory, there were no recommendations

PLASC

- 7 The review identified that the PLASC data was not made available promptly to the LMS Accountant to confirm the budget figures. As a result the timeframe to agree the budget was shortened. Recommendations have been made to improve this weakness.
- 8 The review identified a number of weaknesses that require action.
See recommendations 1 and 2.

PREVIOUS RECOMMENDATIONS

- 9 The review identified that the 2005/6 report were agreed, but due to the timing, it was not possible to implement them for the 2006/7 budget round. There is evidence they have been implemented for the 2007/8 budget round.
- 10 The review has identified no weaknesses.

Recommendations

No	Recommendation	Benefit	Ref. to Findings	Rank
1	The PLASC data required for the Schools budget should be subject to full validation in the September prior to the budget year, for which is required. Data validation of a less extensive nature should be carried in January to check that changes are accurate.	This will allow for the PLASC data to be available earlier to the LMS Accountant for budget confirmation purposes, and also mean that the estimates available in September will be more accurate, and less likely to be changed	4	2
2	The Asset Management Plan Officer and the LMS Accountant should establish a timetable for the provision of PLASC data, to ensure that accurate and prompt data is available	The Schools budget round will be more accurate and promptly produced and approved.	4	2

Appendix 1 - Action Plan

No	Recommendation	Rank	Accept Yes/No	Client's Comments	Action By: When/Whom
1	The PLASC data required for the Schools budget should be subject to full validation in the September prior to the budget year, for which is required. Data validation of a less extensive nature should be carried in January to check that changes are accurate.	2	Yes	Yes full validation in September is agreed however a full validation in January is essential for accuracy and to ensure full funding from DfES. Full checks will be applied termly from April 07.	Karen Beadman
2	The Asset Management Plan Officer and the LMS Accountant should establish a timetable for the provision of PLASC data, to ensure that accurate and prompt data is available	2	Yes	Agreed, a timetable will be established for 2007/08, however school budgets cannot be issued until PLASC numbers are finalised and DfES's involvement cannot be certain.	Karen Beadman / Mike Hobbs

Agreed by (Director or Head of Service). Signed:

Date