Ousedale School

Internal Scrutiny Policy

1.0   The Academy Internal Scrutiny Policy outlines how the academy will meet the requirements of the Academies Financial Handbook. It outlines the requirement for Ousedale School to 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

1.2   Internal scrutiny **must** focus on:

- **evaluating** the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are designed effectively and efficiently, and checking whether agreed procedures have been followed
- **offering 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
- **ensuring all categories of risk** are being adequately identified, reported and managed.

1.3   The academy **will** identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

1.4   The audit and risk committee at Ousedale School is part of the Finances and Premises Committee (F & P). The Chair of the F & P Committee will lead on the Internal Scrutiny procedures.

1.5   The Finance and Premises Committee will:

- identify members of the Finance and Premises Committee to direct the academy's programme of internal scrutiny
- ensure that risks are being addressed appropriately through internal scrutiny
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks

1.6   Employees of the Academy cannot carry out Internal Scrutiny

1.7   The Chair of the Academy cannot lead on Internal Scrutiny

1.8   The committee **will:**

- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- review the ratings and responses on the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- agree who will perform the work
- consider reports at each meeting from those carrying out the programme of work
- consider progress in addressing recommendations

- consider outputs from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- have access to the external auditor as well as those carrying out internal scrutiny, and consider their quality

1.9   Oversight **must** ensure information submitted to DfE and ESFA that affects funding, including student number returns and funding claims (for both revenue and capital grants) completed by the academy, is accurate and in compliance with funding criteria

1.10   The academy will submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions as part of its audited accounts. The academy will also provide ESFA with any other internal scrutiny reports if requested

1.11   Scrutiny each year will include:

- review of the financial handbook in line with Government updates;
- identification and management of risks in relation to buildings, IT and utilities in particular; And testing of control account/ bank reconciliations;
- A selection of items from the list contained in Annex 1 for both finance and IT.

2.0   **Process**

Each October the F & P Committee will identify areas of focus for particular scrutiny. outside the F & P meeting and identify who will carry them out and when. At least three visits will take place each year.

2.1   A report form will be completed after each visit and tabled at the next F & P meeting. The report will include recommendations to be considered by the full F & P Committee.

2.1   As part of each F & P meeting Governors will challenge the Headteacher to ensure any on-going or new risks have been identified, budget setting is rigorous and forward looking.

2.2   Governors will scrutinise monthly accounts to ensure spending for each area is within budget or where additional spending is required this is necessary and can be accounted for either in the current budget or if necessary utilising reserves.

2.3   Scrutiny process and findings will form part of the report contained in the Annual Accounts.

Other policies/ documents to be considered along with this policy:
1. Finance Policy
2. Financial Handbook
3. Risk Register
4. Academy Financial Handbook

Annex 1
Financial areas for scrutiny: For each section pick one or two areas

Review of Payroll Processes and authorisations	Sample check of new starters in the year to verify inclusion in correct period Sample check of leavers in the year to verify removed in correct period Sample check of employees pay to scale rate cards Sample check between the file used to generate the payroll and the bank report detailing the actual payments made Review of payroll summary schedules and variation reports to confirm evidence of review and authorisation prior to payment of payroll Verification of a random sample of one off items, eg overtime, sick pay, MAT pay, bonus payments etc	Annually
Appropriate security of cash and credit cards	Verification that logs of cash receipts are regularly maintained Review of cash storage processes Verification that regular reconciliations are performed to agree physical cash to records Verification that credit cards are assigned appropriately and held securely	Annually
Other	Any other areas identified in the risk register	Annually
Areas to pick from each cycle		
Review of organisation suppliers and purchasing policies	Verification of existence of clearly defined purchasing guidelines (capital expenditure, investments and general expenditure) Review of approval mandate for purchase orders Review of processes around appointment of preferred suppliers Review of sample of purchases to verify use of preferred suppliers For a sample of payments, evidence budget holder approval was confirmed, agreement of payment to initial order and confirmation that correct payment approval had been obtained. Evidence that regular supplier reviews take place to assess performance and delivery of service to minimise disruption to Academy	
Security of office	Review of security processes and procedures	
Financial returns	Review of processes and confirmation that correct review and sign off has been performed	
Review of hospitality and gifts	Review of processes and procedures For sample of gifts verification that correct permissions were obtained	
Review of Income recognition	Review of key income streams, surrounding processes and agreement of sample items to supporting 3rd party confirmations and/or notifications Review of school trips income and verification of sample of items Review of monthly catering reports and invoices	
Review of Fixed Asset processes and maintenance of register	Review of sample of additions to verify correct capitalisation and application of depreciation policy Review of sample of disposals to verify correct treatment and appropriate authorisation Sample check of depreciation calculations	

Control Accounts	Sample testing of key control account reconciliations e.g. aged sales ledger, bad debt provision, prepayments, creditor ledger, accruals, income summary, catering summary etc. to verify existence, accuracy, independent review and appropriate authorisation	
Bank Reconciliations	Sample testing of monthly bank reconciliations to verify existence, accuracy, independent review and appropriate authorisation	
Bank Mandates	Agreement of signatories to bank mandate (agreement to 3rd party confirmations) to ensure regularly updated and to assess appropriateness	
Review of payment controls and processes	Verification of cheque payment processes, to confirm independent review and appropriate authorisation Appropriate approval of BACS runs and evidence of independent review	
Review of staff expenses	Review of processes and procedures For sample of staff expenses verification that correct permissions were obtained	
Review of major purchase plans, capital works and expenditure programmes;	Review of schedule of key works and expenditure Obtain evidence that regular internal reviews are performed to manage projects and review progress Review of budgets and expenditure to ensure correct accounting treatment of WIP	At Finance & Premises Committee
Appropriate tendering processes	Review of tender process to identify any changes in the year Review of key contracts appointed to verify that appropriate tender process was followed and can be evidenced	At Finance & Premises Committee
Comprehensive budgeting and monitoring systems	Monthly preparation and management review of management accounts Review of budget process to ensure detailed, rigorous and takes account of funding and on-costs; Review of financial reports against forecasts Scrutiny of detailed expenditure lines to review spend to date vs agreed budgets Identification of and review of performance against key KPIs	At Finance & Premises Committee
Health & Safety and regular risk assessments	Review and monitoring of H&S practices, Confirmation that detailed risk assessment processes are in place in all practical areas Verification that regular checks are carried out by independent body and that recommendations are actioned on a timely basis	At Finance & Premises Committee
Business continuity and segregation of duties	Identification of key personnel Evidence of existence of responsibility matrix and application Review of appropriateness of division of roles and tasks Review of disaster contingency plans / measures e.g. to evidence continual staff development and succession planning	At Finance & Premises Committee

IT areas for scrutiny
High Risk Annually
Medium risk every four years
Low risk every 6 years

Area of review	Suggested scope	Priority Rating
Business Continuity processes and controls	Identification of key personnel Evidence of existence of responsibility matrix and application Review of appropriateness of division of roles and tasks Review of disaster contingency plans / measures e.g. to cover unexpected absence, leavers, external attack, infrastructure failure, fire, flood	Medium
Capacity usage and trend analysis	Review of usage/needs against existing capacity analysis. Review of SIP to ensure Intents foresee future needs based on trends and school developments	High
Security and cyber	Review of ICT policy to ensure security needs are up to date and in line with current risks. Including physical (server rooms, access control, patching) and Cyber (external access, virus, DDOS). Review contingency plans for security breaches/risks	High
Regular review of risk and controls	Review of department and Manager minutes/notes with SLT link and team to demonstrate team are assessing risk on an on-going basis through risk management reviews.	Low
Maintenance of licences and registrations	Registrations are considered and updated on an on-going basis	Medium
Maintenance of user accounts	Regular re-certification of users having access to systems- review processes to identify joiners, movers, leavers etc. Clear line of roles and responsibilities including permission levels.	High
GDPR	Appropriate archiving and/or disposal of hard copy documentation Appropriate anonymisation of personal data	Medium
Formal records management	Review of installation and inspection certificates	Medium
System and hardware capabilities	Evidence of regular assessment of system capabilities and hardware Evidence that there is a long term plan for replacement / maintenance of system to meet needs of the academy	Medium
Information & hardware security risk	ICT policy, firewall and website security for students and staff. Appropriate virus scanning procedures in place. Access to confidential information Appropriate back up procedures are in place	High

Annex 2

OUSEDALE SCHOOL SCRUTINY FORM	
NAME:	**DATE:**
Focus of visit:	
Summary of activities	
What have I learned as a result of my visit? (relate this back to focus of visit):	
Aspects I would like clarified/questions that I have to be answered by Headteacher/finance manager at next F & P meeting:	
Actions for the governing board to consider at the next F & P Meeting	