

Proposal for the provision of external audit services to

Imperial College Union

April 2021

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Firm's details and relevant experience

Our wholly specialist team

Buzzacott is a top **20 accountancy firm**, based in the **City of London**. We have 40 partners and over 400 professional staff based in a **single office**, working across a number of niche areas. The firm is one of the leading firms of Chartered Accountants specialising in the charity and not for profit sector. Buzzacott's **Charity and Not-for-Profit Team is wholly specialist** – it consists only of professionals who have chosen to work exclusively with the not-for-profit sector, making it, we believe, unique among the larger accounting firms. This trait extends to our tax consultancy service whereby our Charity and Not-for-Profit Team have dedicated charity VAT and tax specialists sitting within our team, working with our not-for-profit clients.

We are also supported by an excellent team of **other specialists**, including company secretarial, HR consultancy, IT consultancy and financial planning. All of these teams are familiar with not-for-profit organisations and work with us from our single office in London.

The **Charity and Not-for-Profit team** has **nine partners and directors** and **over 100 staff** and undertakes a third of the firm's work. The size of the team allows sufficient opportunity to specialise whilst maintaining the close personal attention to clients' needs, which we believe is vital in this sector and a central reason why staff choose to leave bigger firms to join us. We **work with nearly 600 charities and not for-profit organisations**, across a number of sub-sectors, providing audit and advisory services.

A number of our clients hold clear similarities with the Union. In particular, we work with:

- **Higher Education organisations**, including those which:
 - have students' unions; and
 - undertake significant commercial and retail operations.
- **Over 130 other educational organisations (FE colleges and academies)** which provide a range of catering and sporting facilities.
- **Membership organisations** and **clubs and societies** representing, advising and advocating on behalf of their members as well as providing a host of activities to engage with.

Our commitment to the sector and pro-active approach to communication and support

Having an active engagement with the sector and remaining up-to-date on current issues and developments is essential to helping our clients. As a result of our specialism and reputation of working with not-for-profit sector organisations, we maintain a regular dialogue with bodies such as the Charity Commission, the Education and Skills Funding Agency and other regulators. We are also members of the Charity Finance Group, Charity Tax Group, Social Enterprise UK, and other sector bodies. We also have well established links with bodies engaged in developing professional standards and best practice – both in the auditing profession and the not-for-profit sector.

Our clients

We have included below a list of some of our existing education and not-for-profit clients to provide an indication of the range of our work in the sector:

<p>Student Unions and Higher Education</p> <p>UCLU (Students' Union UCL) Bishop Grosseteste University Students' Union Rambert School of Ballet RaveSU Rose Bruford College University College of Osteopaths</p>	<p>Other education charities</p> <p>Over 100 academy trusts including Academies Enterprise Trust, Ark Schools, Harris Federation and TKAT Over 30 FE colleges Council of Church Universities and Colleges Gresham College The Brilliant Club</p>	<p>Membership bodies and clubs</p> <p>Boodles' CBI Chartered Institute of Taxation Institute of Fundraising Institute of Directors Chatham House Royal Astronomical Society</p>
<p>Youth and community</p> <p>ARK UK Programmes Central YMCA Coram Family GFS Platform Young Foundation YouthNet Youth United Foundation</p>	<p>Advocacy and research</p> <p>International Refugee Trust Green Alliance Trust London First Social Care Institute for Excellence Institute for European Environmental Policy UK Green Building Council United Nations Association</p>	<p>Culture, heritage and the arts</p> <p>Graeae Theatre Clean Break Theatre Company Collections Trust Guildhall School Trust Foundling Museum Imperial War Museum Foundation Little Angel Theatre</p>
<p>Social enterprises</p> <p>Aquaterra Leisure Bounce Back Foundation Charlton Athletic Community Trust HCT Group Social Enterprise UK</p>	<p>Livery companies</p> <p>The Grocers' Company The Leathersellers' Company Worshipful Company of Carpenters Worshipful Company of Butchers The Mercers' Company</p>	<p>Other</p> <p>Butterfly Conservation Mayhew Animal Home Household Cavalry Museum Church House Daughters of the Cross</p>

Our audit approach

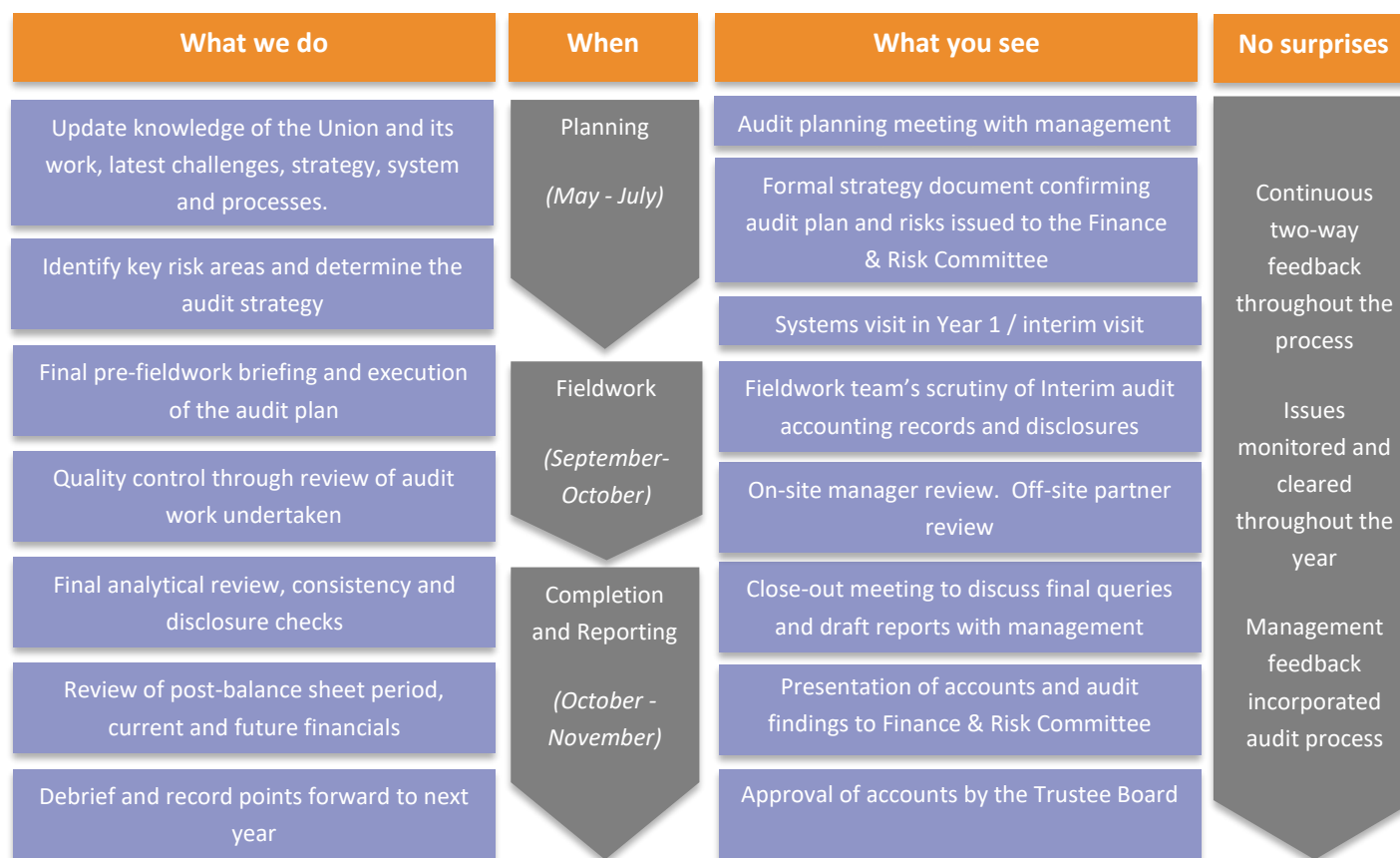
Overview of audit approach

The diagram below aims to provide a high-level overview of how we intend to approach the audit. Some of the specific aspects of our approach are commented on in further detail in the pages which follow.

Our approach to risk and materiality

We adopt a **risk based audit approach** and focus our work on areas that we consider to have a higher risk of having a material impact upon the financial statements. Our starting point for understanding the financial statements and the environment in which they are prepared is our assessment of the Union's future plans and commercial risks as well as the Union's systems and processes for key business areas. This leads to a specific understanding of where the risks of misstatement come from and how they are managed which, in turn, drives our proposed audit approach.

As part of our audit planning we set a **materiality level**, which, in conjunction with the assessed level of audit risk, is used to determine the nature and extent of our audit work. When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level, amongst other things.



Timetable

We have a proven record with all our clients of ensuring that all the necessary **deadlines** are met. At the planning stage we will agree our respective responsibilities and agree the timetable to ensure that reports are sent to you on time and that signed financial statements are returned to you promptly following the Trustee Board meeting.

Use of technology

We use an IT based audit approach, which includes **automated audit software**, enabling us to plan, customise and document each audit in a highly efficient manner. The cost efficiencies gained from this system is passed onto our clients via appropriately reduced audit fees.

In order that our audit work is sufficiently rigorous and robust to ensure adequate scrutiny of financial information and systems, we use **Computer Assisted Audit Techniques (CAATs)** using our Data Analytics software to interrogate and analyse the data on accounting and other database systems as part of our audit procedures.

To comply with the General Data Protection Regulation (GDPR) we use **Huddle**, which is a privately held cloud based software for **secure file sharing** between us and our clients.

Reporting to management

Following the completion of the audit fieldwork, we shall report our findings via our post audit report. This includes key audit issues, relevant sector developments, feedback on the audit process and provide recommendations about potential improvements.

Any recommendations on systems and processes as a result of our work will first be discussed with management to ensure they are practical and realistic and that the timescale for implementation is appropriate. The post audit report will only be issued to the Finance & Risk Committee following the clearance meeting and discussion of the points raised.

Regular communication

Regular communication is integral to getting the most value from the audit process and will help to ensure an efficient process from start to finish. We envisage the communication of our senior audit staff with ICU's management, Finance & Risk Committee and the Board to be as set out below:

	Planning	Fieldwork	Completion	Throughout the year
With Senior Management	During the year through regular meetings and telephone calls and at the audit planning meeting to identify key issues in the year.	Throughout the fieldwork, including during an on-site manager review, to discuss potential and actual adjustments, recommendations relating to systems and controls, and other matters arising.	At the post audit meeting and by e-mail and telephone: review of the draft accounts and agreement of any amendments; and discussion of any matters to be raised in the post audit management letter.	We will be on hand to take part in meetings or telephone calls throughout the year to act as a sounding board as issues arise, to stimulate useful discussion and to generate ideas for ways in which we can help the Union.
With the Finance & Risk Committee and Board	Through informal discussions (as required) and formally through the audit strategy document, which would set out the scope of our work, our assessment of risks, responsibilities, timetable and other matters agreed with senior management.	Through discussions with the Chair of the Finance & Risk Committee if deemed necessary and appropriate.	Through the post audit management letter. The Partner would also attend the meeting of the Finance & Risk Committee (and the Board if required) at which the post audit management letter is presented and the accounts are approved.	We will be on hand to take part in meetings or telephone calls throughout the year to act as a sounding board as issues arise, to stimulate useful discussion and to generate ideas for ways in which we can help the Union.

Key issues affecting the Imperial College Union

Our understanding of some of the key issues affecting the sector, and Imperial College Union in particular, is summarised below:

Your Challenge	Our response
<p>Change and new strategy</p> <p>ICU has undergone a period of significant transformation in the last couple of years following an internal review of activities and structure. Consequently a new strategy is currently being developed which includes a return on the focus of activities to student services and financially sustainable budget planning.</p> <p>As part of the change to activities as well as good governance, the Union is mindful of the need to consider VAT and tax implications and will seek to undertake detailed reviews in both areas. This also includes consideration of the arrangements for provision of services provided by Imperial College to the Union. The College provides a number of services to the Union and due to the financial value of these transactions, it is important that key aspects such as any VAT applicable and the basis for recharge are clear to ensure that risk has been appropriately managed.</p>	<p>We have supported our clients that have undergone a change programme in a number of ways including acting as a sound board and sharing our experience on best practice, and advising across a number of different areas such as VAT, tax, HR and IT consultancy.</p> <p>In year one of our engagement, we will invest time in understanding the planned changes as well as reviewing the organisational set up, systems and processes. Given the recent changes that have been implemented, this may provide the ICU with valuable feedback. We will share any observations and recommendations identified with you on a timely basis.</p> <p>Our Charity and Not for Profit Team has in-house charity VAT and tax specialists who are on hand to offer in depth advice to our clients on direct tax and VAT issues. Our VAT team has undertaken in depth reviews of many organisations' current VAT arrangements as well as advising on the VAT implications of planned activity. Their experience includes other student unions. The team focus not only on the optimum VAT result achievable but also on the most manageable approach in terms of complexity and administrative burdens.</p> <p>Details of other supplementary services that we have undertaken for our clients is set out on page 15.</p>

Your Challenge	Our response
<p>Control environment and internal controls</p> <p>Over the recent period, there has been turnover in senior key personnel at the Union. The priority now is to ensure that the control environment is properly in operation and monitored effectively and robust financial information is available to management and the Board.</p>	<p>We will, at no additional cost to your organisation and at a time convenient for your team, invest time ahead of the main audit to complete a detailed systems review in the first year of our appointment. This will enable us get a clear understanding of your operational processes, policies and the team setup as well as enable us to identify areas of additional risk inherent in your setup and plan our audit approach accordingly. Any findings/recommendations for improvement would be fed back to management ahead of our main fieldwork so any action could be taken on a timely basis.</p> <p>In the first year of engagement, where you will be transitioning to a new auditor, we will offer support through an early planning meeting where we can discuss the audit process with your team in detail so that we can manage your expectations for the audit process as well as our own.</p> <p>We are also available to support you throughout the year whilst being conscious of the need to retain our independence as auditors. To this end, we are available for informal dialogue throughout the year with your team for any queries you have, for example, around the accounting treatment for non-routine transactions, support with developing new processes, to connect you with another specialist within our firm, inform you of any relevant sector updates, etc.</p>

Your Challenge	Our response
<p>Governance</p> <p>The increased regulation in the charity sector and recent scandals has increased the spotlight on governance in charities.</p> <p>Given the rotational nature of officers' roles, it is important that the Union Board members have proper training and induction into their role and responsibilities so they can provide adequate and appropriate challenge and support to the organisation.</p>	<p>We run an annual programme of valuable seminars and workshops for trustees and management. This is a reflection of our commitment to supporting our clients in a challenging environment. Attendance at these seminars is free of charge to you.</p> <p>We repeat our seminars on 'Charity Accounts for Non-Accountants' and 'Trustee Training' workshops throughout the year as clients truly value the knowledge delivered at these events and they are often oversubscribed. Recent examples of other seminars and publication topics include:</p> <ul style="list-style-type: none"> ● VAT & tax for charities ● Safeguarding ● Improving security and avoiding fraud in the charity sector ● HR and employment issues for the not-for-profit sector ● Risk management and governance <p>If appointed, we would be happy to undertake annual trustee training for the newly appointed sabbatical officers to the Students' Union each year at no additional charge to you.</p> <p>In addition we can undertake bespoke training sessions tailored to your specific needs. Within the education sector, we have provided specific training on risk management and the board assurance framework, as well as reserves planning.</p> <p>We would relay all key changes in the sector to you through our meetings with management, sub-committees and the Board, and via published insights and sector developments.</p>

Your team

The following team has been selected for the Union's **audit** as each member has the technical skills and the experience to meet your requirements.

Engagement Partner

Shachi Blakemore BSc (Hons), ACA



Shachi will be the partner responsible for the audit opinion on the financial statements and for ensuring the excellence of delivery of services.

- Over 15 years' experience of not-for profit sector.
- Various non-executive roles with educational organisations. Currently Chair of Finance and Audit Committee at an Academy Trust in North London.
- Involved in training, presenting at Buzzacott seminars and bespoke sessions for trustees.
- **Clients include:** UCL Union, Metanoia Institute, City Literary Institute, Royal Institute of International Affairs.

Engagement Manager

Matthew Hrycaiczuk, BA (Hons), ACA



Matt will be responsible for co-ordinating and managing the audit team. Together with Shachi, he will be the main point of contact during the audit and throughout the year.

- Wide experience in the not-for-profit sector including the audit of Student Unions and educational organisations.
- As well as statutory audit, involved in provision of internal audit.
- Internally, involved in training workshops to staff.
- **Clients include:** Rose Bruford College, Gresham College, Chiltern Learning Trust, Women for Women International (UK)

Audit Supervisor

Alec James, BSc (Hons)



Alec will work alongside Shachi and Matt as an additional point of contact for the audit. He will be responsible for the supervision of the on site team and assist with the organisation of the audit work.

- In final year of academic study, was the Vice-President of Welfare and Diversity of the University of Exeter Students' Guild.
- 2020 ICAEW Chartered Star representing the Institute at the One Young World Summit.
- Works with a wide range of education and not for profit organisations.
- Key part of audit team on number of educational clients which include UCLU and Homerton College

A hands-on approach of senior staff

As senior members of the firm, the team assigned to you has the authority to make decisions on technical issues.

All senior members of our team, including the Engagement Partner, will have 'hands-on' involvement and will be available to you for all accounting and financial queries and advice throughout the year. Both the Trustee Board and Finance & Risk Committee, in addition to the finance team, can have direct access to Shachi and Matt through face-to-face meetings, attendance at meetings or ad-hoc queries over the telephone.

Expertise, experience and location of staff

All staff who work on the audit will be chosen from our Charity and Not-for-Profit team. As noted previously, the team is wholly specialist and consists only of professionals who have chosen to work with the charity and education sectors. All staff will have had previous experience of working with similar organisation to ICU.

Approach to staff continuity and succession planning

We confirm that as far as possible, we will provide **continuity in the fieldwork staff** to increase the efficiency of the audit and cause as little disturbance as possible to the day-to-day running of the organisation. To conduct the audit as efficiently as possible, we successfully provide continuity in a number of other ways including:

Buzzacott

- Thoroughly briefing the engagement team members prior to commencing the fieldwork;
- Rotation of the junior member in the team to the position of audit senior once they have gained appropriate experience;
- Ensuring all audit team members have attended relevant internal and external training on current issues and new developments;
- Documenting the organisation's systems and controls clearly so that time is not wasted each year; and
- Drawing on a pool of dedicated and specialist audit professionals who have chosen to work in the sector.

"The strong 'relationship' ethos builds and maintains long term partnerships with clients."

Charity and not-for-profit client

"Excellent and professional firm...they understand charities, and how we work, in practice as well as theory."

Charity and Not-for-Profit client from recent client survey

Our fee proposal

Our fees are computed on a time basis reflecting the level of responsibility involved in the work. We recognise that knowledge must be maintained on an on-going basis and encourage our clients to contact us to discuss any issues as they arise. We estimate that our fees, excluding VAT, will be as follows:

Included in the fee:	
Informal communication – regular telephone and e-mail correspondence throughout the year	✓
Annual programme of free seminars and information	✓
Disbursements	✓
Audit planning meeting with key management	✓
Detailed audit plan including risk analysis	✓
Audit clearance meeting with key management	✓
Post audit report including recommendations	✓
Attendance at Finance & Risk Committee and Board meetings to present audit findings	✓
Imperial College Union - audit fee	£14,750

Fees for future years

Our fees for future years will increase by RPI inflation only (but capped at 3% maximum), assuming there is no significant change in the structure and scale of the Union's operations.

Assumptions

Our proposed audit fee is based upon the following assumptions:

- Sufficient records will be available, including a fully reconciled trial balance and relevant schedules and draft financial statements;
- There are no fundamental failures in accounting systems during periods audited;
- We will have reasonable access to your staff, records, files and working papers;
- The books and records of the organisation are up to date at the time of the audit;
- There is no significant change in the structure or scale of the Union beyond that already discussed.

Additional work

Additional assignments are charged at our normal hourly rates and the cost of other advice will depend upon the nature of the work and the level of expertise required. We shall, wherever possible, provide estimates in advance.

Audit staff	Hourly rate	Non Audit Staff	Hourly rate
Audit Partner	£390	Tax Partner	£445
Audit Manager	£195	Tax Managers	£170 - £295
Audit fieldwork staff	£90 - £150	Other staff	£60 - £180

In practice, any assignments are usually agreed at a fixed fee and at a discount from our standard hourly rates. For any substantial assignments, the majority of the work would usually be carried out at the lower hourly rates with senior staff providing oversight.

Supplementary services

We are able to assist you in a number of other ways. Specialists are available to carry out specific project work should the need arise. This may be, for example, of a taxation, VAT or IT nature. We have staff available with experience and technical knowledge to deal with all such issues. To demonstrate our knowledge and experience of the challenges and issues faced by the sector, we list below some of the work we have carried out for our clients

VAT

We have a team that specifically focuses on VAT issues for not-for-organisations and has extensive experience including advising on business vs. non-business criteria and partial VAT recovery.

Making Tax Digital for VAT

In light of the recent mandated start for Making Tax Digital for VAT (MTD), we have been advising a number of our clients on submitting their VAT returns digitally. This has included advising on the capability of the existing software to comply with HMRC's requirements as well as providing our own MTD compliant bridging solution, which is easy to use and competitively priced.

Financial controls

Review of Financial Regulations and Procedures Manuals, and recommendations for improvements to the control environment.

Assisting committees

Attendance at Finance & Risk Committee meetings. Assisting committees in a number of areas relating to the terms of reference of the committees and corporate governance.

Risk management

Facilitating the risk management process at a number of educational charities, including attending initial brainstorming meetings.

Trading activities

Advising on the establishment of tax efficient subsidiary companies and on the agreement of highly beneficial VAT recovery rates.

IT consultancy

IT projects including review of the existing accounting systems and participation in the selection and implementation of new systems. Similar assignments for payroll and personnel systems.

Payroll services

We provide a comprehensive and flexible range of payroll services to a number of our education clients, including: monthly payroll calculations and reporting; statutory reporting for month end and annual filing; and calculations, deductions and returns to the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS).

Recruitment

We have assisted with the recruitment of finance staff at our education clients, including advising on interview questions and sitting on the interview panel.

Diversity and Corporate Social Responsibility

Diversity and equality

At Buzzacott, we work together to champion diversity, inclusion and social mobility. We recognise the talents of all our team members and their different skills, perspectives, beliefs and experiences. Our culture is built on a foundation of trust - everyone is respected, supported and encouraged to be themselves. Our team members are treated fairly and have equal access to opportunities to enable them to thrive individually and to contribute to the firm's success. We celebrate both similarities and differences. While our team members represent diverse beliefs and backgrounds, they share in our core values.

Our **commitments** to diversity and inclusion are as follows:

- Creating an environment in which individual differences and the contributions of all team members are recognised and valued;
- Creating a working environment that promotes dignity and respect for all;
- Designing, recruiting and selecting for jobs in a way that ensures no discrimination occurs;
- Making training, development, redeployment and progression opportunities available to all team members;

- Providing flexible working opportunities to team members wherever possible;
- Providing equality and diversity training and guidance for all team members.

We have ongoing **partnerships** with the following organisations:

- *Access accountancy*
We want everyone to have an equal opportunity to enter the accountancy profession, based on merit and passion rather than background. Because of this, we collaborate with Access Accountancy to support the provision of work experience opportunities to a diverse student demographic.
- *Leadership Through Sport & Business (LTSB)*
We collaborate with LTSB, a social mobility charity, and regularly attend "speed interview" events to support employment opportunities for young people from disadvantaged backgrounds.

We are committed to paying above the **London Living Wage** for all of our team members, including our apprentice roles.

Buzzacott is an **equal opportunities** employer, valuing the diversity of our workforce and the knowledge of our people.

Corporate Social Responsibility

It has always been important to us to think about the world beyond our office walls. Our full CSR report for 2019-20 can be found on our website at: <https://www.buzzacott.co.uk/corporate-responsibility-and-sustainability>

Buzzacott's Shared Responsibility programme covers matched giving, volunteering, grants to charitable organisations and sustainability. The objectives of our Charitable Fund are to help young people (under the age of 25), with socio-economic problems, based in the City of London and boroughs abutting the City, which contain some of London's most needy communities.

Volunteering is very much part of the Buzzacott culture, we believe it helps us to attract the right type of individual to the firm and allows our staff to be more balanced individuals. The firm makes two days a year available to each member of staff to participate in volunteering projects.

Buzzacott has been shortlisted twice for Dragon Awards, which recognise community involvement. Our volunteering champions also speak regularly at Heart of the City events, to help encourage other city businesses to engage with their local community.

In 2020, Buzzacott was presented with the Cheapside Business Alliance's environmental award which honoured our long-standing commitment to environmental issues in the way we conduct business. We have also received a Clean City Award Scheme Gold Award for the second year in succession.

During our 2020-21 financial year we have supported a local food bank and are currently in discussions regarding an ongoing programme of support for them.

