

Coronavirus (COVID-19): Guidance on remote internal audit

This guidance explores the remit and restrictions of internal audit in academies during the COVID-19 outbreak in all but essential work. Examples of practice which may be considered within the context of your organisation are also shared.

During this outbreak, the priorities of school, college and trust leaders are the safety of pupils and staff, keeping sites open to provide childcare for key workers, providing care packages and/or meal vouchers, continuing safeguarding procedures, and supporting staff to provide remote learning.

This paper is suitable for schools and colleges, in particular academy trusts and leaders, school business leaders and managers and all those with responsibility for audit across all phases.

- Section 1: Statutory reporting requirements
- Section 2: Academies Financial Handbook requirements
- Section 3: Risks and challenges
- Section 4: New ways of working
- Section 5: Guidance from the Chartered Institute of Internal Auditors
- Section 6: Examples of practice
- Section 7: Views from internal auditors

Section 1: Statutory reporting requirements

The requirements outlined in the [Academies Financial Handbook](#) (AFH) have not been suspended.

The ESFA wrote to academy Accounting Officers on 21 April 2020 to advise on the requirements for financial returns, and the AFH requirements, during the COVID-19 crisis.

In relation to the continued use of the AFH, the letter states:

“I see strong governance, financial management and decision making as essential to help trusts deal with the current challenging circumstances.” Therefore, trusts should not move away from using the AFH.

In relation to the internal scrutiny requirements in the AFH, the letter states: *“... whilst in-person review visits to academies would be inappropriate at present, it is at boards’ discretion whether remote checks are feasible and helpful in managing risk during school closures.”*

The ESFA has considered the timetable for trusts and their external auditors preparing, auditing, and submitting financial statements and associated returns, including auditors’ management letters and internal scrutiny reports, by the deadline of 31 December 2020. Currently, they are advising that this timetable will remain in place.

A full review of ESFA data (financial and non-financial) has taken place. The ESFA guidance on [Reducing burdens on educational and care settings](#) includes a full list of returns that have been cancelled, paused or deferred.

Section 2: Academies Financial Handbook requirements

Within the AFH 2019, [section 3](#) covers internal scrutiny for academies.

The principles for internal scrutiny are outlined in section 3.15 and state that academies **must**:

- *“be independent and objective – for example it **must not** be performed by the trust's own accounting officer, chief financial officer or other members of the finance team*
- *be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required*
- *be covered by a scheme of work, driven and agreed by the audit committee, and informed by risk*
- *be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time*
- *include regular updates to the audit committee by the person or organisation carrying out the programme of work, incorporating:*
 - *a report of the work to each audit committee meeting, including recommendations where appropriate to enhance financial and other controls and risk management*
 - *a short annual summary report to the audit committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.”*

Section 3: Risks and challenges

Regular alerts and reports of fraudulent activity have been shared, including attempts to access information and funds, such as this tweet from the ESFA Twitter account on 22 April:

“We have been informed some parents have received a letter from the ESFA asking for personal learner bank details in relation to the 16-19 Bursary. We never ask for personal bank account details. This is a fraudulent letter – please do not respond.”

A key operational risk affecting the continuation of internal audit for some academies is that accountancy staff working for the organisations who carry out the internal audit function have been furloughed, meaning it is impossible for timetables to be adhered to and therefore extending delays.

During the COVID-19 pandemic crisis we have seen schools and colleges face increased exposure to financial risk due to a reduction in income generation opportunities, such as lettings, and in-house services, such as catering. There are support packages available, however, we recognise the guidance around some of these areas is changing and may be altered further.

The role of internal audit is to provide independent assurance and consultation. Its purpose is to understand the financial risks but must also understand the wider aspect of the academy trust to support improvements. The AFH 2019 describes internal scrutiny as *“the need for academy trusts to conduct checks to ensure systems are effective and compliant”*.

Section 4: New ways of working

The impact of Covid-19 is likely to require your internal auditor to revisit the planned risk assessment, which will also impact on the proposed response to identified risks. The planned approach to internal audit may have anticipated obtaining audit evidence about internal controls, which, due to current distancing measures, the auditor may not be able to obtain due to a lack of audit staff or a lack of access to information, systems or personnel. In these circumstances, the internal auditor will need to consider whether alternative work is necessary and what alternative procedures can be safely carried out to obtain appropriate and sufficient evidence to support their opinion and inform their recommendations.

Internal auditors will need to agree with audit committees as to how to communicate with them and ensure sufficient time is set aside for a comprehensive, complete and informed communication with the internal auditor.

It is highly unlikely that a physical meeting with key trust staff and/or audit committee will be possible and therefore internal auditors will need to use alternative mediums to communicate their report. It is essential to provide enough time for this to allow an informed and comprehensive understanding of the information provided.

The internal auditor must be satisfied they have obtained sufficient and appropriate audit evidence of substantive and controlled tests to support their report. Due to the current restrictions on travel and movement, this is likely to mean this cannot be carried out as planned on site; internal auditors may need to adjust their methodology, for example, increasing use of technology and/or digital information. In modifying their approach, internal auditors will also need to understand how academies have changed their operational approaches and control measures, and how this has impacted on the evidence they are able to access. This may include modified processes and procedures i.e. changing approval processes; implementing new risk-based approaches; and revising the risk register. These are examples, but not a comprehensive list; it is vital that measures are considered within your specific context.

Section 5: Guidance from the Chartered Institute of Internal Auditors

The Chartered Institute of Internal Auditors has produced various COVID-19 guidance, including advice on [IA at a distance: conducting audit engagements remotely](#), which is available for non-members to access. The article states that carrying out remote internal audit “*imposes new ways of working – and thinking*”. They recommend three elements essential for success: communication skills, auditing tools, and basic auditing principles. These are no different to traditional effective internal audit processes, but they may need to be adjusted to ensure they are as effective when used in a remote situation. The article explores the three areas mentioned in more detail.

Section 6: Examples of practice

- Providing auditors with secure, remote view-only access to finance and accounting systems.
- Scheduling virtual meetings between the internal auditor and key personnel, revising the planned audit timetable to allow for an alternative approach.
- Providing the internal auditor with evidence to support changes made to processes and procedures, including copies of documents, as and when they are approved and keeping them informed of fundamental changes.
- Reviewing and updating key control documents i.e. the trusts' risk register, finance manual, scheme of delegation and risk assessments.
- Keeping the audit committee informed of changes to the approach and timeline.

Section 7: Views from internal auditors

Redrambler Ltd

ASCL Consultant and internal auditor, Jackie Byrne, from Redrambler Limited, who has been reviewing their company's audit programme, has concluded they are able to continue remotely using a combination of virtual meetings and evidence provided electronically. They are updating their GDPR information to reflect the new way of working. The academies they contacted were positive about this approach but advised some areas may be more difficult to complete than others remotely; this will depend on the systems and processes in place. Their evaluation was that everything should be possible to complete and was an opportune time for academies and trust audit committees to develop and shape their plans for internal scrutiny, crisis management and emergency planning in the future.

Cooper Parry

ASCL premier partner Cooper Parry, also agrees with the evaluation that most internal audit testing is still possible. Cooper Parry changed their audit strategy in 2018 to embrace technology to complete the more functional aspects of their audit testing away from the school site. This has reduced the impact of COVID-19 to both them and the schools they work with.

The biggest change has been to increase the use of functions available within Microsoft Teams to hold virtual meetings that allows digital information to be shared with members of the school finance team and also to present the final report to trustees in a timely manner.

Hayley Dunn, ASCL Business Leadership Specialist

May 2020