

# REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL AND THE DIRECTOR FOR THE YEAR ENDED 31 JULY 2020

## Significant Issues

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 following issues faced by the College:

- The most significant financial risk from the Covid-19 pandemic is the risk to student numbers. The College has planned staff and operating cost savings, along with a pay and recruitment freeze for 2020/21. A new red risk has been added to the Risk Register regarding Covid-19 and its potential to affect both sustainability and standards at the College.
- The impact of Brexit on the recruitment of EU students and the retention of staff is still uncertain, Mitigation



## **Sustainability**

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.

The going concern basis is fundamental to the College’s financial statements. At its November 2020 meeting the Committee considered a paper, which had already been reviewed by the Finance & General Purposes Committee, in support of that assumption after considering the financial risks described earlier. The Committee concurred with its conclusion that the going concern basis continues to be appropriate.



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

Overall, for the year ended 31 July 2020 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.

Our review of IT Risk and Control provided limited assurance as a result of a significant lack of investment in maintaining infrastructure to the extent that some key software and hardware is now no longer supported with risks that security weaknesses will not be fixed and a service disruption will increase. Furthermore, there is a need to invest in and develop a security training approach in order to reduce the significant risks from users unknowingly clicking and downloading malware which could be further leveraged against the security weaknesses to mount cyber-attacks such as ransomware.

The Committee held a private session with KCG at the conclusion of its meeting on 11 November 2020.

#### **External audit**

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.

The external auditors' audit highlights memorandum for 2019/20 includes no significant recommendations. The RCM management has responded positively to the findings and recommendations.

The Committee held a private session with BDO at its meeting on 11 November 2020.

#### **Audit Committee opinion**

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 bas(v)-115.9(o)4.5(ra.2(in)5.)6.5()14.7(c)1Tw OfS 2018.15

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 2019-20, 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.

This opinion is based on information presented to the Committee. The annual opinion is for the 2019/20 financial year and includes any significant issues up to the date of preparing the report in November 2020.

### **Appreciation**

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

Andrew Ratcliffe  
Chairman, Audit Committee  
11 November 2020