

**AUDIT COMMITTEE
ANNUAL REPORT TO GOVERNING BODY
ACADEMIC YEAR 2019 – 2020**

1. This report covers the work of the Audit Committee for the academic year, 1st August 2019 to 31st July 2020.
2. The membership of the committee and attendance at scheduled meetings was:

Mr N Sheta, Foundation Governor, Chair (elected November 2018)	3 meetings	100%
Mr Richard Vianello, Foundation Governor, Vice Chair (elected November 2018)	3 meetings	100%
Mr Somayina Ebele, Foundation Governor	2 meetings	66%
Mrs Bernadette Meier, Foundation Governor	2 meetings	66%

The Principal, Mrs S Flannery; the Senior Business Manager, Mrs S Plumb and the Head of Finance, Mrs M Searle, attended each meeting at the standing request of the committee. The Internal Audit Service (IAS) attended each meeting. All meetings were clerked by Mrs E Lewis, the Clerk to the Governors.

3. Each agenda included a standing item for the committee to have confidential time in-camera with Auditors. This was not taken up during the year.

The committee monitored its own effectiveness following the summer term meeting using an online survey questionnaire and agreed / strongly agreed that the membership had an appropriately full range of knowledge and expertise to exercise its duties during the year with a good understanding of the role of audit and auditors and risk management competence / confidence. There was agreement / strong agreement that attendance at meetings had been of an adequate level for the committee to make decisions and provide assurance to the Governing Body on internal control; risk management; audit arrangements and governance processes. It was agreed / strongly agreed that members had been willing and able to challenge and seek clarification from auditors or management where necessary.

Terms of reference updated in May 2020 were confirmed to be appropriate and there was unanimous strong agreement that meetings had been scheduled and agendas ordered to meet the cycle of business of the committee and deliver effective and timely reporting to the Governing Body. The committee discharges its responsibilities independently with access to the Clerk and auditors for advice.

Meetings were held on the following dates in the year:

- 19th November 2019 – partly in joint session with the F&R¹ Committee
- 3rd March 2020
- 5th May 2020

¹ Governors' Finance & Resources Committee

Each meeting was quorate.

Draft minutes of each meeting were included in the papers for the termly meetings of the full Governing Body to support the oral report given to the Board by the Chair of the committee. Draft minutes, once agreed with the Chair, were posted on the "Minutes and Agendas" tab of the Governing Body section of the College website.

4. The committee's terms of reference underwent a routine review in March 2020 with due regard for the "Post 16 Audit Code of Practice 2018 to 2019" (published February 2019) and the revised version was approved by the full Governing Body on 17th March 2020. The next scheduled review will be in the spring term 2022. (Terms of reference are posted on the College/Governing Body Documents tab of the Governing Body section of the college website.)

5. **Audit Providers:**

- 5.1. **Internal Audit Service (IAS):** The Internal Audit Service was provided by RSM UK (RSM Risk Assurance Services LLP). The service had been first appointed in August 2002 – the firm has been through a number of ownership changes during the period of engagement.

With the agreement of the full Governing Body, the contract for IAS has been renewed on a year by year basis subject to satisfactory annual performance review since 1st August 2012 to undertake value for money cyclical *agreed upon procedures* assignments detailed in an annual plan commissioned by the Audit Committee in consultation with college managers. The most recent engagement letter, dated 2nd April 2020, was signed on 5th May 2020, following a satisfactory review of performance in March 2020.

The 9½ day audit strategy for 2019 – 2020 was agreed with the full Governing Body on 3rd July 2019 for a total fee of £5,766 (excl VAT).

Heading the Internal Audit Service for the College during the year was Mr Mike Cheetham. The Client Manager was Ms Lorna Raynes.

- 5.2. **Financial Statements & Regularity Auditors** The financial statements and regularity auditors are Buzzacott LLP appointed in May 2004; formally re-engaged in May 2009 and July 2014 and appointed annually since following satisfactory performance review.

The most recent letter of engagement between the College and Buzzacott was *signed by Mr Sheta on 17th November 2020.*

The External Audit Strategy plan setting out the arrangements and services to be provided for the Regularity, Financial Statements and Teachers Pensions Scheme audits of the year ending 31st July 2019 was agreed with the full Governing Body on 3rd July for a total fee of £18,290 (excluding VAT) for audit and reporting. Included in that fee was the audit and report of the Trading Subsidiary's accounts (£1,310).

6. **Internal Audit:**

Since the mandatory requirement for Internal Audit and submission of the FMCE was lifted in 2012, the Audit Committee has kept the extent of continued engagement with an independent Internal Audit Service (IAS) under risk-based review. The Audit Committee continues to advise the Governing Body that this approach to scoping "agreed upon procedures" audit assignments against the risk register, Board Assurance Framework (BAF) and strategic aims of the college delivers a level of independent review

that provides a value-for-money assurance. The committee continues to advise the Governing Body that this does not provide a formal annual audit opinion from the IAS that would accord with International Professional Practices Framework (IPPF).

The Internal Audit Strategy and Plan for 2019 – 20 commissioned by the committee reflected the context of the College’s strategic objectives and risk management systems including the Board Assurance Framework (BAF) and took into account recommendations from college managers. The committee is of the opinion that the resources and expertise of the audit firm field work and reports provide comfortable assurance for governors that internal control systems are robust and key risks are adequately mitigated.

The IAS undertook the “agreed upon procedures” audit assignment review of the Bursary Fund and the Learner Number Systems in a site visit in January 2020 in accordance with the agreed scope. The system objective of the Bursary Fund review was to ensure that the college had completed the appropriate checks to ensure that only students who are entitled to a bursary payment are in receipt of this. The assignment work raised one medium priority management action which has been implemented. The system objective of the Learner Number Systems review was to ensure that learner numbers’ data is complete, accurate and complies with relevant funding guidance. The assignment work raised one low priority management action which has been implemented. The written report on this audit assignment was presented to the audit committee in March 2020.

RSM’s report “Annual Summary of Assignments Completed” dated April 2020 was presented to the Audit Committee on 17th November 2020 and will be shared with the full Governing Body on 3rd December 2020. The committee tracks and monitors responses and action via the internal audit action report presented to them by college managers at each meeting.

The Audit Committee exercises oversight of the BAF. It is mapped to the risk register and matches the College’s strategic objectives and risk management framework to all strands of assurance that are currently operating – both internal and independent. This assurance framework is formally reviewed for effectiveness by the Audit Committee at its spring term meeting each year and, at the direction of the committee, includes dates and detail about / evidence of the assurances being given. The engagement of all governors in the identification, ranking and mitigation of risks is generated by a standing question on the agenda of the F&R and CSQ committees. Feedback flows to the audit committee where assurance is lacking or new risks are identified.

The committee members receive copies of publications by RSM to inform their background understanding of current and emerging issues in the sector.

The Committee undertook a formal review of the performance of RSM UK in March 2020 which confirmed overall satisfaction with all aspects of their work. A copy of the completed review was provided to the Head of the IAS. Continued appointment was subsequently recommended and formally agreed by the governing body.

7. Financial Statements “External” Audit:

The committee received the Audited Report and Financial Statements and Post-Audit Management Report for the year ended July 31st 2020 (including SFX Corporate Services Limited) at its meeting on 17th November 2020 – in joint session with the Finance & Resources Committee and in the presence of the Principal; the Senior Business Manager

and the Head of Finance. (In addition, an Associate Principal, Mr Graham, was present as an observer). The Regularity Audit final opinion for the same period had been incorporated in a single management report.

The committee had reviewed, via email, the ESFA Regularity Self-Assessment Questionnaire prior to it being signed by the Chair of Governors and Accounting Officer. The committee also received a completed FMCE² completed by college managers and reflected on the Board Assurance Framework when reviewing the audit reports. The committee considered the accuracy of the wording, the presentation and the recommendations set out in the management report presented by the Financial Statements Audit Partner. The Audit Committee (in conjunction with the Finance & Resources Committee "F&RC") is satisfied that the required processes have been diligently completed in the audit of the accounts.

The Audit Committee will, with due regard to the close scrutiny of the financial position of the college by the F&RC, recommend acceptance of the Financial Statements and Regularity Audits and the associated post-audit Management Report to the full Governing Body at its meeting on 3rd December 2020.

The Audit committee assessed the work of the Financial Statements Auditors in March 2020 in respect of their audit work for the financial year ended 31st July 2019 using a questionnaire which was originally based on the model Performance Indicators in the *Guidance to the Interim Audit Code of Practice*. The review confirmed overall satisfaction with the work of the firm. This informed its decision to recommend the continued appointment of Buzzacott LLP incumbent Financial Statements and Regularity Auditors to the full Governing Body on 17th March 2020. The Audit Committee considers the relationship between staff of Buzzacott and the college team to be appropriate and professional. A copy of the completed review was provided to the Audit Partner. The committee is aware of additional costs to the college in regard to audit of the trading subsidiary's accounts as noted in 5.2 above.

Mrs Catherine Biscoe / Mr David Wallis, Manager, Buzzacott LLP attended the relevant part of the Audit Committee meeting in November 2019 (held in joint session with the F&RC) to present the financial and regularity audit reports. In preparation, Mrs C Biscoe, Partner, had briefed the committee in May 2020 by presenting the audit strategy for the financial year ending July 2020.

8. **Risk Management:**

The Audit Committee monitors the risk management process. The full risk register was overhauled for, and scrutinised at, each meeting as a standing agenda item. The committee's understanding of the register and ranking of risks was informed by a detailed oral report on the top ten key active risks given by the Principal and the Senior Business Manager (who co-ordinates the updating of the register). The Risk Management Policy is reviewed with each revision of the register. The committee has a governor member with expertise in the field of risk management and assurance.

9. **Conclusion:**

No matters have been drawn to the Audit Committee's attention during the period covered by this report which indicate that the Governing Body of St Francis Xavier 6th Form College is unable to rely on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, counter-fraud and securing value for money. The committee is therefore unaware of any reason why the governing body's responsibilities, included in

² Financial Management Control Evaluation (SFCA)

the annual financial statements, have not been satisfactorily discharged in all material respects.

Signed: 

Date: 17th November 2020

Nader Sheta
Chair, Audit Committee