

**AUDIT COMMITTEE
ANNUAL REPORT TO GOVERNING BODY
ACADEMIC YEAR 2018 – 19**

1. This report covers the work of the Audit Committee for the academic year, 1st August 2018 to 31st July 2019.

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 (joined committee 5 th March 2019)	2 meetings	100%

The Principal, Mrs S Flannery; Strategic Director of Financial and Physical Resources, Mr A Taylor and 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.

1. 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 as an agenda item at the spring and summer meetings and was satisfied that the membership had an appropriate range of skills and experience to scrutinise reports, monitor internal controls, risk, assurance procedures and make robust challenge to management and auditors. The committee is satisfied that agendas, attendance at meetings, and minutes confirm the effectiveness of the committee and independent discharge of the responsibility of the committee.

3. Meetings were held on the following dates:
22nd November 2018 – partly in joint session with the F&R¹ Committee
5th March 2019
7th May 2019

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 May 2018 taking into account the “Post 16 Audit Code of Practice 2017 to 2018” (published March 2018) and the updated version was approved by the full Governing Body on 10th July 2018. The

¹ Governors’ Finance & Resources Committee

next scheduled review will fall due in May (ie summer term meeting) 2020. (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 audit and specific assignments detailed in an annual plan commissioned by the Audit Committee in consultation with college managers. The most recent engagement letter was signed in November 2017 as reported to the full governing body, on 14th December 2017.

The audit strategy for 2018 – 19 was agreed with the full Governing Body on 10th July 2018.

Head of the Internal Audit Service for the College during the year was Mr Mike Cheetham. The Client Managers were Mr Tim Lo and Ms Lorna Raynes.

Total remuneration paid to RSM UK for 2017 – 18 was £6,296.40 incl VAT.

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. The fee for the college financial statements, regularity and TPA audits of the year ending July 2018 (undertaken and paid in 2018 – 19) was £14,580, excluding VAT (£17,496 incl VAT). The fee for the financial statements audit of the subsidiary trading company, SFX Corporate Ltd was £1,280 excluding VAT (£1,536 incl VAT). The fee for Tax Computation was £1,965 excluding VAT (£2,358 incl VAT). Total fees paid were £17,825 (£21,390 incl VAT). The most recent letter of engagement between the College and Buzzacott was signed by Mr Sheta on 22nd November 2018.

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 review. The Audit Committee continues to advise the Governing Body that this approach to scoping audit assignments against the risk register and strategic aims of the college delivers a level of independent review that provides a value-for-money assurance but does not provide a formal annual audit opinion from the IAS that would accord with Public Sector Internal Audit Standards.

The Internal Audit Strategy and Plan for 2018 – 19 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 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 Key Financial Controls in a site visit in January 2019 in accordance with the agreed strategy

and annual plan. The assignment work tested a broad selection of key financial controls covering General ledger; Cash, bank and treasury management; Procurement and payments; Payroll and Fixed assets reviewing the operation of these for the period August 2018 – January 2019. The written report on this audit assignment was presented to the audit committee in March 2019. No management actions arose from the review.

It was agreed with the committee, and recorded in the college Internal Audit Action Reports, that a second auditable area included in the plan for 2018 - 2019 – a review of the HR College Handbook and policies and procedures – would be delivered in the summer of 2019 with support from RSM. A final report on that advisory work was presented to the committee on 19th November 2019. No critical weaknesses were identified.

RSM's report "Annual Summary of Assignments Completed" dated November 2019 was presented to the Audit Committee on 19th November 2019 and will be shared with the full Governing Body on 5th December 2019. The committee monitors responses and action via the internal audit action report produced for them by college managers.

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 provided – 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.

Mr Sheta attended a full day workshop on Board Assurance provided by RSM in June 2019. 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 review of the performance of RSM UK in March 2019 which confirmed overall satisfaction with all aspects of their work. 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 2019 (including SFX Corporate Services Limited) at its meeting on 19th November 2019 – 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 the Associate Principals were present as observers). 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 &

² Financial Management Control Evaluation (SFCA)

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 Board at its meeting on 5th December 2019.

The Audit committee assessed the work of the Financial Statements Auditors in March 2019 in respect of their audit work for the financial year ended 31st July 2018 using an adaptation of 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 19th March 2019. The Audit Committee considers the relationship between staff of Buzzacott and the college team to be appropriate and professional. 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.

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, Mr K Mistry, Audit Manager, had briefed the committee in May 2019 with the audit strategy for the financial year ending July 2019.

8. Risk Management:

The Audit Committee monitors the risk management process. The full risk register is overhauled for and scrutinised at each meeting as an 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 Strategic Director of Financial and Physical Resources. 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, 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: _____



Nader Sheta
Chair, Audit Committee

Date: _____

05/12/19