



Academy schools

Internal scrutiny

We will ensure you comply with all aspects of internal financial management and control.

Academy trusts are accountable for the use of the public funds they receive, and there has always been a requirement for a programme of checks to give comfort that the trust has in place sound internal control, risk management and assurance processes.

The requirements have evolved from the early need to appoint a 'Responsible Officer' to the ESFA suggesting a range of suitable options within the Academies Financial Handbook (AFH). In the last two editions of the AFH, including the new 2020 version that becomes effective from 1 September 2020, the ESFA have significantly increased their guidance and focus on internal scrutiny.

They clarified that:

- The audit* committee's role must include directing the trust's programme of internal scrutiny and reporting to the board on the adequacy of the trust's financial and other controls and management of risks (AFH 3.8)
- The committee must review the risk register to inform the programme of work, ensuring checks are modified as appropriate each year (AFH 3.12)
- Oversight must ensure that information submitted to the DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for MATs) by constituent academies, is accurate and in compliance with funding criteria (AFH 3.14)

- An annual summary report must be prepared each year outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress. This annual summary report must be submitted to the ESFA each year by 31 December.

Recent developments

In December 2019 a new Ethical Standard was published by the Financial Reporting Council (FRC) (the body which regulates audit firms) and this prohibits firms from providing both external and internal audit services to the same client.

Internal scrutiny work, required by the ESFA and delivered to academy trusts, is caught by this tightening up of the ethical rules for audit firms.

The new ethical standard, which is a major revision, is aimed at strengthening auditor independence and to prevent conflicts of interest arising and has been implemented to try and avoid audit failures that have blighted the audit profession in recent years. The new rules governing the provision of internal audit services are just one area affected although many of the changes affect only the very largest public interest entities and listed companies.

Many audit firms, including UHY, have until now provided internal audit type services to their external audit academy clients. This will no longer be permitted, with the 2020 AFH confirming that the option for internal audit to be performed by the external auditor has been removed.

*or another suitable committee whose remit includes the function of an audit committee

Our vast experience in the academy sector has allowed us to establish a complete internal scrutiny package.

The next step

For further information or to receive a quotation for internal scrutiny services, please contact your local UHY adviser or find your local academy expert on our website at www.uhy-uk.com/academy-schools.

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UHY's internal scrutiny service

At UHY Hacker Young, our vast experience in the academy sector has allowed us to establish a complete internal scrutiny package to assist your Audit Committee and Accounting Officer. Our service will ensure you comply with all aspects of internal financial management and control required from the Handbook and can be tailored to the individual risks you may have identified as areas of focus.

The AFH requires the programme of internal scrutiny work to be determined by the Audit Committee but we are able to help you settle on a suitable programme of work.

Our expert teams have covered the following topics or themes in recent years:

- Payroll and HR
- Procurement, including VFM and major contracts
- Governance, including compliance with the non-financial aspects of the AFH
- Monthly financial closedown
- Fund accounting
- Fixed Assets and capital income accounting
- Budgetary control and accuracy of management accounting information
- Non-grant income
- Risk Management
- VAT review
- Senior executive remuneration
- Central trust function (for a MAT).

The review does not stop there

We work with our academy school clients throughout the year by building sound working relationships, offering proactive advice and being available to act as a sounding board for any issues or concerns your finance team, Accounting Officer or governors may have. As such, we do not charge your team for dealing with ad hoc calls or emails during our engagement with you.

We are committed to keeping you informed of the changing reporting and regulatory issues that may impact your trust. We produce a regular series of academy blogs as well as summaries of key changes in documents such as the AFH and Accounts Direction when these are published each year.

Our Annual Benchmarking report is one of the leading publications in the sector and gives academy trusts a wealth of useful information against which they can measure their own performance.

Why choose us?

UHY are one of the leading auditors in the academy sector. Nationally we work with over 400 academies, providing external audit, internal scrutiny and other services such as payroll. Please visit our specialist website www.uhy-uk.com/academy-schools

As such, we are aware of the key risk areas and general sector issues that academy trusts face. We will draw on this wealth of experience and knowledge to add value by working with you and advising you throughout the internal scrutiny service, assisting with any queries and proactively keeping you and your trustees informed.