

**AUDIT COMMITTEE
ANNUAL REPORT TO GOVERNING BODY
ACADEMIC YEAR 2017 – 18**

1. This report covers the work of the Audit Committee for the academic year, 1st August 2017 to 31st July 2018.
2. The membership of the committee and attendance at timetabled meetings was:

Mr N Sheta, Foundation Governor, Chair (elected November 2016)	2 meetings	66%
Mr Richard Vianello, Foundation Governor, Vice Chair (elected November 2016)	3 meetings	100%
Mrs Simona Spazzini, Foundation Governor	3 meetings	100%
Mr S Ebele, Foundation Governor (joined March 2018)	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 its membership has an appropriate range of skills and experience to scrutinise reports, monitor internal controls, risk, assurance procedures and make robust challenge to management and auditors. It considers agendas, attendance at meetings, and minutes confirm the effectiveness of the committee.

3. Meetings were held on the following dates:
 - 21st November 2017 – partly in joint session with the F&R¹ Committee
 - 6th March 2018
 - 8th May 2018

Each meeting was quorate.

Either draft minutes or a written summary of the business of the meetings was appended to the agenda of 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 Governors information page 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 Governors' information page of the college website.)

5. Audit Providers:

5.1. Internal Audit Service (IAS): The Internal Audit Service is 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. An updated engagement letter was signed in November 2017 as reported to the full governing body, on 14th December 2017.

The audit strategy for 2017 – 18 was agreed as a working plan with the full Governing Body on 10th July 2017 and confirmed and approved on 14th December 2017.

Head of the Internal Audit Service for the College during the year was Mr Mike Cheetham. The Client Manager was Mr Tim Lo.

Total remuneration made to RSM UK for 2016 – 17 was £6,936 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 total fee for the college financial statements, regularity and TPA audits of the year ending July 2017 (undertaken and paid in 2017 – 18) was £13,925, excluding VAT (£16,710 incl VAT). The fee for the financial statements audit of the subsidiary trading company, SFX Corporate Ltd was £3,175 excluding VAT (£3,810 incl VAT).

The most recent letter of engagement between the College and Buzzacott was signed by Mr Sheta on 22nd November 2018 at the meeting of the Audit Committee replacing the previous version signed on 21st November 2017.

6. Internal Audit:

Since the mandatory requirement for Internal Audit and submission of the FMCE was lifted in 2012, the Audit Committee has examined annually the need for continued engagement with an independent Internal Audit Service (IAS). 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 notwithstanding that it does not deliver a formal annual audit opinion from the IAS that would accord with Public Sector Internal Audit Standards.

The Internal Audit Strategy and Plan for 2017 – 18 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 and the impact of the introduction of the General Data Protection Regulation (GDPR) in May 2018. The committee is of the opinion that the resources and expertise of the audit firm boost assurance for governors that internal control systems are robust and risks adequately mitigated.

The IAS undertook the agreed audit assignments during visits in January and May 2018 in accordance with the agreed strategy and annual plan. The assignment work covered: Bursary Fund; Learner Number Systems and GDPR - Governance.

Outcomes of the 2017 - 2018 audit assignments and management responses had been reported in May 2018 and summarised in RSM's report "Annual Summary of Assignments Completed, 3 July 2018" which was included in papers for the full Governing Body meeting held on 10th July 2018. Two medium management actions had been reported arising from the LNS audit – the committee monitored response 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. During the year on the recommendation of the committee the BAF was extended to include more dates and detail about / evidence of the assurances being given. The commitment to developing this mechanism further through a greater involvement of governors in the identification, ranking and mitigation of risks is embedded on the agendas for each committee. Feedback flows to the audit committee where assurance is lacking or new risks are identified.

The Committee reviewed the performance of RSM UK in March 2018 when performance was confirmed to be satisfactory in all aspects and continued appointment was subsequently recommended.

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 2018 (including SFX Corporate Services Limited) at its meeting on 22nd November 2018 – in joint session with the Finance & Resources Committee and in the presence of the Principal; Director of Financial & Physical Resources and the Head of Finance. The Regularity Audit final opinion for the same period had been included in a single management report. The committee also received the completed voluntary FMCE² 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 Board at its meeting on 6th December 2018.

The Audit committee again used an adaptation of the model Performance Indicators in the *Guidance to the Interim Audit Code of Practice* to assess the work of the Financial Statements Auditors on the audit work relating to year ended 31st July 2017. This informed its decision to recommend the continued appointment of Buzzacott LLP incumbent Financial Statements and Regularity Auditors to the full Board on 21st March 2018. The Audit Committee considers the relationship between staff of Buzzacott and the college team to be professional and is satisfied with the work of the firm. The

² Financial Management Control Evaluation (SFCA)

committee is aware of additional costs to the college in regard to audit of the trading subsidiary's accounts.

Mrs David Wallis, Audit Manager, Buzzacott attended the relevant part of the Audit Committee meeting in November 2018 (held in joint session with the F&RC) to present the financial and regularity audit reports. In preparation, Mr Wallis met with the committee in May 2018 to outline the audit plan for the financial year ending July 2018.

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 is 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 is benefitting from the expertise of a new member 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: _____

06/12/18