

# Internal Scrutiny

A guide



## Internal scrutiny

It is a statutory requirement that all trusts must carry out scrutiny over internal controls and the management of risks.

Since 2019, the ESFA has placed a much greater emphasis on the need for internal scrutiny in schools. Rather than just being a 'tick box' exercise, internal scrutiny now needs to have a greater input to ensure it is accurate. However, trusts cannot use the same service provider for internal scrutiny services and external audit services to prevent a conflict of interest.

"All academy trusts must have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively."

Section 3.1 of the Academy Trust Handbook 2021



## What is internal scrutiny?

Internal scrutiny is another term for an internal audit. During scrutiny, an independent 'scrutineer' comes into a trust and runs a series of tests. These tests make sure that your trust has effective procedures, policies, and systems in place and that your trust's finances are being well managed.

Internal scrutiny also provides your trustees with an assurance that the organisation's processes are working.

Although the term is primarily used in regards to financial processes, internal scrutiny should also be carried out across a wide variety of areas including safeguarding, HR, governance and estates.

Academy trusts must produce an Annual Summary Report to the ESFA by the 31st of December each year.



## The benefits of internal scrutiny

Conducting yearly internal scrutiny is a statutory requirement, but beyond the compliance with ESFA, it has numerous benefits and should be used as a litmus test to see how well the trust can survive different situations.

Internal scrutiny:

- Provides reassurance that the trust is well managed
- Acts as a critical friend, providing unbiased, independent advice
- Allows trusts to demonstrate improvement through regular reporting
- Enhances trustees' oversight of risk mitigation procedures
- Provides strategic recommendations based on individual trust risk and context

Although the process may unearth some inconvenient truths, in the long run, it can help to future proof the trust.



## The Audit Committee's role

Your trust's Audit Committee should examine the risk register and internal control framework and assess how it is applied in practice.

The committee should be made up of members with a wide range of skills and experience to enable them to provide a vigorous challenge to the status quo.

The Audit Committee will inform the agenda for scrutiny which should be carried out against the trust's risk register, and typically includes financial controls, health and safety, governance and data protection.



## Areas for review

To meet the requirements of the Academy Trust Handbook, internal scrutiny must include financial and non-financial controls and risk management procedures.

Areas that may be scrutinised, based on the findings from your Audit Committee, include:

- Financial management
- Financial operations
- HR procedures
- Safeguarding procedures
- Governance
- Health and safety
- Data protection
- Estates management
- Payroll



## Internal scrutiny by Keystone

Keystone Knowledge offers a comprehensive internal scrutiny package.

Our knowledgeable team undertake a bespoke, holistic review covering both financial and non-financial controls, providing you with reassurance and including:

- A three year rolling internal scrutiny programme
- An annual review of financial operations and two non-financial functions
- Rigorous & effective scrutiny by friendly, approachable staff
- 3 visits a year which can be split between schools and your central team
- An annual report which can be submitted to the DfE

Audits of single functions can also be arranged.



# Internal Scrutiny from Keystone

Rigorous and effective scrutiny of financial and non-financial controls to support your trust and meet statutory requirements.

- Finance operations and management
- Safeguarding
- HR
- Payroll
- Governance
- Data protection
- Health and safety/Estates



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