

<b>Committee:</b>	<b>Date:</b>
Audit and Risk Management Committee of the Guildhall School of Music and Drama	14 November 2018
Board of Governors of the Guildhall School of Music and Drama	19 November 2018
<b>Subject:</b>	<b>Public</b>
Internal Audit Annual Report and Opinion	
<b>Report of:</b>	<b>For Information</b>
Head of Audit and Risk Management	

### **Summary**

This report has been prepared in accordance with the Audit Code of Practice, part of the Office for Students terms and conditions of funding higher education institutions. It provides your committee with details of the Internal Audit work undertaken at the Guildhall School of Music and Drama ('the School') during the academic year ended 31st July 2018 with the intention of providing you with an annual audit opinion. Appendix 1 provides a summary of audit outcomes which have informed this report. Appendix 2 provides the detail of audits finalised since the July 2018 meeting of this Committee.

The Head of Audit and Risk Management has provided a Moderate Assurance opinion that, based on the audit work undertaken during 2017-18, the School's systems of risk management, control and governance, and economy, effectiveness and efficiency are generally robust and can be reasonably relied upon to ensure that objectives are achieved, given the work undertaken during 2017-18 and the outstanding recommendations requiring implementation.

There was some delay in agreement of planned audit work for 2018-19 to enable the School's Principal and the Senior Leadership Team to hold an in-house session focused on identifying potential audit coverage linked to the School's Strategic Plan. Delivery of the 2018-19 audit plan is now underway and there is a strong focus on completion by 31<sup>st</sup> July 2019. At the time of preparing this report no significant issues have been identified in respect of 2018-19 audits which adversely affect the Head of Audit and Risk Management's opinion.

Internal Audit follow-up work in respect of high priority recommendations during 2017-18 and 2018-19 to date has identified slippage in the implementation of several high priority recommendations, resulting in revised target deadlines being set. There has been a reduction in agreed live high priority recommendations from thirteen (two red, eleven amber) reported to the July 2018 meeting of this Committee, to eleven (two red, nine amber) as at mid-September 2018; Appendix 3 sets out the current position. Appendix 4 details a further live high priority recommendation where the risk has been accepted by the School.

### **Recommendation**

- **Members are asked to note the Head of Audit Opinion, the work that Internal Audit have undertaken, the live high priority recommendations position and offer any observations.**

## **Main Report**

### **Background**

1. Internal Audit plays a role in providing the required assurance on internal controls through delivery of its risk-focused audit plan which forms part of a three-year strategy. This is reinforced by consultation with the School's Audit and Risk Management Committee, the Principal and members of the School's management team on perceived risk, any areas of concern and a follow-up audit regime which focuses on any high priority (red and amber) recommendations.
2. The Internal Audit Section operates in accordance with the Public Sector Internal Audit Standards. The Internal Audit Charter reflects that the work of Internal Audit covers the entire control environment of the City of London Corporation, of which the Guildhall School of Music and Drama is an institutional department. The scope of work encompasses risk management, control and governance with due regard for aspects of Value for Money i.e. economy, efficiency and effectiveness.
3. The Committee receives a report on an annual basis from the Head of Audit and Risk Management on the extent that the School can rely on its systems of internal control and to provide reasonable assurance that the School's objectives will be achieved efficiently. Annually the Committee considers the audit plan for the following year and the three-year audit strategy, focusing on coverage of the School's key operations. Additionally, regular Internal Audit Update Reports are received by this Committee containing agreed terms of reference for individual assignments, a summary of outcomes for finalised audits, and high priority recommendation status updates.
4. The School's main accounting and payroll systems are provided by the City of London Corporation. These systems are subject to periodic review by the Internal Audit Section and at the time of audit were considered by both Internal Audit and the City's external auditors to provide a high level of internal control.
5. This report includes a summary of audit findings for reviews undertaken during the financial year to 31<sup>st</sup> July 2018, including 'corporate' (City of London Corporation) audits which provide assurance over central systems / processes which are relevant to the School. No issues have arisen specifically in respect of the School from corporate audits.

## Current Position

### Internal Audit Plan and Annual Opinion 2017-18

6. A schedule of Internal Audit work informing the Head of Internal Audit and Risk Management's opinion can be found in Appendix 1. Outcomes have previously been reported to this Committee in respect of these audits with the exception of four corporate audits: GDPR Gap Analysis, Waivers, Member and Officer Declarations of Interest, and Procurement Consultation with Stakeholders. Summary audit outcome information in respect of these areas is contained in Appendix 2.

### Risk Management Activities

7. The corporate Risk Management Strategy aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level.
8. The Risk Management Group, consisting of senior managers representing all departments, including the Guildhall School of Music and Drama, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Summit Group on a quarterly basis. Oversight of corporate risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee.
9. A Chief Officer Risk Management Group has been established and meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen. During 2017/18, the Committee undertook 14 deep-dive reports.

### Head of Audit Opinion

10. The Head of Audit and Risk Management provides a Moderate Assurance opinion, based on Internal Audit work undertaken in 2017-18, whereby ***the Guildhall School's systems of risk management, control and governance, and economy, effectiveness and efficiency are generally robust and can be reasonably relied upon to ensure that objectives are achieved.*** It should be noted that this Opinion is based upon the limited work undertaken by Internal Audit during the year. It is further noted that a number of the recommendations arising from our work have not yet been implemented.

## **Internal Audit Plan 2018-19**

11. There was some delay in agreement of planned audit work for 2018-19 to enable the School's Principal and the Senior Leadership Team to hold an in-house session focused on identifying potential audit coverage linked to the School's Strategic Plan. Delivery of the 2018-19 audit plan is underway and there is a strong focus on completion by 31<sup>st</sup> July 2019.

### Student Affairs

12. One of the audits from the original 2017-18 audit plan – Student Support - was deferred until 2018-19 with the agreement of the School's Principal and this Committee. Fieldwork in respect of this audit is nearing completion and it is anticipated that the draft report will be circulated by 30<sup>th</sup> September 2018. The scope of the audit encompasses examination of the arrangements in respect of the following:

- Clear aims of service provision, linked to strategic goals, and measurable objectives;
- Performance monitoring to evaluate whether delivery outcomes are as intended;
- Management of any services provided under contract to ensure that specifications are met;
- Financial management – controls over payments to ensure that these are in line with contract / on the basis of goods or services received and monitoring to ensure that expenditure is in line with budget; and
- Periodic review / benchmarking of service provision and consideration of alternative delivery models, where appropriate

### Strategic Planning

13. The terms of reference for this audit have been agreed and are focused on an examination of the Guildhall School's strategic planning framework, arrangements for stakeholder input, development of SMART objectives and related KPIs, delivery monitoring and on-going review. Audit fieldwork is in progress to confirm the extent to which arrangements are in operation for the following:

- A strategic planning framework enabling identification of long-term objectives and prioritisation of activities to achieve these;
- Stakeholder engagement in Plan formulation and arrangements for communication of Plan developments, to promote buy-in;
- Development of SMART objectives and related KPIs to facilitate evaluation of Plan delivery;
- Monitoring implementation of the Strategic Plan through appropriate forums;
- Mechanisms for review and update of the Strategic Plan to ensure it remains relevant and up to date.

## **Recommendations Implementation**

14. Implementation of two amber priority recommendations has been confirmed since the July 2018 meeting of this Committee. As at mid-September 2018 there are eleven live high priority recommendations (nine amber, two red) which have been agreed by management and are subject to formal Internal Audit follow-up arrangements. Detailed recommendation statuses are shown at Appendix 2 and reflect that of these eleven:

- Nine revised target dates for implementation have been supplied (including two red priority recommendations).
- Confirmation of status is awaited in respect of two recommendations due for implementation at the beginning of September 2018.
- Six recommendations have been categorised as 'not implemented', including the two where status updates are awaited.
- Five recommendations have been categorised as 'partially implemented'.

15. The two live red priority recommendations arose from the 2017-18 audit of Catering (including Student Bar) and since that time a new City Corporation contract has been rolled out; service provision commenced in September 2018. One of these recommendations cannot be categorised as implemented until the contract is formally agreed and signed – a revised target date of October 2018 has been supplied for completion of this action. The remaining red priority recommendation, relating to external inspections of Health and Safety, has been categorised as partially implemented as the specific issue identified at the time of audit has been addressed. Full implementation cannot be demonstrated until the next annual inspection has been carried out, hence a revised target date of December 2018 has been supplied. Internal Audit will continue to liaise with recommendation owners to obtain evidence of full implementation accordingly.

16. While every effort is made to ensure that high priority recommendations are implemented within appropriate timescales, there may be occasions where Management have decided that the risk is not sufficiently great to allocate resources to address the control improvement. It has recently been agreed that the City's Audit and Risk Management Committee will consider such recommendations at each meeting and this will result in either closure of recommendations or a request for Management reconsideration. There is one such recommendation relating to the Guildhall School and this is shown in Appendix 3 for information.

## **Conclusion**

17. A Moderate Head of Audit and Risk Management annual opinion has been provided, based on Internal Audit work carried out during the academic year ended 31<sup>st</sup> July 2018.

18. Delivery of the 2018-19 Internal Audit Plan is in progress and due for completion by 31<sup>st</sup> July 2019. Initiation of Plan delivery was initially impacted by the School's extended internal consultation on audit coverage.

19. High priority recommendations are subject to regular review and follow-up by Internal Audit and this has identified some slippage in implementation timescales. Revised target dates have been supplied in respect of several high priority recommendations and Internal Audit formal follow-up work will continue at regular intervals to confirm the implementation status.

## **Appendices**

- Appendix 1 - Schedule of Relevant Internal Audit Work 2017-18
- Appendix 2 – Summary Outcomes of Finalised Audits
- Appendix 3 – Live High Priority Recommendations as at 18/09/18
- Appendix 4 – ‘Not Agreed / Risk Accepted’ Recommendation

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