



Board of Governors of the Guildhall School of Music and Drama

Date: MONDAY, 14 NOVEMBER 2016
Time: 1.45 pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Public Items received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

5. **PUBLIC MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE**
To receive the public minutes of the Audit and Risk Management Committee held on 7 November 2016.
- For Information**
(Pages 1 - 6)
6. **PUBLIC MINUTES OF THE FINANCE & RESOURCES COMMITTEE**
To receive the public minutes of the Finance and Resources Committee held on 10 November 2016.
- For Information**
(Pages 7 - 10)
12. **INTERNAL AUDIT REPORT**
Report of the Head of Internal Audit and Risk Management.
- For Information**
(Pages 11 - 14)

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AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF GOVERNORS OF THE GUILDHALL SCHOOL OF MUSIC & DRAMA

Monday, 7 November 2016

Minutes of the meeting of the Audit and Risk Management Committee of the Board of Governors of the Guildhall School of Music & Drama held at Committee Room - 2nd Floor West Wing, Guildhall on Monday, 7 November 2016 at 2.05 pm

N.B. The meeting was preceded by an "in camera" session (1.45- 2.05pm) with Committee members, the internal and external auditors, and the Town Clerk only

Present

Members:

Christina Coker (Chairman)
Marianne Fredericks

Jeremy Simons
Neil Constable

Officers:

| | | |
|---------------|---|---|
| Gemma Stokley | - | Town Clerk's Department |
| Sarah Wall | - | Group Accountant, Chamberlain's Department |
| Cirla Peall | - | Audit Manager, Chamberlain's Department |
| Patsy Carter | - | Interim Head of Facilities, Guildhall School of Music and Drama |
| Lucy Nutley | - | External Auditor, Moore Stephens |

1. APOLOGIES

Apologies for absence were received from the Principal of the Guildhall School of Music and Drama and from Deputy John Bennett (Chairman of the Board of Governors of the Guildhall School of Music and Drama).

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. ELECTION OF DEPUTY CHAIRMAN

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30.

Marianne Fredericks, being the only Governor indicating her willingness to serve was duly elected Deputy Chairman for the ensuing year.

RESOLVED – That, Marianne Fredericks be elected to serve as Deputy Chairman for the ensuing year.

4. PUBLIC MINUTES

The public minutes of the meeting held on 28 July 2016 were considered and approved as a correct record.

5. **MATTERS ARISING NOT COVERED ELSEWHERE ON THE AGENDA**

Outstanding Actions

The Deputy Chairman suggested that the Committee should list any outstanding actions going forward and list these as a separate agenda item with due dates assigned to them so that they could be easily tracked going forward.

The Committee were supportive of this proposal and asked that the Town Clerk produce this list for all future Audit and Risk Management Committee meetings.

Internal Audit Update Report (page 2) – The Chairman highlighted that, due to an oral update being omitted, the information reported by internal audit to the last meeting of the Committee was inaccurate regarding the number of live amber recommendations at that time. She clarified that, at 28 July 2016, there were nine live amber priority recommendations (including one relating to 'Principal Studies').

6. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Head of Internal Audit and Risk Management providing an update on Internal Audit activity undertaken at the Guildhall School since the last report made in July 2016.

The Chairman asked the Committee to focus first on outstanding implementation of audit recommendations.

The Audit Manager tabled a document detailing movement of live, high priority (all amber) recommendations from July to November 2016. There were five such recommendations for the School to progress and a further recommendation which is the responsibility of City Procurement to implement. She undertook to provide similar 'tracking' information to all future meetings of this Committee.

The Committee was informed that, since its July meeting, there had been a corporate follow up exercise focusing on all high (i.e. red or amber) priority recommendations that were due for implementation by 30 September 2016. The Audit Manager confirmed that seven of the nine live amber recommendations fell into this category. Of the seven, four had been confirmed as fully implemented and revised target dates agreed for full implementation of the remaining three – 'Coding of Purchases' (part implemented), 'Disaster Recovery Site' (not implemented), and 'Tape Storage' (part implemented).

It was noted that the 'Strategic Information Technology Services (SITS) – Disaster Recovery (DR) Site' and 'Tape Storage' recommendations are linked. The Group Accountant reported that some testing of various cloud based solutions for tape storage had taken place but a firm decision had yet to be made. The Chairman reported that she was concerned that these two recommendation areas dated back to August 2015 and requested an update from officers on the action taken to date before the next Committee meeting as well as an assurance that the January 2017 target date would be met.

The Committee noted that the two recommendations concerning Milton Court had not been assigned any firm timescales for completion. They noted that the PA Consulting Review, due to report to the Board of Governors next week, would impact on this area of work. The Group Accountant confirmed the difficulty of considering Milton Court in isolation given that it was just one of the School's operational buildings. She added that the Board no longer received separate reports on Milton Court costs but that officers were, however, able to identify separately the associated costs if necessary. The Chairman agreed that the recommendations in this area should be reconciled with the outcomes of the PA Consulting Review.

It was also noted that, one of two recommendations relating to 'Compliance with Corporate Procurement Contracts' had been implemented in terms of the School's actions, however some action on the other recommendation (responsibility of City Procurement) is outstanding. The full implementation target for this recommendation has been revised from mid-April 2016 to the end of March 2017. The Committee agreed, therefore, that this matter continue to be reported to the Committee until closure.

The Committee then went on to discuss the schedule of Internal Audit Projects for 2016-17. With regard to 'Succession Planning', the Audit Manager reported that she would be meeting with the School tomorrow to plan this and was confident that it could then move to audit fieldwork stage relatively quickly thereafter. The Audit Manager went on to report that Internal Audit had met with the Group Accountant to discuss progressing the other three projects and the Principal's input would be encouraged for scoping these.

In response to a question about the likelihood of completing all four projects in 2016-17, the Audit Manager reported that it was intended that all would be completed by the end of the academic, rather than financial, year.

In relation to the planned project around 'Satellite Site Operations', the Chairman highlighted that this was significant in terms of potential risk and stressed the importance of ensuring no slippage on this project.

The Chairman concluded by stating that she very much welcomed the closer relationship being fostered between Internal Audit and Risk Management.

RESOLVED – That, Governors note the status of planned audit work for 2016-17 and the outcome of formal recommendations follow-up activity since the last Internal Audit Report in July 2016.

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE AUDIT & RISK MANAGEMENT COMMITTEE

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no additional, urgent items of business for consideration.

9. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act as follows:-

| Item | Paragraph |
|-------|-----------|
| 13-18 | 3 |
| 19 | 2 & 3 |

10. **NON PUBLIC MINUTES**

The non-public minutes of the meeting held on 28 July 2016 were considered and approved as a correct record.

11. **NON-PUBLIC MATTERS ARISING NOT COVERED ELSEWHERE ON THE AGENDA**

The Committee discussed matters arising from the minutes of the last meeting held on 28 July 2016.

12. **HEFCE ANNUAL ACCOUNTABILITY RETURN 2016**

The Committee received a report of the Chief Operating and Financial Officer in relation to the 2016 Annual Accountability Return documents for consideration elsewhere on the agenda.

13. **HEFCE ACCOUNTS DIRECTION FOR 2016/17**

The Committee received a report of the Principal of the Guildhall School of Music and Drama referring to the Accounts Direction for 2016/17.

14. **AUDITED FINANCIAL STATEMENTS**

The Committee received a report of the Chief Operating and Financial Officer detailing the financial statements for the year ended 31 July 2016.

15. **AUDIT COMMITTEE ANNUAL REPORT**

The Committee considered their Annual Report prior to its submission to the Board of Governors.

16. **GUILDHALL SCHOOL 'ECONOMY, EFFICIENCY AND EFFECTIVENESS' UPDATE**

The Committee received a report of the Principal of the Guildhall School of Music and Drama summarising the arrangements currently in place to achieve best value for money and the initiatives being undertaken to improve them.

17. **FINANCE REVIEW**

The Committee received a late, separately circulated, report of the Principal of the Guildhall School of Music and Drama detailing the School's Finance Review for Period 2 of the Academic Year 2016/17.

18. **RISK REGISTER**

The Committee received a report of the Chief Operating and Financial Officer providing assurances that risk management procedures in place within the School are satisfactory and meet the requirements of the corporate Risk Management Framework.

19. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE AUDIT & RISK MANAGEMENT COMMITTEE**

There were no questions raised in the non-public session.

20. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There were no additional, urgent items of business for consideration in the non-public session.

21. **SAFEGUARDING UPDATE**

The Chairman and Deputy Chairman informed the Committee of a current Safeguarding issue.

The meeting ended at 3.50 pm

Chairman

Contact Officer: Gemma Stokley
tel. no.: 020 7332 1407
gemma.stokley@cityoflondon.gov.uk

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FINANCE AND RESOURCES COMMITTEE OF THE BOARD OF GOVERNORS OF THE GUILDHALL SCHOOL OF MUSIC & DRAMA

Thursday, 10 November 2016

Minutes of the meeting of the Finance and Resources Committee of the Board of Governors of the Guildhall School of Music & Drama held at Committee Room - 2nd Floor West Wing, Guildhall on Thursday, 10 November 2016 at 10.30 am

Present

Members:

Deputy John Bennett (Chairman)
Vivienne Littlechild (Deputy Chairman)
Deputy John Barker
Deputy John Chapman

Alderman David Graves
Michael Hoffman
Sheriff & Alderman William Russell

Officers:

Gemma Stokley - Town Clerk's Department
Sarah Wall - Group Accountant, Chamberlain's Department

1. APOLOGIES

There were no apologies.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. PUBLIC MINUTES

The public minutes of the meeting held on 5 November 2015 were considered and approved as a correct record.

4. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE FINANCE & RESOURCES COMMITTEE

There were no questions.

5. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no additional, urgent items of business for consideration.

6. EXCLUSION OF THE PUBLIC

RESOLVED – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act as follows:-

| Item No. | Paragraph No(s). |
|----------|------------------|
| 7-14 | 3 |

7. **NON PUBLIC MINUTES**
The non-public minutes of the meeting held on 5 November 2015 were considered and approved as a correct record.
8. **HEFCE ANNUAL ACCOUNTABILITY RETURN 2016**
The Committee received a report of the Chief Operating and Financial Officer in relation to the 2016 Annual Accountability Return documents for consideration elsewhere on the agenda.
9. **HEFCE ACCOUNTS DIRECTION FOR 2016/17**
The Committee received a report of the Principal of the Guildhall School of Music and Drama detailing the Accounts Direction for 2016/17.
10. **AUDITED FINANCIAL STATEMENTS**
The Committee received a report of the Chief Operating and Financial Officer detailing the reports and financial statements for the year ended 31 July 2016.
11. **GUILDHALL SCHOOL 'ECONOMY, EFFICIENCY AND EFFECTIVENESS' UPDATE**
The Committee received a report of the Principal of the Guildhall School of Music and Drama summarising the arrangements currently in place to achieve best value for money and the initiatives being undertaken to improve them.
12. **GUILDHALL SCHOOL ACADEMIC YEAR 2016/17 FINANCE REVIEW - PERIOD 2**
The Committee received a report of the Principal of the Guildhall School of Music and Drama detailing the School's Finance Review for Period 2 of the Academic Year 2016/17.
13. **BUDGET REPORT**
The Committee received a report of the Principal of the Guildhall School of Music and Drama detailing the Guildhall School Budget for 2017/18.
14. **BAD DEBT WRITE OFF**
The Committee received a report of the Head of Finance providing an update on bad debts for the Guildhall School (including the Centre for Young Musicians) from 2012 to 2015.
15. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE FINANCE & RESOURCES COMMITTEE**
There were no questions raised in the non-public session.
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no additional, urgent items of business for consideration in the non-public session.

The meeting ended at 11.05 am

Chairman

Contact Officer: Gemma Stokley
tel. no.: 020 7332 1407
gemma.stokley@cityoflondon.gov.uk

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|---|--------------------------------|
| Committee: | Date: |
| Board of Governors of the Guildhall School of Music and Drama Board | 14 th November 2016 |
| Subject: | Public |
| Internal Audit Annual Report | |
| Report of: | For Information |
| Head of Audit and Risk Management | |

Summary

This report has been prepared in accordance with the HEFCE Code of Practice for Accountability and Audit. It provides your committee with details of the Internal Audit work undertaken at the School during the academic year ended 31st July 2016 with the intention of providing you with an opinion on the adequacy and effectiveness of the School's arrangements for internal control.

It is the Head of Audit and Risk Management's opinion that, based on the audit work undertaken during 2015/16, 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. Internal audit report summaries are circulated to Members when main audit reviews are finalised and management action plans agreed.

Delivery of the 2016-17 audit plan is on-going and work is underway to ensure that The plan will be delivered by 31st July 2017.

There were nine live amber priority recommendations at the end of the 2015-16 academic year. Internal Audit follow-up work has confirmed that as at the end of October 2016 there are five live amber priority recommendations for the School to action and a further amber priority recommendation which is the responsibility of the City Corporation to progress. These recommendations are being addressed by Management.

Recommendation

- Members are asked to note the work that internal audit have undertaken and offer any observations.

Main Report

Background

1. Internal Audit plays a role in providing the required assurance on internal controls using a risk-based planning process, informed by the identified key risks, strategic and operational objectives, to identify the key auditable areas to establish a three-year plan, with key auditable areas being reviewed annually.

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.

2. The Internal Audit Section operates, in all aspects, in accordance with the Public Sector Internal Audit Standards, revised and published in April 2016. The work of Internal Audit is relied upon by HEFCE's Audit Service, and informs the work of the City of London Corporation's external auditors.
3. The Committee receives a report on an annual basis from the Head of Internal 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 in January 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 a summary of outcomes for finalised audits.
4. The School's main accounting and payroll systems are provided by the City of London Corporation. These systems are subject to 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 Academic Year 1st September 2015 to 31st July 2016.

Current Position

Internal Audit Plan and Annual Opinion 2015-16

6. The Internal Audit Plan for 2015-16 is complete and a summary of the findings of the work completed for the Academic Year September 2015 – July 2016, which have informed the Head of Internal Audit and Risk Management's opinion, can be found in Appendix 1.
7. The Head of Internal Audit and Risk Management's opinion is that ***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.***

Internal Audit Plan 2016-17

8. Whilst no reports have been finalised to date, a follow-up exercise has been completed recently to determine the implementation of high (red and amber) priority recommendations. Terms of reference have been prepared for an audit of Succession Planning, Talent Management and Staff Development, and detailed planning is underway in respect of audits on Income Generation, Strategic

Planning and Satellite Site Operations – taking into account the findings of the Operating Model Review.

Audit recommendation follow-up reviews

9. At the end of the 2015-16 academic year there were nine live amber priority recommendations which were for the School to address and no outstanding red priority recommendations. A recent follow up exercise which looked at high (amber in this case) priority recommendations due for implementation by 30th September 2016 identified that there were seven such recommendations relating to the School which were due for follow-up. Two further recommendations were not yet due for implementation.
10. As at the end of October 2016 and based on audit examination of evidence as part of the follow-up exercise there are five live amber priority recommendations which are due for implementation by the School and a further live amber priority recommendation related to the School which is the responsibility of the City Corporation (City Procurement) to address, as follows:

| Audit | Area | Status |
|---|--|--|
| Procurement | Management Information | City Procurement action outstanding |
| | Coding of Purchases | Partially implemented |
| Strategic Information Technology Services | Disaster Recovery Site | Not implemented |
| | Tape Storage | Partially implemented |
| Milton Court | Business Plan Update | Implementation timescale to be confirmed |
| | Calculation of Costs for Staging Conferences and Artistic Events | |

11. Revised timescales for implementation have been agreed for four of these recommendations and Internal Audit is liaising with the recommendation owner to determine the progress in the remaining area (Milton Court) which was expected to be impacted by the Operating Model Review.

Conclusion

12. A positive Head of Audit and Risk Management annual opinion has been provided.
13. The 2016-17 internal audit plan is in progress and due for completion by the end 31st July 2017.

Appendices

- Appendix 1 - Schedule of Internal Audit Planned Work 2015-16

Contact: Pat Stothard, Head of Internal Audit and Risk Management

E: Pat.stothard@cityoflondon.gov.uk