

**Imperial College Union  
Board of Trustees / 24 February 2021**

**Audit Update & Retender**

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Purpose: This paper provides a summary of the current status of the 2019/20 statutory audit and proposes a retender exercise for audit services from 2020/21 onwards.

Decisions(s): To note the current status of the 2019/20 statutory audit.  
To approve the retender of audit services from 2020/21 onwards.

### **1. Context**

ICU has been audited by Crowe (formerly Crowe Clark Whitehill LLP) since 2016/17. Ordinarily, the accounts would be signed off in the autumn term the following year and, despite Covid-19 and the changes to the finance team and leadership, ICU were in a position for this to be the case for the 2019/20 accounts.

After the accounts were presented to the Trustee Board on 18 November 2020, Crowe reported that they would not be able to sign off the accounts due to additional work they wanted completing regarding the 'intercompany' balance outstanding between ICU and the College. This has resulted in a delay to the completion of the audit and further issues being identified.

### **2. Intercompany Balance**

This issue was highlighted at the very end of the audit work, as a result of Crowe being unable to obtain customer/supplier statements from the College to match ICU records. This has led to a considerable amount of work undertaken to reconcile the outstanding amounts on our ledgers and tidy up some very old balances which contributed to the discrepancy.

This work was concluded to satisfy Crowe's requirement for the 2019/20 audit. It resulted in a c£20k misstatement being identified, however given this was below the materiality threshold for the audit Crowe were happy to sign off the account without amendment.

It is worth noting that this has not resolved every single invoice on the 'intercompany' account, but has dealt with enough to satisfy the auditor. More work is required to fully reconcile the account. It is also important to highlight that whilst this is referred to as such, it is no longer an 'intercompany' account because ICU accounts are not consolidated by Imperial College. Terminology and process will be reviewed.

### **3. Additional Issues**

Whilst the work was being undertaken to resolve the above, it was discovered that there was a significant number of balances held on the balance sheet for imprests. This is a facility which advances CSP funds to members to make purchases and then submit receipts/unspent funds.

At the 2019/20-year end, there was a total balance outstanding of £146,866. This was cash that had been advanced to CSPs but for which we had not accounted for any expenditure, suggesting a potentially material misstatement in the statutory accounts if this amount had been spend on goods and services in the year.

The imprest process has immediately been reviewed and is temporarily suspended which this takes place. Initial analysis suggests that we already have received receipts for c90% of the balance, but the detail is still being worked through and outstanding receipts are being chased up with members who received imprests.

Whilst there are likely internal process failures that have caused this issue, it is very disappointing that this was not picked up during the audit (or in previous years, where balances totaled £111k in 18/19 and £57k in 17/18). When this was raised with the Crowe partner, no rationale was offered for why this was not picked up by their audit work.

There is also a balance of 'unknown receipts' which generally relates to funds received on behalf of student groups, but where inadequate information has been known to accurately allocate these. A piece of work is ongoing to work through these and gather appropriate supporting evidence to correctly allocate them.

#### **4. Current Status of 2019/20 Accounts**

Until the imprest issue is fully investigated, it is not possible for the auditor to sign off the accounts. We are working hard to resolve this to ensure that the accounts are free from material error and as accurate as possible. In order to do this the following will take place:

- Imprest balances will be reviewed and all received receipts processed
- Members with outstanding imprests will be contacted and asked to provide receipts/proof of returned funds
- Remaining imprest balances will be reviewed for impairment

Given that this will require a revised set of accounts to be drafted, it gives us the opportunity to also address the intercompany position:

- Errors identified on the intercompany accounts will be corrected
- The remaining old intercompany balances will be reviewed for impairment
- Where the correct recipients of 'unknown income' have been identified post-year end, this will be correctly recorded

This will result in a more accurate opening balance sheet for 2020/21 and should result in fewer issues to carry forward to the next audit.

#### **5. Future of ICU Audit Services**

Crowe's performance as auditor has been disappointing this year, and it is clear that they have not picked up on (or adequately tested) some areas of the balance sheet where material error potentially existed; their response when the above issues were raised with them left a lot to be desired and it raises the question as to whether there is sufficient trust in them to deliver effective audits going forward. It is good practice to retender for audit services every 3-5 years.

With this in mind, it is recommended that the Board:

- a) Formally writes to Crowe expressing their dissatisfaction with 2019/20 audit; and,
- b) Initiates a tender process for audit services, through the Finance & Risk Committee

An indicative timetable for an audit tender process:

5 March	Longlist of auditors drawn up
10 March	Potential auditors approached and invited to tender
w/c 22 March	Informal conversations with interested auditors
2 April	Submission deadline for tenders

w/c 5 April	Shortlist and invite to interview
w/c 19 April	Interviews
23 April	Tender panel decision/recommendation

It is recommended that the tender panel is made up of the following:

- Chair of Finance & Risk Committee (or nominee)
- An Officer Trustee
- College nominee (likely to be Tony Lawrence)
- At least one other Trustee

The panel will be supported by the Director of Finance & Resources, who will be responsible for the administration of the process.