



**PROPOSAL FOR THE  
PROVISION OF SUPPORT  
FOR INTERNAL  
SCRUTINY**

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**GRAEME HORNSBY**

Managing Director

Registered Office:  
15 Oak Crescent, Ashby de la Zouch  
Leicestershire, LE65 1FX

m. 07876 241625

t. 01530 411947

e. [graemehornsby@me.com](mailto:graemehornsby@me.com)

[www.sbmconsultancy.co.uk](http://www.sbmconsultancy.co.uk)

***This programme has been established in response to requests from Trusts that have asked for support with their programme of work for internal scrutiny to go beyond and complement their external audit and any internal audit and sampling commissioned separately through their internal scrutiny programme.***

## **Background**

The arrangements proposed in this document are intended to form part of the Trust's the programme of work for internal scrutiny. The approach and areas proposed for review take account of the expectations in the Academies Financial Handbook that:

- The programme of internal scrutiny must provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively
- Internal scrutiny must offer 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.
- The Trust must keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.
- Internal scrutiny should take account of output from other assurance procedures (e.g. external audit) to inform the programme of work.
- Be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required with audit work undertaken by auditors who are members of a professional body
- The Trust may combine options for carrying out the programme to deliver in the way most appropriate to its circumstances

With this in mind, the proposed programme is intended to dovetail with the work of external auditors under the Academy Accounts Direction and any additional internal audit commissioned by the Trust by supplementing this with independent scrutiny of areas in the Academies Financial Handbook relating to financial oversight and planning, risk management, the provision of information about the Trust and the operation of the audit committee. The review also takes account of expectations beyond the Academies Financial Handbook including the DfE's Competency Framework for Governance and the framework used by School Resource Management Advisers and links with the ESFA guidance on internal scrutiny including efficiency, funding and budgets, management information and governance structures. .

Feedback from Trusts is that the support and scrutiny in these areas provides a welcome and beneficial independent view of matters beyond the scope and coverage of external and internal audit frameworks.

## **Scrutineer – Graeme Hornsby**

Relevant experience includes:

- Significant experience as a School Business Leader
- Fellow of Institute of School Business Leadership,
- Undertaking internal audits and scrutiny in single and multi-academy trusts since 2013
- Support for budgeting as an accredited School Resource Management Advisor
- Support for wider SRMA work by carrying out assessments and quality assurance processes for ISBL.
- Over 30 years as a clerk to governing bodies and boards
- Regular provider of training and consultancy for governing bodies, boards and clerks.
- Representing ASCL on the DfE's Advisory Group for Governance
- Serving on an Interim Executive Board
- Examiner and moderator for the ICSA Certificate in Academy Governance.

## **Reporting**

Reports produced immediately following completion of the review provide recommendations to enhance financial and non-financial controls and risk management, identification of good practice for sharing within the Trust and where appropriate, sources of further advice and support. A draft report is shared with the CFO and/or

Accounting Officer for clarifications and accuracy checks before production of a final report for the Audit Committee.

A summary report is also provided at the end of the academic year outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

## Approach and Pricing

The programme is designed so that it can be undertaken off-site and make full use of information published by the Trust and in the public domain. The programme can be procured in full or as any selection from the three sections set out below. The programme can also be adjusted to meet current needs and adapted for needs that may emerge or change in the future. This approach is intended to support the Trust in securing a tailored and prioritised programme that avoids unnecessary duplication of checks undertaken by others and cost and minimises disruption to staff.

### Costs

1. Trust level review and report £395+VAT
2. Financial Planning and monitoring review and report £295 +VAT per school
3. Review of Financial Control Framework with written feedback £200 +VAT
4. Annual summary report £100 +VAT

Trusts have found that this approach enables them to select a programme to suit their needs. Although the majority of clients prefer to include the full coverage of trust level work and financial planning and monitoring, some multi academy trusts opt to focus on either a sample of their schools or to select schools on a rolling programme or risk-based approach.

## 1. TRUST LEVEL REVIEW

**Approach:** Undertake a desk-based review of materials identified by the consultant and published or provided by the Trust or available via other sources (e.g. Companies House) followed by a telephone conversation with CFO.

<b>MAIN FINANCIAL REQUIREMENTS</b>
<b>FINANCIAL OVERSIGHT (AFH 2.3)</b> <i>Review documentation and arrangements to provide assurance that the following expectations are met:</i> <ul style="list-style-type: none"><li>• The board meets at least 3 times a year as a quorate body</li><li>• If the board meets less than six times a year has it described in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.</li></ul>
The board of Trustees has approved a balanced budget and this decision is recorded in the minutes
<b>Budget Monitoring at Board Level (AFH 2.18-2.23)</b> <ul style="list-style-type: none"><li>• The Trust prepares management accounts every month setting out its financial performance and position.</li><li>• Management must take appropriate action to ensure the ongoing viability of the Trust</li><li>• Management accounts must be shared with the chair of trustees every month and with the other trustees six times a year</li><li>• The board must consider the management accounts when it meets</li><li>• The board must ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure</li><li>• The format of monthly management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet</li><li>• The Trust must select key financial performance indicators and measure its performance against them regularly</li><li>• Where the board has concerns about financial performance, it should act quickly ensuring the Trust has adequate financial skills in place</li></ul>
Good practice: <ul style="list-style-type: none"><li>• The format of management accounts should be adjusted to be suitable for different users including summaries and supporting narrative as appropriate</li></ul>

- Reports are extracted from or reconciled to accounting package and include all relevant areas of income/expenditure and provided in advance of meetings
- Reports provide for appropriate detail on any high-risk activities e.g. in-house catering, lettings, trading activities

**RISK MANAGEMENT (AFH 2.38-2.39)** *From a review of the risk register and minutes of board and audit committee meetings, consider if the following expectations are being met:*

- Overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee.
- Other committees may also input into the management of risk at the discretion of the board.
- Aside from any review by individual committees, the board itself must review the risk register at least annually.
- Risks management covers the full operations and activities of the Trust, not only financial risks.
- The Trust's management of risks must include contingency and business continuity planning

**PROVISION OF UP TO DATE INFORMATION ABOUT KEY INDIVIDUALS WITHIN THE TRUST (AFH 2.53).** *From a review of current information published by the Trust and information publicly available on Get Information About Schools and at Companies House, consider if the Trust is meeting the expectation that information published in between annual reports is up to date. This includes:*

**Trust Website:** Up-to-date details of its governance arrangements in a readily accessible format, including:

- the structure and remit of the Trust's members, the board of trustees, committees and local governing bodies (the Trust's scheme of delegation for governance functions), and the full names of the chair of each
- for each of the Trust's members serving at any point over the past 12 months, their full names, date of appointment, the date they stepped down (where applicable), and relevant business and pecuniary interests including governance roles in other educational institutions
- for each Trustee and local governor serving at any point over the past 12 months, their full names, date of appointment, the term of office, the date they stepped down (where applicable), who appointed them, and relevant business and pecuniary interests including governance roles in other educational institutions. If the accounting officer is not a Trustee their business and pecuniary interests must still be published
- for each Trustee, their attendance records at board and committee meetings over the last academic year
- for each local governor, their attendance records at local governing body meetings over the last academic year

**GIAS:** Up to date details of:

- Members
- Chair of Trustees
- All other Trustees
- Accounting Officer
- CFO

**Companies House:** Up to date details of:

- Directors
- Persons with significant control

**AUDIT AND RISK COMMITTEE.** *Review the arrangements and operation of the committee serving as the audit and risk committee to consider if the following expectations are met.*

**Requirements, remit and membership of Committee (AFH 3.6 - 3.11)**

The Committee:

- Is constituted in line with the requirement to have a dedicated audit committee if annual income is over £50 million
- Meets at least 3 times a year

- Directs the programme of internal scrutiny
- Reports to the board on the adequacy of the Trust's internal control framework, including financial and non-financial controls and management of risks.
- Does not have employees on the committee whilst securing the attendance of AO and CFO to participate in the discussion, but not as members.
- Does not have the Chair of Trust as Chair of the Audit Committee

#### **Operation of Committee (AFH 3.12 – 3.14)**

There are appropriate terms of reference to describe remit which extends to the financial and non-financial controls and risks at constituent academies. The Committee has:

- Agreed a programme of work to deliver internal scrutiny that provides coverage across the year and who will perform work
- Reviewed ratings and responses on the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- Agreed a programme of work to address risks to internal financial control?
- Considered reports at each meeting from those carrying out the programme of work
- Considered progress in addressing recommendations (including those from external audit).
- Considered outputs from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- Access to the external auditor as well as those carrying out internal scrutiny, and consider their quality
- Ensured oversight confirms information submitted to 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 Trusts with multiple academies) by constituent academies, is accurate and in compliance with funding criteria.

#### **Delivering Internal Scrutiny (AFH 3.15-3.22)**

- Is the programme of work timely, with work spread appropriately over the year so higher risk areas are reviewed in good time?
- Have findings from the programme of work been made available to all trustees promptly?
- Is there evidence that the Trust is keeping its approach to internal scrutiny under review? (If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable).

**AUDIT ARRANGEMENTS (AFH 4.5-4.8).** *Review the arrangements for the appointment of external auditors to consider if the following expectations are met:*

Was the appointment of external auditors made by members?

Is there a written contract to secure external audit that complies with the requirements of the AFH concerning:

- The letter of engagement must only cover the external audit. If additional services are purchased, a separate letter of engagement must be obtained specifying the work and the fee
- The letter of engagement must allow for removal of auditors, before the expiry of the term of office, in exceptional circumstances
- There must be a requirement in the letter of engagement for the auditors to provide the Trust with an explanation if the auditors resign, within 14 calendar days of their resignation.

Have auditors been removed or resigned and if so, have the requirements within the AFH been met?

**ESFA OVERSIGHT (AFH 6.1 6.2)** Have the ESFA's 'Dear Accounting Officer' letters:

- Been shared by the Accounting Officer with the Trust Board, the CFO and appropriate senior leaders?
- Been discussed by the board with consideration of any action necessary to strengthen financial controls.

## 2. FINANCIAL PLANNING AND MONITORING

Approach: Undertake a desk-based review of materials identified by the consultant and published or provided by the school or trust or available via other sources (followed by a telephone conversation with the School Business Manager and/or CFO)

<p><b>FINANCIAL PLANNING</b> <i>From a review of financial plans and reports and discussions with the CFO/School Business Manager(s), provide the committee with a view on the rigour and scrutiny within financial planning to support the board in ensuring that the following expectations are met</i></p>
<p><b>Setting a School Budget (AFH 2.9- 2.14)</b></p> <ul style="list-style-type: none"> <li>• Budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years.</li> <li>• Pupil number estimates are reasonable and are reviewed at least termly</li> <li>• There is an integrated approach to curriculum and financial planning</li> <li>• Reference has been made to DfE's material on improving school resource management</li> </ul>
<p><b>Budget Monitoring at School Level</b></p> <p>A review of budget monitoring at a school level to consider the effectiveness of budget monitoring under the scheme of delegation and financial procedures within the Trust and in particular:</p> <ul style="list-style-type: none"> <li>• The school prepares or receives management accounts every month setting out its financial performance and position.</li> <li>• The format of the monthly management accounts and provision of key performance indicators is appropriate to the level of delegated responsibilities and suitable for different users including summaries and supporting narrative as appropriate</li> <li>• Reports are extracted from or reconciled to accounting package and include all relevant areas of income/expenditure and provided in advance of meetings</li> <li>• When appropriate, reports include a reconciliation of closing and opening balances to those in the published accounts</li> <li>• Reports provide for appropriate detail on any high-risk activities e.g. in-house catering, lettings, trading activities</li> <li>• Appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure</li> <li>• There is evidence that the board has ensured that there are adequate financial skills in place at a school level to meet delegated responsibilities.</li> </ul>

## 3. REVIEW OF FINANCIAL CONTROL FRAMEWORK

<p><b>FINANCIAL CONTROL FRAMEWORK.</b> Undertake a review of the financial control framework and provide feedback on:</p>
<p>The framework meets the following expectations from the AFH that the framework must:</p> <ul style="list-style-type: none"> <li>• ensure delegated financial authorities are complied with</li> <li>• maintain appropriate segregation of duties</li> <li>• co-ordinate the planning and budgeting process</li> <li>• apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations</li> <li>• plan and oversee capital projects</li> <li>• manage and oversee assets, and maintain a fixed asset register</li> <li>• ensure regularity, propriety and value for money in the organisation's activities</li> <li>• reduce the risk of fraud and theft</li> <li>• deliver independent checking of controls, systems, transactions and risks</li> </ul>
<p>Provide feedback on:</p> <ul style="list-style-type: none"> <li>• The framework has been updated to accommodate changes from the latest version of the Academies Financial Handbook</li> <li>• The framework reflects good practice beyond the requirements in the AFH</li> </ul>

4. Provision of an annual summary report to include
  - executive summary and overall opinion
  - approach to work and standards
  - the areas reviewed from this programme,
  - key findings, recommendations
  - initial management response to recommendations
  - review of progress in addressing recommendations from reports
  - forward look

Producing this summary report during the autumn term, (at the same time as the external auditor's report), will assist the audit and risk committee in forming a holistic picture and the trust to coordinate the returns required by the ESFA. It will also provide the Accounting Officer with key evidence to enable them to sign off their statement on regularity, propriety and compliance and the board with information for its annual governance statement, both of which are submitted to ESFA with the audited accounts.