

## INTRODUCTION TO THE ROLE OF THE INTERNAL SCRUTINEER - OVERVIEW

### Overview

Academy Trusts operate within the English education sector as state funded organisations directly responsible to the Department for Education, whereas maintained schools are managed and directed by the Local Authority.

The legal structure is that Academies are registered companies and therefore have to complete and submit Annual Company Accounts, subject to Independent Audit. The Trust has a Board of Trustees (Directors) who are responsible for the performance and financial status of the Trust.

The Academy Trust Handbook (ATH) is the primary guidance from the Department from Education which Trusts must comply with.

### Internal Scrutiny

In addition to the External Statutory Auditors all Trusts are required to have a programme of Internal Scrutiny to provide assurance to the Board that it's financial and other controls and risk management procedures are operating effectively.

The Internal Scrutiny can be undertaken in a number of ways;

- 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.

Those carrying out Internal Scrutiny should be suitably qualified and/or experienced:

- auditors should be members of a relevant professional body
- trustees and peer reviewers performing the work should have qualifications in finance, accounting or audit and appropriate internal audit experience. Trust should work towards this position where it is not the case.

### Role of the Internal Scrutineer

The Internal Scrutineer audit work involves a series of audits, usually three, spread throughout the year. The Internal Scrutineer acts as a critical friend. The areas to be covered by the Internal Scrutineer are set by the Audit Committee at the start of each Financial Year, contingent on the assessment of risks and informed by the External Audit.

The areas covered by the Internal Scrutineer checks can include but are not limited to;

1. Financial systems and operations
2. Review of; reconciliations, payroll, purchase orders, invoices and payments
3. Department for Education returns
4. Risk assessment and management
5. Efficiency, funding and budgets
6. Fraud, theft and bribery
7. Safeguarding and whistleblowing
8. Management information systems and reporting
9. Data and IT issues
10. Premises issues
11. Governance
12. Business continuity / disaster recovery
13. Cyber security

### Reporting

The Internal Scrutineer reports to the Trustees' Audit and Risk Committee. This involves a written report, including a commentary, overall opinion and recommendations. The Internal Scrutineer may attend the Audit and Risk Committee to present their written report, giving a verbal summary, clarifying any aspects and answering any questions. A management response will be agreed at the meeting.

Each year a summary of the Internal Scrutineer activity is prepared, for review by the Audit Committee before submitting to the Department for Education as part of the annual reporting system

