

**AUDIT COMMITTEE
ANNUAL REPORT TO GOVERNING BODY
ACADEMIC YEAR 2021 – 2022**

1. This report covers the work of the Audit Committee for the academic year, 1st August 2021 to 31st July 2022.
2. The membership of the committee and attendance at scheduled meetings was:

Mr Richard Vianello, Foundation Governor, Chair (elected November 2020)	2 meetings	75%
Mr Somayina Ebele, Foundation Governor, Vice Chair (elected November 2020)	3 meetings	100%
Mrs Bernadette Meier, Foundation Governor	2 meetings	75%
Mr Dave Navarro, Foundation Governor	2 meetings	75%

The Principal, Mr G Thompson and the Director of Finance & Resources, Mrs M Searle, attended each meeting at the standing request of the committee. The Internal Audit Service (IAS) attended the November and March meetings. All meetings were clerked by Mrs E Lewis, the Clerk to the Governors.

The committee acknowledges the service and commitment of the chair of the committee, Mr Richard Vianello who stepped down as a foundation governor at the end of his term of office on 27th October 2022.

3. Each agenda included a standing item for the committee to have confidential time in-camera with Auditors. The committee was in unanimous agreement that this was not required.

The committee reviewed its own effectiveness following the summer term (2022) meeting using an online survey questionnaire which confirmed that the membership had an appropriately full range of the knowledge and expertise required to exercise its duties and good stewardship during the year within appropriate and up to date terms of reference. Members had been willing to make robust challenge of auditors and management as required. Meetings had been held remotely following on from the experience of doing so during the pandemic and were considered to have been effective with an average 83% attendance over the year. Therefore, decision making and providing assurance to the Governing Body on internal control; risk management; audit arrangements and governance processes was robust. Meetings had been scheduled and agendas ordered to meet the cycle of business and deliver effective and timely reporting to the Governing Body.

Whilst the committee benefits from reporting in person by invitation of the Principal and Head of Finance, it discharges its responsibilities independently with access to the Clerk and auditors for advice.

Three meetings were held in the year, one per term:

16th November 2021 – partly in joint session with the F&R¹ Committee

1st March 2022

17th May 2022

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 2022. The next scheduled review will be in the spring term 2024. (Terms of reference are posted on the College/Governing Body Documents tab of the Governing Body section of the college website.) The committee was advised of key changes in the Post-16 Audit Code of Practice (ACoP) published in March 2021 and the update in May 2022.

5. **Training and Development:**

Members had access to Webinar training provided by SFCA² / AoC³ / ETF⁴ including Audit, and Finance & Funding.

6. **Audit Providers:**

6.1. **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, for the year commencing 1st August 2020, was signed on 5th May 2020. The committee has undertaken annual performance reviews which have confirmed overall satisfaction with the service provided by RSM.

In February 2022 RSM confirmed a decision to disengage and no longer provide an internal audit service to the College from 2022 – 2023.

The 14½ day *agreed upon procedures* audit strategy for 2021 – 2022 was agreed with the full Governing Body on 9th December 2021 at the recommendation of the committee at a daily fee rate of £645 (excl VAT) (total £9,352.50 excl VAT).

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

- 6.2. **Financial Statements & Regularity Auditors:** The External (financial statements and regularity assurance) 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 committee has attended to the requirement, introduced through the 2021 ACoP, to have a re-tender policy⁵ of at least every five

¹ Governors’ Finance & Resources Committee

² Sixth Form Colleges Association

³ Association of Colleges

⁴ Education Training Foundation

⁵ Incorporated in the College Financial Regulations, (current version 2021 – 2022)

years in place and undertook, with the support of Mrs Searle, a formal re-tendering process for external audit services in the spring of 2022. Buzzacott were successful in their bid and were duly re-engaged by unanimous decision of the committee. The contract would be re-tendered within five years (no later than spring 2027), subject to annual review of performance.

The most recent letter of engagement between the College and Buzzacott was signed by Mr Vianello, as Chair of Audit Committee on 18th November 2021. A new letter was accepted by the committee on 15th November 2022.

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 2021 had been accepted by the committee for a total indicative fee of £20,450 (excluding VAT) for audit and reporting. Included in that fee was the audit and report of the Trading Subsidiary's accounts (£1,400).

7. 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 2021 – 2022 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 provided an independent assurance for management and governors that risk management and internal control arrangements are effectively and efficiently designed and operated.

The two IAS "agreed upon procedures" audit assignments for 2021 – 22 were a compliance test of the Learner Number Systems and a critical assessment of the capacity of the IT infrastructure for secure remote working, information security and operational resilience. The findings of the Learner Number Systems review were discussed and accepted by the committee on 17th May 2022, supported by a written report which was shared with the Governing Body on 5th July 2022. Two (one low and one medium) recommendations were raised with regard to non-compliance with funding rules and action by management is being tracked.

The IT infrastructure assignment and subsequent report were delayed and eventually delivered after disengagement with RSM. The committee accepted the report at its meeting on 15th November 2022, noted that there were four low and four medium management points arising for action and agreed that overall it was good, identifying no high risks and providing reasonable assurance.

The committee tracks and monitors responses and action via a written internal audit action report presented to them by college managers at each meeting

RSM have not provided an “Annual Summary of Assignments Completed” for 2021 - 2022.

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 key new risks are identified.

The committee members receive and value 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 May 2022 which confirmed overall satisfaction with all aspects of their work whilst noting the outstanding assignment report.

The committee advised the governing body of the disengagement with RSM as IAS on 5th July 2022. The strategy for 2022 -2023 onwards would be consideration by the committee, at each meeting, by assessment of the present and emerging risks, of whether the level of assurance that governors need can be gained sufficiently from internal procedures and the BAF. The budget for internal audit fees would be preserved to fund the commissioning of specialist, best value, reviews as and when required if the existing risk mitigating assurances need further reinforcement. The budget for IAS would be preserved. The committee expects to commission an external review of learner numbers annually and will consider the scope of that assignment and where to source an expert to undertake it. Collaboration with other colleges for internal audit would also be explored along with the view of the External Audit engagement partner.

8. Financial Statements “External” Audit:

The committee received, directly from the external auditors, the audited Report and Financial Statements and the findings of the audit set out in a Post-audit Management Report for the year ended July 31st 2022 (including SFX Corporate Services Limited) on 15th November 2022 – at a meeting of the full Governing Body attended by the Accounting Officer (Principal), and the Director of Finance and Resources, which incorporated a joint session with the Finance & Resources Committee. (In addition, an Associate Principal, Mr Graham, was present as an observer). The Regularity assurance final opinion for the same period had been incorporated in the Post-audit Management Report. The reports were clean.

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 had reflected on the Board Assurance Framework (summer 2022) when reviewing the external audit reports. An FMCE⁶ questionnaire completed by college managers was included in the papers for the meeting of the full Governing Body to provide additional assurance.

The committee considered the accuracy of the wording, the presentation and the recommendations set out in the management report presented by the External Audit

⁶ Financial Management Control Evaluation (SFCA)

Engagement Partner. The Audit Committee (in conjunction with the Finance & Resources Committee "F&RC") was satisfied that the required processes had 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, make a formal recommendation that the Financial Statements in their final agreed version are signed and the associated post-audit Management Report accepted by the full Governing Body at its meeting on 8th December 2022.

The Audit committee assessed the work of the Financial Statements ("External") Auditors in March 2022 in respect of their audit work for the financial year ended 31st July 2021 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 review of performance was completed prior to the decision to recommend the re-appointment of Buzzacott LLP as External Auditors to the full Governing Body on 22nd March 2022. The Audit Committee considers the tendering process leading to the re-appointment to have been rigorous. A copy of the completed review was provided to the Audit Engagement Partner.

The committee is aware of additional costs to the college in regard to auditing of the trading subsidiary's accounts as noted in 5.2 above.

Mrs Catherine Biscoe, Engagement Partner Buzzacott LLP attended the meeting of the full Governing Body meeting on 15th November 2022 (to comply with the requirement in para 60 of the ACoP) to present the findings of the financial and regularity audit reports. In preparation, Mrs Biscoe, had briefed the committee in May 2022 by presenting the audit strategy for the financial year ending July 2022. The committee is alert to the need to regularly commission work to provide assurance over the funds earned by the college.

9. 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. Its presentation was streamlined during 2021 – 2022 to focus more effectively on the top ten risks. 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. The Risk Management Policy is reviewed with each revision of the register. The committee has a governor member with relevant experience in the field of risk management and assurance.

10. Counter-Fraud:

The committee is committed to fostering an anti-fraud culture in the college and monitors the effectiveness of anti-fraud and whistleblowing policies and processes in place through the risk register and reporting by the Principal and Director of Finance and Resources. A "Fraud Champion" who is a staff member is in place to help raise awareness and accessibility. There has been an improvement in supporting staff to feel confident and well-informed about college procedures so that they understand what course to follow should they spot fraudulent activity or behaviour.

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

Signed: _____



Somayina Ebele
Chair, Audit Committee

Date: _____

08/12/2022