



You educate, we support



A Guide to Internal Scrutiny

*Providing added value and reassurance to
your Academy Trust*

**STATUTORY
DEADLINE
31st AUG**

A Guide to Internal Scrutiny

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Background

Independent assurance for Trust Boards

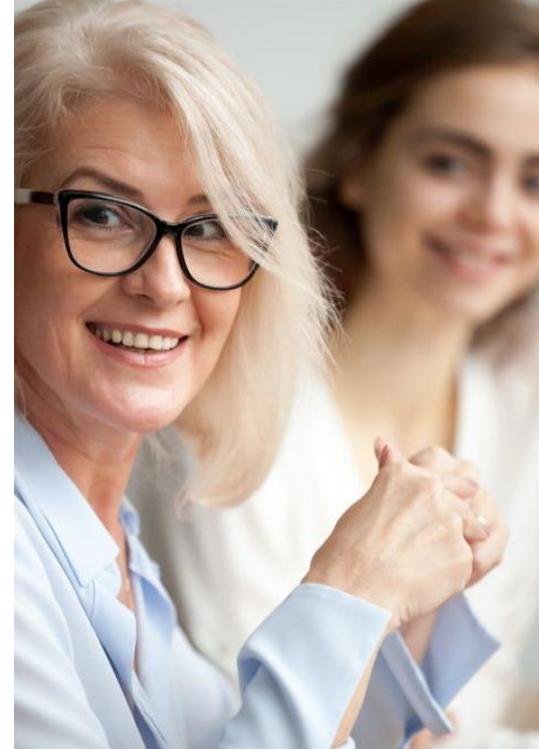
The 2019 Academies Financial Handbook (AFH) outlined the statutory requirement for all Single and Multi-Academy Trusts to undertake internal scrutiny, to provide independent assurance to their Trust Boards that all financial and risk management procedures have been operating effectively.

This ebook provides an introduction to internal scrutiny to help academies be aware of their new responsibilities and understand the options available to them.

The approach taken to internal scrutiny will vary with Trust size, with relative complexity playing a significant role in determining the most suitable option. The suggestions set out in this ebook should provide some context so that Academy Trusts of all shapes and sizes can assess the best way forward for them.

We hope you find it useful.

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What is Internal Scrutiny?

De-mystifying the new requirement

Internal scrutiny comprises a termly series of tests, ensuring Academy Trusts have effective and compliant procedures, policies and systems in place.

The specific policies, procedures and systems to be scrutinised, is to be decided by the Trust's Audit Committee.

The reviews will be undertaken by an internal scrutineer, who will act as an independent, trusted *critical friend*.

Their role is to help the Academy Trust improve governance, risk and control arrangements, and provide comfort that the leadership is doing the right things in the right way, and at the right time.

To fulfil their statutory duty, the Academy Trusts are responsible for providing an annual report for the year ending 31st August, to the Education Skills Funding Agency (ESFA) by 31 December.

Key Dates:

- 31st August
end of cycle
- 31st December
report to ESFA

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Key benefits for the Trust

Reassurance and improvement

Carrying out internal scrutiny offers the following key benefits:

- ✓ Reassurance that the Trust is being financially and operationally well managed
- ✓ Assurance and help for the Trust to strengthen governance oversight, including risk and control arrangements
- ✓ Independent, external advice from a *critical friend*
- ✓ Strategic recommendations tailored to the Trust's requirements and risks identified in the risk register
- ✓ Regular reporting enables the Trust to demonstrate improvement and risk mitigation



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The role of the Audit Committee

Directing the programme of internal scrutiny

Established by the Academy Trust, the Audit Committee must regularly inform the Trust Board of the internal scrutiny findings. In order to do so, the committee must meet a minimum of three times a year.

It is the role of the Audit Committee to direct the programme of internal scrutiny by reviewing the risk register (owned by the School Leadership).

They will also agree who will perform the work, consider progress and the relevance of other assurance activities e.g. governance reviews and funding audits.

Employees of the Academy Trust cannot be members of the Audit Committee, nor should the Chair of Trustees also chair the Audit Committee.

More details can be found in HM Treasury's Audit Committee Handbook



The link with risk management

A joint enterprise

Each Academy Trust will have a distinct risk profile.

The programme of internal scrutiny will be informed by the Academy Trust's risk register, which is owned by executive management and overseen by the Audit Committee.

The risk process is iterative and ongoing as the findings of the programme of internal scrutiny in turn inform the risk register.

Risk scores of issues rise and fall as the result of the internal scrutiny work - new risks are added and older ones are relegated.

The planning of the programme of internal scrutiny must be a risk-based joint enterprise between School Leadership, the Audit Committee and the internal scrutineer.



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What should internal scrutiny cover?

Areas to be covered will be shaped by the risk profile of the Academy Trust, the maturity of financial and other systems, and the concerns of the Audit Committee.

- ✓ Procurement management
- ✓ Finance procedures, systems and reporting
- ✓ Budgeting and funding
- ✓ Payroll management and human resources systems
- ✓ Fraud, theft and undue compromising
- ✓ Safeguarding and whistleblowing
- ✓ Management information
- ✓ Data protection and IT systems
- ✓ Academy Trust governance
- ✓ Premises management and health & safety matters
- ✓ Disaster recovery and business continuity
- ✓ Structure and regulatory compliance

Areas shaped by:

- Risk Profile
- Systems maturity
- Audit Committee

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Who can carry out internal scrutiny?

The four options available

The AFH sets out 4 options for Academy Trusts to deliver internal scrutiny. Whichever approach is chosen, those carrying out the programme of work must be suitably qualified and/or experienced.

1. In-house internal audit
2. Bought-in internal audit - Note, it is not advised to engage the same party that provides the external audit
3. Trustee review - the appointment of a non-employed trustee
4. Peer review - performed by the CFO or other member of the finance team, from another Academy Trust

The Trust should satisfy itself that the Trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision.



The pros and cons of the four options

Option	For	Against
In-house internal audit	<ul style="list-style-type: none"> • Thorough knowledge of the AT • Appropriate experience and skills • Governed by professional code • External auditors may place reliance on their work 	<ul style="list-style-type: none"> • Fixed overhead cost • May be less independent
Bought-in internal audit	<ul style="list-style-type: none"> • Based on established audit principles • Governed by professional code • Independent auditors may place reliance on their work 	<ul style="list-style-type: none"> • Unadvised if external auditors are engaged, due to potential conflict • Scope between 2 audits may become blurred • Additional cost
Trustee review	<ul style="list-style-type: none"> • No cost • Thorough understanding of AT 	<ul style="list-style-type: none"> • May not have knowledge and expertise • May be too close to executive management
Peer Review	<ul style="list-style-type: none"> • No cost • Work conducted by someone with relevant insight 	<ul style="list-style-type: none"> • May lack rigour • Can be time-consuming

Why choose Strictly Education?

Expertise and breadth

We hope that you have found this ebook guide helpful and that it has given you a good overview of internal scrutiny, the areas it should cover and the options available to you.

Working only in the education sector, Strictly Education works across 4 strategic areas: Finance, People, Premises and Leadership & Efficiency - making us ideally placed to carry out an internal scrutiny review.

You would benefit from experienced, independent and objective educational scrutineers, whilst avoiding any conflict of interest with your existing external auditing partner. We have extensive experience of academy finance, governance, safeguarding and premises management.

For information please do get in touch.



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