

Internal Scrutiny in Academy Trusts

With the release of the new Ethical standards for Auditors effective 15 March 2020, Academy auditors can no longer provide Internal Scrutiny Services to Academy trusts, as these are deemed to be Internal audit and it is now prohibited that auditors act in an internal and external audit capacity. There has been much debate in the professional whether this would be the case and it has recently been clarified that this is unfortunately now prohibited.

This leaves Academy Trusts with a few options:

1. Engage a separate audit firm to carry out the internal scrutiny procedures. Ultimately this will mean additional cost, as it will inevitably mean a duplication of work and time of staff in providing the same information twice.
2. Team up with another local Trust and carry out 'Peer Review'. This would save on cost, but given our experience of finance professionals in school's workload it seems unlikely that this would be a favoured option. The benefits of this would be shared best practice and an additional line of support for the finance team in the Trust.
3. Appoint a Non-Employed Trustee. This would again save on cost, but it is important that the person has the relevant experience and or qualifications to be able to carry this out effectively.

How Ellacotts Can Help:

Progressive Audit

If the Trust looks to go with option 3, a Trustee taking on the role, then we may be able to help inform the work they do.

We propose carrying out a 'progressive audit'.

This means essentially we would carry out the audit throughout the year and provide interim audit reports on the testing we have carried out. This testing would cover much of the testing required for the Internal scrutiny role and these interim audit reports could form part of the risk assessment and determine the work required by the Trustee.

Each year the ESFA now require a summary report to be submitted that covers the areas reviewed, key findings, recommendations and conclusions that has been presented to the audit committee by 31 December.

We can help provide templates of these reports to help the Trustee pull this information together.

We can also provide some guidance to the Trustee on the requirements of the role and what needs to be considered.

Interim Audit Procedures proposed that would be reported on:

Suggested procedures as set out on ESFA Guidance on Internal Scrutiny

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/internal-scrutiny-in-academy-trusts>

Procurement

- check of a sample of purchase orders to delivery notes and invoices to ensure that documentation is complete, has been appropriately checked and authorised
- check of a sample of payments back to invoices, purchase orders and delivery notes to confirm they are legitimate purchases
- review statements from suppliers to ensure they are being checked, investigate any disputed invoices
- review contracts, ensuring proper tendering procedures exist and are being followed
- check purchase of any capital assets (e.g. desk computers, interactive whiteboards, kitchen equipment) for physical existence

Monthly financial closedown

- review that monthly bank reconciliations have been carried out, including reviewing validity of reconciling items
- review of the purchase ledger control account reconciliation and/or creditors list against invoices received
- review of the sales ledger control account reconciliation and/or debtors list against invoices issued
- review of the accruals schedule against costs committed but not yet invoiced
- checks of petty cash balances and supporting vouchers
- review of any budget virements and adjusting journals for reasonableness and authorisation
- review of any write-offs of debt or other losses for reasonableness and proper authorisation

Payroll and HR

- review of a sample of starters, leavers and salary increases to ensure they are properly authorised
- review of the monthly payroll to ensure that any changes and salary payments have been appropriately authorised
- a reconciliation of payroll to HR records to ensure that leavers and allowances are not paid beyond the appropriate dates
- a check of statutory and non-statutory deductions from pay
- review of a sample of expense claims to ensure there is appropriate documentation to support the claim and that it is appropriately authorised

Management information and reports

Review the trust's management information to ensure information supplied is consistent with the underlying accounting records and internal management reports, including:

- management accounts
- financial reports to board
- pupil data and census returns
- returns to the DfE/ESFA