

REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL AND THE DIRECTOR

Year ended 31 July 2021



Significant Issues

1. The Audit Committee's role is to advise and assist the Council in respect of the entire assurance and control environment of the College. In line with its responsibility, on behalf of Council, to oversee and monitor the College's system of internal control, including its audit and risk management framework, the Committee's opinion on the management and control environment is set out at the conclusion of this report. Without qualification of that opinion, the Committee draws attention to the risks faced by the College.
2. Last year, the Committee drew attention to the operational and financial risks that had risen as a result of the Covid-19 pandemic. While the pandemic is not yet over and further disruption may occur, these risks have abated as the College has adapted to new teaching methods and longer-term financing has been agreed.
3. In common with other HEIs, and many other enterprises, the College could suffer a debilitating cyber-attack or breach of security. There has been significant investment and work during the year to reduce this risk and the Committee continues to monitor the larger programme of the College's digital strategy.
4. The funding position of the USS pension scheme and the escalating contribution rates continue to cause the Committee concern for the longer term.

Membership and meetings

5. The membership of the Committee in 2020/21 was:

Independent members of Council

Andrew Ratcliffe, Chairman; member of RCM Council July 2014 - July 2024, appointed to Committee August 2014 - July 2017, extended to July 2020 and again to July 2023.

Andrew Haigh; member of RCM Council July 2011 - July 2021, appointed to Committee July 2013 - July 2018, extended to July 2021.

Catherine Clarke; member of RCM Council October 2020 - July 2025, appointed to Committee October 2020 - July 2023.

James Williams; member of RCM Council October 2020 - July 2025, appointed to Committee May 2021 - July 2024.

Co-opted members

Joanna Matthews appointed to the Committee August 2019 - July 2022.

6. The Committee expressed its sincere thanks to its outgoing member, Andrew Haigh whose second term on Council concluded in July 2021.
7. The Committee met three times during the year on 1 October 2020, 11 November 2020 and 20 May 2021 and has met twice subsequently on 30 September 2021 and 4 November 2021. Joanna Matthews was unable to attend the meeting on 30 September 2021, otherwise all members attended all meetings during the year. Council committee members serve for renewable three-year terms. Council independent membership is for up to two five-year terms. The terms for co-opted members of the Committee are for three years, renewable.

8. The Secretary to the Committee is Charlotte Martin, Clerk to the Council and Pensions & Projects Manager. Nicholas Seager, Registry Information & Systems Manager, attends meetings as Assistant Secretary. The Director (Professor Colin Lawson), Deputy Director (Kevin Porter) and the Director of Finance (Rachel Harris) also attend meetings of the Committee. Other Directorate members attend as needed.
9. Representatives of the internal audit service, KCG, and of the external auditors, BDO, attended meetings regularly during the year. There are periodic private meetings between the Committee and both the internal and external auditors.
10. This report was discussed in draft at the October 2021 meeting and finalised and agreed at the November 2021 meeting.

Terms of reference

11. The Committee reviewed its terms of reference at the meeting held on 1 October 2020 and adopted the model in the revised 'CUC Higher Education Audit Committees Code of Practice', published in May 2020. The terms of reference are reviewed on an annual basis and now, as for all College Committees, include the promotion of Equality, Diversity and Inclusion and regular reflection on how the work of the Committee might support the EDI strategy.

Risk Management

12. The Audit Committee has kept under review the College's arrangements for risk management. The Committee received the annual report on risk management at the September 2021 meeting, noting that the College had undertaken substantial and regular in-year review of the Risk Register as part of the process of recognising and mitigating risks relating to the Covid-19 pandemic. Academic risk is also considered by the Committee and in October 2020, the BMus Review, presented by the Director of Programmes, was considered. The Committee also received the internal auditors' annual report, in which their opinion was that "the control framework over the College's risk management arrangements provides satisfactory assurance that associated risks material to the achievement of the College's objectives are adequately managed and controlled". There were two priority 2 recommendations which were addressed in the annual risk management workshop in October 2021.

Control and Governance

13. The Audit Committee has kept under review the College's arrangements for control and governance and this is supported by the Internal Auditors' Annual Opinion. The Internal Auditors reach their opinion by examining the design and operation of controls over the College's financial, operational and strategic processes and by assessing governance processes and procedures, as well as progress made in implementing recommendations made in prior years.

Sustainability

14. Within the Strategic Plan, the College is committed to "a robust sustainability programme to secure the long-term financial future of RCM". The Financial Sustainability Strategy is concerned with overall sustainability and generation and management of financial resources required for the Strategic Plan objectives. The Audit Committee has considered risk management reports, sustainability assessments, the annual sustainability assurance report and an annual report on performance against Key Performance Indicators. The Finance & General Purposes Committee considers budget proposals, scenario planning and medium/long term financial planning.
15. The going concern basis is fundamental to the basis on which the College's financial statements are prepared. At its November 2021 meeting the Committee considered a paper, which had already been reviewed by the Finance & General Purposes Committee, in support of that assumption. The Committee concurred with its conclusion that the going concern basis continues to be appropriate.
16. At its meeting in May 2021 the Committee received the College's Carbon Management Plan which sets out how the College intends to progressively reduce its emissions with the target of achieving net zero by 2035. The Committee will monitor progress towards this goal.

Economy, efficiency and effectiveness – Value for Money (VfM)

17. The Audit Committee received the annual report on VfM in 2020/21 at its September 2021 meeting. The College's VfM approach was also examined by the internal auditors and their opinion included in their annual report was "we provide **satisfactory assurance** that the College maintained adequately designed and effective arrangements risk management, control and governance, and economy, effectiveness and efficiency".
18. In 2008/09 the College put in place a new VfM Strategy which broadened VfM scrutiny across the College, in line with the new model for VfM included in the revised HEFCE financial memorandum and associated Accountability and Audit Code of Practice. Implementation of the Strategy is led by the Deputy Director. The strategy was fully reviewed during 2019/20, having also been considered by Finance & General Purposes Committee and Council as part of this process. The key change to the strategy and policy has been to make more explicit the objective to seek value for money to support the student experience which aligns with the OfS's changing approach to considerations of VfM. The Audit Committee had a private session with the Students' Union President in its October 2020 meeting including students' perspectives of VfM particularly in the light of their experience during Covid-19 restrictions.
19. As the College's response to Covid-19 included a significant amount of VfM activity across a range of activities, it was agreed not to have a specific VfM review in 2020/21 and this pause is planned to continue into 2021/22, during which there will continue to be a focus on financial sustainability VfM exercises, as well as the range of VfM activity in the student experience and programmes, such as the review of the Learning, Teaching and Assessment Strategy to incorporate the introduction of blended delivery and changes following a focus on the College's EDI Action Plan and revised EDI strategy.

Management and quality assurance of data submitted to regulatory bodies

20. The Committee has taken advice from the Internal Auditors on the arrangements for the management and quality assurance of data submitted to HESA, the OfS, the SLC, Research England and other funding bodies. An internal audit review of data quality is now part of the annual core internal audit cycle for the College and in 2020/21 this was 'Data Quality Arrangements – HESA Staff Return. This review resulted in **substantial** assurance and no recommendations.
21. The College's data quality statement was presented to the Committee at its September 2021 meeting. The statement includes strategic statements about the College's approach to data quality, together with a chart of named Directorate members responsible for each of the College's statutory returns and the corresponding senior staff sign-offs for each return.

Internal Audit

22. During the year ended 31 July 2021, the internal audit service was provided by KCG, of which the College is a member, on a daily rate basis, with increases reviewed annually by the KCG Board. Their appointment was for an initial five year period from 1 August 2006 to 31 July 2011. The Audit Committee reviewed the appointment of the internal auditors in June 2011 and again in October 2017 and resolved that KCG membership continues to be appropriate for the RCM. The number of audit days allocated for 2020/21 was 54 (54 delivered) and 54 days have been allocated for 2021/22.

23. The following table sets out internal audit reviews and related recommendations in 2020/21:

Assignment	Recommendations by priority rating				Assurance Level
	Priority 1	Priority 2	Priority 3	Total	
Financial Internal Controls					
Financial systems – fixed assets	1	2	1	4	Limited
Operational Internal Controls					
Student systems – disability support	0	1	0	1	Satisfactory
IT Risk and Control (business continuity planning)	3	3	0	6	Limited
Strategic Internal Controls					
UKVI Tier 4 compliance	0	0	1	1	Satisfactory
Risk Management assurance					
Risk management framework	0	2	0	2	Satisfactory
Audit Committee Assurance					
Data Quality Arrangements – HESA staff return	0	0	0	0	Substantial
Sector Themes					
Coronavirus response	n/a – conducted as a lessons learned review, no audit opinion provided for prioritized recommendations given				
Total	4	8	2	14	

24. The Audit Committee has considered the weaknesses identified by the Internal Auditors and raised as Priority 1 recommendations and has concluded that the matters raised are not of such significance that they require disclosure in the internal control section of the annual report.

KCG has provided its annual report. Its opinion is quoted below:

Overall, for the year ended 31 July 2021 and at the time of reporting, we provide satisfactory assurance that the College maintained adequately designed and effective arrangements for risk management, control and governance and economy, efficiency and effectiveness.

25. The Committee held a private session with KCG at the conclusion of its meeting on 30 September 2021.

External Audit

26. BDO was appointed as External Auditors with effect from 17 May 2012 and have been reappointed annually thereafter, including via a formal tender process, inviting proposals from other firms of auditors, in 2018/19. The Audit Committee's assessment of BDO's performance for the year is that it is satisfactory.

27. The external auditors' audit highlights memorandum for 2020/21 includes no significant recommendations. The management of the College has responded positively to the findings and recommendations.

28. The Committee held a private session with BDO at its meeting on 4 November 2021.

Audit Committee Opinion

29. In accordance with the OfS Terms and Conditions of Funding for Higher Education Institutions (OfS 2018.15) and having taken into account the annual report of the Internal Auditors and the Management Letter of the External Auditors, the Committee recommends, based upon information it has received, the following statement as part of its Annual Report to the Council, and to the Director, as the Accountable Officer:

- The Committee is satisfied that the College has effective arrangements in place for governance and risk management and control within the College as set out in the Statement of Internal Control, included with the Annual Financial Statements.
- The Committee is satisfied with the College's arrangements for securing economy, efficiency and effectiveness and notes the progress made in this regard during 2020-21.
- The Committee is satisfied that the College has an appropriate framework in place for ensuring the management and quality assurance of data to HESA, OfS and other funding bodies.
- The Committee is satisfied that the College has arrangements in place to ensure that all forms of resources are used in a sustainable (financial, social and environmental), secure and effective manner which supports institutional success.

30. In arriving at this opinion, the Committee recommends to, and informs, the Council and the Accountable Officer that:

- The work of KCG adequately covered aspects of all areas of the internal control system of the University for 2020-21, as part of an ongoing rolling programme.
- Representatives from the Internal Auditors and External Auditors, had the opportunity for direct access to the Director, the Chair of the Committee and, had it been necessary, the Chair of Council.
- Both the External and Internal Auditors have had unrestricted access to all records, assets, personnel and premises and have had the authority to obtain whatever information and explanations they have considered necessary.
- The Director did not have occasion to report any serious weakness, significant fraud or major accounting breakdowns to the Chair of the Committee, the Council, KCG or to OfS.

31. This opinion is based on information presented to the Committee. The annual opinion is for the 2020/21 financial year and includes any significant issues up to the date of preparing the report in November 2021.

Appreciation

32. The Committee is grateful to its auditors, KCG and BDO, for the work undertaken during the year.

Signatory

Andrew Ratcliffe, Chairman, 4 November 2021