



Audit and Risk Management Committee  
of the Guildhall School of Music and  
Drama

Annual Report to the Board of  
Governors and the Principal  
for the year ended  
31 July 2019

# Contents

Annual Report of the Audit & Risk Management Committee    Pages 3-9

Members of the Committee who served during the year,  
dates of meetings and Members present    Appendix 1

## **Introduction**

1. This report has been prepared in accordance with the Office for Students (OfS) Audit Code of Practice and covers the period from 1 August 2018 to 31 July 2019.
2. Any significant issues that have arisen up to the date of preparation of the report are included, most notably consideration of the audited financial statements received for the year ending 31 July 2019.

## **Membership**

3. The Governors who served on the Audit and Risk Management Committee during 2018/19 are listed within Appendix 1 of the report.
4. The clerk to the Audit and Risk Management Committee is the clerk to the Board of Governors.

## **Meetings**

5. Appendix 1 details the dates upon which the Audit and Risk Management Committee met and the Governors present at each meeting are as shown.

## **Terms of reference**

6. The Board of Governors agreed to the establishment of a formal Audit and Risk Management Committee at its meeting on 16 October 2006, also agreeing that the Committee's terms of reference should be based on the Higher Education Funding Council of England (HEFCE) guidelines as appropriate, subject to any amendments that may be necessary following clarification of the extent to which the then HEFCE's Accounts Directions should be applied to the Guildhall School
7. An amendment was subsequently made to the Committee's terms of reference, to enable the Committee to receive regular reports on the School's management accounts. HEFCE's recommendation was that management account reporting should remain with the governing body or other executive committee, to maintain the Audit and Risk Management Committee's independence. However, to enable the Committee to fulfil its remit with regard to monitoring the effectiveness of the School's arrangements for ensuring value for money, it was agreed that management accounts would be presented. The revised terms of reference were approved by the Audit and Risk Management Committee at their meeting on 5 July 2010 and the Board of Governors and HEFCE were duly informed of the amendment. In the course of its business the Committee seeks assurance that the Guildhall School's systems of internal control are sound and key principles of effective risk management are followed.

8. The terms of reference are reviewed on an annual basis, with changes made as appropriate to bring them in line with HEFCE (and now Office for Students) expectations as well as best practice and changes with respect to corporate governance.

### **Internal audit strategy**

9. Internal Audit services are provided to the Guildhall School by the City Corporation's Internal Audit team as part of its overall remit. The Head of Internal Audit and Risk Management works with the School to identify potential areas for audit coverage, as part of the comprehensive review of Internal Audit.
10. The Committee continues to hold an introductory "in camera" session with the Head of Internal Audit and Risk Management at its meetings.
11. In common with every department of the City Corporation, the Guildhall School's annual audit plan is developed using a risk-based approach, taking account of specific areas of risk highlighted by the Principal and the key areas of risk identified for the City Corporation as a whole. The Internal Audit section's three-year audit plan for the School has been developed to ensure that all the key risks identified within the School's own risk register are reviewed as part of this cycle. At each meeting the Committee reviews the Internal Audit Plan to ensure that priority areas or newly identified risks are reviewed in a timely manner.
12. Internal Audit reports were received by the Committee at its meetings in October and November 2018 and February and April 2019. The Committee also received reports concerning reviews undertaken during the 2018/19 Academic Year at its meeting in September 2019.
13. The opinions of the Head of Internal Audit and Risk Management contained within the reports give the Committee reasonable assurance as to the adequacy and effectiveness of the School's arrangements for risk management, control and governance, and economy, efficiency and effectiveness. The Head of Internal Audit and Risk Management deems the School's systems of internal control generally robust and can be relied upon to ensure that objectives are achieved efficiently. Internal Audit activity within 2018/19 did not reveal any significant internal control weaknesses. Where recommendations have been made in regard to specific reviews conducted during the previous year, the Committee is assured that these recommendations have either been implemented or are being addressed.
14. The Audit and Risk Management Committee was informed at its April 2019 meeting that, in respect of delivery of 2018/19 planned audits, one audit was complete, two reports were in draft, fieldwork had been initiated in respect of two audits, and one audit was to be carried forward to 2019/20.
15. Of the four aforementioned audits which were either in draft stage or fieldwork stage as of the April meeting:

- one (*Strategic Planning*) was completed later that month;
- one (*Income Generation*) was completed within the academic year;
- one (*Academic Programme Development*) had its scope expanded and was split into two phases, with the second phase deferred until 2019/20. The final report was then confirmed following the completion of the second phase in Q1 of 2019/20; and
- one (*Accommodation Strategy*) also had its scope expanded and, while partly delivered in 2018/19, full completion was carried over into 2019/20.

16. Of the audit reports finalised by 31 July 2019:

- *Student Affairs (Student Support)* received a moderate assurance rating with ten amber recommendations raised;
- *Strategic Planning* received a moderate assurance rating with two amber and two green recommendations raised; and,
- *Income Generation* received a moderate assurance rating with three amber recommendations raised.

17. As at the end of July 2019, ten amber priority recommendations remained live, compared to seventeen at the time of the April Committee meeting. Of the ten live high priority recommendations, two recommendations had been partially implemented and eight recommendations had not yet been implemented. Of these, three had had their target implementation dates revised from June to September 2019, whilst the other six remained on track for target implementation dates.

18. The 2019/20 internal audit plan sets out six items to be reviewed within the next year:

- Budget-Setting & Financial Management
- Academic Programme Development (Phase 2 – deferred from 2018/19)
- Fraud Risk Management
- Production Arts Students Cash Floats
- Facilities Management & Maintenance
- Internationalisation

And completion of the Accommodation Strategy review carried forward from 2018/19.

19. The Internal Audit Plan 2019/20 and audit proposals for the two following years must be aligned to the Guildhall School's Strategic Plan and, as a result, the planning process has taken place later in the year than has previously been the case.

20. The Audit Plan was prepared using a risk-focused approach and taking into account the public interest governance principles which are key components of the Office for Students (OfS) regulatory framework. The Internal Audit Plan 2019/20 and a statement of intent for the period up to 31 March 2022 have been discussed with the School's management to agree potential scope and timing of audits.

#### **Other relevant assurance work**

21. During the year, the Head of Audit and Risk Management provided an update on the external review of the City Corporation's corporate risk management arrangements. The purpose of the report was to outline the key findings of the external and independent review of the City Corporation's risk management arrangements which was carried out in the summer of 2016 and reported to the Summit Group and the Audit and Risk Management Committee in late 2016. The report's key finding was that systems and processes that support the risk management framework have significantly improved over the last two years and suggested six areas that should be considered for improvement. Thirteen recommendations have been made to address these improvement areas.
22. The Health Check report endorsed the risk maturity assessment of the City Corporation as a strong "Working" (Level 3 out of 5) based upon the National Performance Model for Risk Management in the Public Services (used by CIPFA/Alarm for benchmarking purposes). It should be noted that the City Corporation was on the cusp of achieving the next level (4) of "Embedded and integrated".

#### **External audit**

23. The External Audit services provided to the City Corporation and by extension to the Guildhall School are by BDO. The External Auditor's Report and accompanying Management Letter in respect of the School's accounts for the year ending 31 July 2019 are taken into account in the opinion provided at the end of this report and are included in the papers for this meeting.
24. The External Auditor's Report and Management Letter in respect of the year ending 31 July 2019 audit of accounts did not raise any issues and therefore no follow up actions were required by the School or Committee during the year.

#### **Review of audited financial statements**

25. The audited financial statements for the year ending 31 July 2019 are included in the papers for this meeting. The Audit and Risk Management Committee is asked to review the report, which will also be reviewed by the Finance and Resources Committee of the Board of Governors of the GSMD prior to submission for approval at the 25 November 2019 Board of Governors' meeting. This review includes the notes to the accounts as well as

the primary statement of income and expenditure, the operations and finance review and statement of corporate governance and internal control.

26. During the year, the financial statements for the year ending 31 July 2018 were similarly reviewed and approved, prior to submission to the OfS.

### **Risk management, control and governance**

27. In addition to consideration of the annual Internal Audit reports, the External Auditor's reports and management letters, and the audited financial statements, the Committee also bases its opinion on the adequacy and effectiveness of risk management, control and governance, economy, efficiency and effectiveness, and the management and quality assurance of data upon the regular risk register reports they have received. At each of its meetings during the year the Committee received updates on the School's risk register, with changing levels of risk identified and discussed. Additionally, during this process, agreed improvements were made to ensure greater robustness and consistency in updating the risk register for presentation at each of the Committee's meetings.
28. The City of London Corporation uses a common risk management system across all its departments. There is a hierarchy of risks - corporate, departmental and local. There are no Guildhall School risks on the City's Corporate Register. During the past year, given the ongoing situation concerning Brexit, the City has instituted a Brexit Working Group, to which the School has submitted weekly updates on its risks associated with Brexit. The Audit and Risk Management Committee considers departmental risks at each of their meetings. The School does not use the third tier of risk, hence all risks come to the Committee at each meeting.
29. The Chief Officers' Risk Management Group's review process also provides a mechanism for Chief Officers to highlight any corporate risks which they might feel appropriate to reflect in their respective departmental risk registers.

### **Value for money**

30. To assist the Committee with monitoring and assessing the School's arrangements for ensuring value for money, the management accounts are brought to the Committee meetings.
31. The presentation of an annual review of economy, efficiency and effectiveness is now established within the Audit and Risk Management Committee's cycle of business. The School continues to drive efficiency and effectiveness in a number of areas, most notably through:
- Review of the School's strategic plan
  - Diversifying income streams
  - Procurement and effective management of resources
  - Closer joint working with partner organisations including shared Barbican-Guildhall School 'common platform' of services.

## **Management and Quality Assurance of data submissions**

32. As previously reported, following designation as a Higher Education Institution (HEI), the Audit and Risk Management Committee of the Guildhall School has undertaken to provide its opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), Students Loan Company (SLC) HEFCE (now Office for Students) and other relevant bodies. The School continues to meet all its reporting requirements to date in 2018/19 and operates an internal system of review by staff independent of the data collation, prior to submission of returns. As a result of previous guidance from HEFCE, the School works with the Internal Audit section to incorporate checks on these areas within future audit programmes. Full audit trails are maintained within each relevant area and are available to Internal Audit to facilitate these checks.

## **Other work undertaken**

33. During the year, the School was also required to make its Annual TRAC return submission to the OfS for the academic year 2017/18. The return was considered first by the Finance and Resources Committee at its January 2019 meeting prior to submission to the OfS, and was subsequently brought to the Audit and Risk Management Committee for consideration and then forwarded to the Board of Governors.

## **Committee effectiveness review**

34. Following an earlier Audit and Risk Management Committee recommendation, reviews of the effectiveness of all of the Board's committees continue to be undertaken by the Governance and Effectiveness Committee and the findings of a skills survey of Governors was undertaken during the year under review.

## **Opinion**

35. The School is committed to continually improving its systems and procedures and the Audit and Risk Management Committee considers that the Guildhall School has in place a satisfactory system of risk management, control and governance.
36. Arrangements within the School to ensure that economy, efficiency and effectiveness are achieved are also of a satisfactory level and will continue to be closely monitored within the current financial climate.



37. The Committee is assured that the School also has in place appropriate arrangements for the management and quality assurance of data submitted to relevant regulatory and other funding bodies.
38. In arriving at this conclusion, the Audit and Risk Management Committee has relied on the opinions contained in the annual reports received by it from the Head of Internal Audit and Risk Management and the External Auditor's reports, in addition to the regular reports received from, and discussed with, officers at each of their meetings.
39. The Board of Governors should however be aware that any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

-----

**Marianne Fredericks**  
Chairman

Date: 13 November 2019

## Appendix 1

### **Audit and Risk Management Committee:- 1 August 2018 to 31 July 2019**

Marianne Fredericks (Chairman)  
Graham Packham (Deputy Chairman)  
Christina Coker (until November 2018)  
Neil Constable (external Member, co-opted on to the Committee)  
Randall Anderson  
John Chapman  
Ann Holmes (from May 2019)

#### **In attendance**

Vivienne Littlechild

#### **Officers of the Board of Governors**

Clerk to the Governors:  
Martin Newton (until September 2019)  
Greg Moore (from September 2019)

John Barradell  
Town Clerk & Chief Executive,  
City of London Corporation

#### **Dates of meetings and Members present**

##### 16 April 2019

Marianne Fredericks (Chairman)  
Randall Anderson  
John Chapman

##### 12 February 2019

Marianne Fredericks (Chairman)  
Graham Packham (Deputy Chairman)  
Randall Anderson  
John Chapman  
Neil Constable

##### 14 November 2018

Marianne Fredericks (Chairman)  
Graham Packham (Deputy Chairman)  
Randall Anderson  
John Chapman  
Christina Coker

##### 6 July 2018

Marianne Fredericks (Chairman)  
Graham Packham (Deputy Chairman)  
Randall Anderson  
John Chapman