Committee(s):	Date(s):	
Audit and Risk Management Committee of the Board of Governors of the Guildhall School of Music & Drama	1st November 2012	
Board of Governors of the Guildhall School of Music and Drama	19th November 2012	
Subject: Internal Audit Internal Control Assessment for the Academic Year 2011/12	Public	
Report of: The Chamberlain	For Information	

Summary

1. This report has been prepared in accordance with the HEFCE Code of Practice for Accountability and Audit (paragraph 14). It provides your committee with details of the Internal Audit work undertaken at the School during the academic year ended 31st July 2012 with the intention of providing you with an opinion on the adequacy and effectiveness of risk management, control and governance, economy, efficiency and effectiveness.

2. Internal Audit plays a role in providing the required assurance on internal controls through its comprehensive risk-based audit of all auditable areas within the five-year planning cycle – with key areas being reviewed annually. This is reinforced by consultation with the Audit and Risk Management Committee Chairman, the School's Principal and his management team on perceived risk, any areas of concern and by a rigorous follow-up audit regime.

3. The Committee receives reports from the Head of Audit 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. These reports are provided annually as well as a separate report in March detailing the planned work for the following financial year, the Five Year Cyclical Plan and the scope of audit coverage across all aspects of the School's operations.

4. The School's main accounting and payroll systems are provided by the City of London Corporation (CBIS and Trent). These systems are subject to annual review by the Internal Audit Section and are considered by both Internal Audit and the City's external auditors to provide a high level of internal control. On the basis of the School's operation of CBIS and Trent, it is the Head of Audit's opinion that the School's systems of internal control are generally robust and can be reasonably relied upon to ensure that objectives are achieved efficiently.

5. The Internal Audit Section operates, in all aspects, in accordance with the Local Government Internal Audit Standards as laid down in

the CIPFA Code of Practice.

6. The work of Internal Audit is relied upon by the HEFCE's Audit Service, as well as the City of London Corporation's External Auditors (Deloittes).

7. Two Internal Audit reviews were completed during the academic year 20011/12: IT Strategy & Operations Review; and the School Enrolment Process In addition to these reviews, three follow-up exercises for the following reviews: Sundial Bar; the Centre for Young Musicians; and Professional Fees & Consultancy Services.

Recommendation

That content of this report is noted.

Main Report

Audit Reviews 2011/12

.Projects

	Report Finalised
IT Strategy & Operations	April 2012
School Enrolment Process	June 2012
Follow-up reviews	
Sundial Bar	October 2011
The Centre for Young Musicians	November 2011
Professional Fees & Consultancy Services	November 2011

Audit Projects

IT Strategy & Operations (Amber Assurance)

8. The review was concerned with gaining an overall assurance of the School's ICT strategy, security and operational control. The School is wholly responsible for their IT provision in meeting the associated business needs with the exception of telephony, which is maintained by the Barbican Centre IT.

9. In general the IT practices were judged as adequately controlled; even so some issues have been identified. Which, if addressed would further improve the service. The table below summarises the number and type of recommendations: -

AREA	Red Recommendations	Amber Recommendations	Green Recommendations
IT Strategy	0	2	2
Management Responsibility	0	1	2
Configuration & Infrastructure	0	0	2
Logical Access Controls	0	2	3
Operational & Housekeeping Procedures	0	0	1
Resilience	0	0	2
TOTAL	**0**	**5**	**12**
Implemented to date	**0**	**3**	**4**

10. The Guildhall School's IT Strategy covers a wide range of topics however policy, particularly around security of technical measures, could benefit from some expansion, and some updates to existing documents and expansion of the range of documentation would reflect current leading practice methodologies. (E.g. the IT Risk Register, Capacity Plan, Strategy and Device Protection Policy).

11. Two amber recommendations were made to expand 'End-point' protection for devices and media (e.g. CD Rom and USB Drives) available to staff and for students which has been agreed for implementation by August 2012 and improve security through expanding the use of encryption for all mobile devices with access to School systems for implementation by October 2012. These actions will reduce the risk of malicious or accidental damage to systems and services or unauthorised access.

12. The management structure is appropriate for the scale of operations but there is little room for staff contingency. Assurance regarding good staff character could be improved with CRB checks. One amber recommendation was made to consider IS operational cover in preparation for the Milton Court expansion for which consideration and

plans have now been made.

13. Configuration and Infrastructure are well controlled, minor issues regarding logging of events and rationalising printing resources were identified.

14. Logical Access Controls is a particularly strong area with some controls in excess of larger partner organisations. Opportunities for improvement were noted in configuration of the Windows domain, student information (SITS) application resulting in an amber priority recommendation which has subsequently been reported as completed in April 2012 and proactive monitoring of weaknesses which resulted in a further amber priority recommendation which was completed prior to finalisation of the audit review.

15. Operational & Housekeeping Procedures are well controlled; an opportunity regarding asset control could reduce the risk of theft or fraud.

16. Resilience is appropriately catered for, one green recommendation was made to monitor the City of London Disaster Recovery review presently underway to enable the Guildhall School to adapt and explore opportunities to improve services in a timely fashion.

17. The main fieldwork for this audit was completed in December 2011, and the draft report issued in February 2012. Following receipt of a management action plan in March 2012, this audit report was finalised in April 2012.

18. All recommendations from this review were agreed. Two amber and four green priority recommendations were implemented prior to issue of the final report with another amber recommendation implemented in April 2012. The implementation of the remaining recommendations was completed by 30th September 2012.

Enrolment 🟢 Green Assurance – (1 green priority recommendation)

19. Overall it is felt that there are sufficient controls in place for the registration process, charging is in accordance to the set fees and charges and the budget setting and monitoring process is sufficiently managed and controlled.

20. The school's security of student pass cards was found to be sufficiently controlled in relation to issuing, however it was felt controls could be improved for the deactivation of cards during the academic year.

21. In general, the controls in operation to mitigate unauthorised access throughout the school are satisfactory. The Facilities Management team, who are responsible for maintaining pass cards, conduct annual review of

all pass cards on the system and terminate all electronic access for leavers.

22. An agreement is also in place that the Registry Office will advise the Facilities Management section of all leavers mid-year. The school's policy is not to confiscate or destroy pass cards when students are due to leave; reliance is placed on the termination of electronic access. This is supported by the ability to program all cards with a built-in expiry date, after which all access rights are automatically revoked.

23. A sample of cards currently circulated was reconciled against a list of all of the school's enrolled students. Of a sample of 20, five active cards were identified where the student had left the school before the official end of the academic year. In accordance with Internal Audit's recommendation, all these cards have now been deactivated.

Follow-up reviews

Sundial Bar (Final Report August 2011)

RAG Rating	Recommendations	Implemented	Partially Implemented	Outstanding
(red)	0	0	0	0
(yellow)	3	2	1	0
(green)	7	7	0	0
Total	**10**	**9**	**1**	**0**

24. In order to improve controls around payment of students, rotas and timesheets are now maintained and monitored to a higher standard. All timesheets reviewed had been signed by the claimant and authorised by an officer of an appropriate level. Timesheets for a recent three week period were reconciled to the respective rotas to identify any anomalies. In general, Internal Audit was able to verify the integrity of timesheets by the rota with a few, minor variances:

- One timesheet was processed for payment with no corresponding shift on the rota. This presents the risk of overpayment.
- Three shifts on the rota during this period could not be matched to timesheets, presenting the risk of underpayment of staff.
- An instance of one student being recorded for a shift on the rota and another student being paid for it. It is appreciated that the student paid for the shift could have been substituted for the shift, but in these instances the Bar Manager should amend the rota.

25. It is appreciated that these errors are not indicative of overall control of timesheet processing but bar staff have been reminded to ensure that all

timesheets are fully completed.

The Centre for Young Musicians (Final Report January 2011)

RAG Rating	Recommendations	Implemented	Partially Implemented	Outstanding
🔴	0	0	0	0
🔺	2	2	0	0
🟢	8	6	1	1
Total	**10**	**8**	**1**	**1**

26. The partially implemented recommendation related to non-order invoices. Whilst the follow-up exercise found that more purchase orders are being raised since the main review, some none order invoices were still being processed. Staff have been reminded to raise orders and should be noted that the City is working towards improving the overall level of orders raised as part of the creation of the City of London Procurement Service (CLPS).

27. The outstanding recommendation was to explore the possibility of using the City Business Information System (CBIS) Accounts Receivable (AR) module to raise invoices for school fees. Whilst this was considered, it was decided that it was impracticable to do this, although the potential for raising non fees income invoices via CBIS AR could be adopted.

Professional Fees & Consultancy Services (October 2010)

RAG Rating	Recommendations	Implemented	Partially Implemented	Outstanding
🔴	0	0	0	0
🔺	0	0	0	0
🟢	4	4	0	0
Total	**4**	**4**	**0**	**0**

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