

HUB

INTRODUCTION TO INTERNAL SCRUTINY AND ASSURANCE FREQUENTLY ASKED QUESTIONS

What is the purpose of the internal audit?

The purpose of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

What are the key principles for internal scrutiny?

The Academy Trust Handbook 2023 outlines the key principles of internal scrutiny. Internal scrutiny must;

- Be independent and objective – for example it must not be performed by the trust's own accounting officer, chief financial officer or other members of the senior leadership or finance team.
- Be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required.
- Be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by risk.
- Be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time.
- Include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating;
 - A report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management.
 - An annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

What Options do we have for Internal Scrutiny?

Trusts have a number of options available to them for internal scrutiny which are outlined in the Academy Trust Handbook 2023. Option include:

- Employing an in-house internal auditor.
- A bought-in internal audit service from a firm, other organisation or individual with professional indemnity insurance.
- The appointment of a non-employed trustee.
- A peer review by the chief financial officer 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 peer reviewer should be independent of the trust.

The trust may combine the above options. The trust may also use other individuals or organisations where specialist non-financial knowledge is required.

INTERNAL SCRUTINY & ASSURANCE FAQ'S

Can my external auditor undertake my internal scrutiny if they are from a different department?

No, the Academy Trust Handbook is clear that external auditors cannot perform your internal scrutiny function and states;

Financial Reporting Council's Ethical Standard states that a firm providing external audit to an entity shall not also provide internal audit services to it. In order to minimise threats to objectivity and independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny must be viewed in the same way as internal audit.

What should internal scrutiny focus on?

The Academies Trust Handbook 2023 states that internal scrutiny must focus on;

- Evaluating the suitability of, and level of compliance with, financial and non- financial controls. This includes assessing whether procedures are designed effectively and efficiently, and checking whether agreed procedures have been followed.
- Offering advice and insight to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running of the trust.
- Ensuring all categories of risk are being adequately identified, reported and managed.



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