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| Committee(s) | Dated: |
| Audit and Risk Management Committee of the Guildhall School of Music and Drama | 11/11/2020 |
| Board of Governors of the Guildhall School of Music and Drama | 23/11/2020 |
| Subject: Internal Audit Annual Report and Opinion | Public |
| Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly? | N/A |
| Does this proposal require extra revenue and/or capital spending? | N |
| If so, how much? | N/A |
| What is the source of Funding? | |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: Head of Audit & Risk Management | For Information |
| Report author: Cirila Peall, Audit Manager | |

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') in respect of the academic year ended 31st July 2020 with the intention of providing you with an annual audit opinion. Appendix 1 provides a summary of audit outcomes which have informed this report, comprising both School and corporate audit coverage.

The Head of Audit and Risk Management opinion for 2019-20 is that the School's systems of risk management, control and governance, economy, effectiveness and efficiency are generally robust and can be reasonably relied upon to ensure that School's objectives are achieved.

Recommendation(s)

- Members are asked to note the report

Main Report

Background

1. Internal Audit plays a role in providing the required assurance on internal controls through delivery of its annual risk-focused audit plan. 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 and any areas of concern, and a timely recommendations follow-up regime carried out by Internal Audit.

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 wider audit strategy, focusing on coverage of the School's key operations. Additionally, regular Internal Audit Update Reports are received by this Committee containing the detail of the agreed scope for individual assignments (as per the finalised terms of reference), a summary of outcomes for finalised audits, and updates on recommendations implementation.
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 31st July 2020. No issues have arisen specifically in respect of the School from corporate audits i.e. City of London Corporation audits which provide assurance over central relevant systems / processes.

Current Position

6. The Head of Audit Opinion for 2019-20 is informed by the outcome of audits summarised at Appendix 1, delivery of the 2020-21 Audit Plan to date (Appendix 2), and recommendations implementation as determined by Internal Audit follow-up activity
7. Delivery of the 2020-21 audit plan is underway but the profile of delivery has been impacted by the Coronavirus pandemic and the organisation's immediate response; Internal Audit activity recently recommenced in September 2020. At the time of preparing this report no significant issues have been identified in respect of 2020-21 audits which adversely affect the Head of Audit and Risk Management's opinion.
8. Internal Audit follow-up work in respect of high priority recommendations during 2019-20 and 2020-21 to date has confirmed implementation of high priority recommendations, as well as identifying slippage in implementation resulting in revised target deadlines being set.

Internal Audit Outcomes 2019-20

9. Appendix 1 provides a summary of audit outcomes informing the 2019-20 Head of Audit Opinion. The audit coverage spanned the areas set out below.

10. Audit examination of the arrangements for Academic Programme Development provided **substantial assurance** and no recommendations were raised.

11. Audit examination of the arrangements for School Budget-Setting provided **moderate assurance** and two recommendations were made.

| Recommendations | Red | Amber | Green | Total |
|------------------------|------------|--------------|--------------|--------------|
| Number Made: | 0 | 1 | 1 | 2 |

12. Both recommendations were agreed with implementation dates provided of July 2020 and January 2021, respectively. Internal Audit follow-up identified slippage in the implementation of the amber priority recommendation and a revised target date of January 2021 has been supplied; formal follow-up will be undertaken in February 2021.

13. Audit examination of the Fraud Risk Management arrangements provided **moderate assurance** and seven recommendations were made.

| Recommendations | Red | Amber | Green | Total |
|------------------------|------------|--------------|--------------|--------------|
| Number Made: | 0 | 6 | 1 | 7 |

14. The six amber priority recommendations were agreed by School management and subsequent Internal Audit follow-up activity has confirmed implementation of four of these. One of the outstanding recommendations has not yet reached its original target date of 31/12/20 and the other has been subject to a revised target implementation date. Internal Audit follow-up is scheduled for January 2021.

15. Audit examination of the arrangements for Production Arts: Student Petty Cash provided **moderate assurance** and eleven recommendations were raised.

| Recommendations | Red | Amber | Green | Total |
|------------------------|------------|--------------|--------------|--------------|
| Number Made: | 0 | 3 | 8 | 11 |

16. Subsequent Internal Audit follow-up activity has confirmed that all three amber priority recommendations have been implemented.

Risk Management Activities

17. The corporate Risk Management Strategy aligns with the key principles of ISO 31000: Risk Management Standard and the UK Government's Management of Risk Guide. The Strategy emphasises risk management as a key element within the City Corporation'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. It also defines the roles and responsibilities of officers, senior management and Members.

18. The Risk Management Group, consisting of senior managers representing all departments, includes the Guildhall School of Music and Drama. Strategic decisions on risk management are made by the Summit Group. They receive a quarterly update on both corporate and top red departmental level risks.

19. The Chief Officer Risk Management Group, working on behalf of the Summit Group, 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.
20. 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. These are one-hour long sessions where the Chief Officer discusses with the Committee the department's arrangements for managing risk as well as the key risks it faces. In July 2019 the School's Principal attended the Committee's informal risk challenge session.
21. The Committee also undertake deep dives of corporate risks, meeting six times per year and aiming to cover two risks in detail at each meeting.

Head of Audit Opinion

22. The Head of Audit and Risk Management provides the following audit opinion, based on Internal Audit work undertaken in 2019-20, 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 a number of the recommendations arising from our work have not yet been implemented, some of which are not yet due, a small number are now beyond the timescales originally proposed by management.

Internal Audit Plan 2020-21

23. The Internal Audit Plan is included at Appendix 2. As reported to the September meeting of this Committee, the delivery of Internal Audit work has been impacted by the Coronavirus pandemic and the organisation's immediate response to this.
24. Internal Audit Plan delivery recommenced in September 2020 and a draft report has recently been issued in respect of the audit of Internationalisation; the summary outcome will be reported to this Committee upon finalisation. Audit fieldwork is also underway in respect of Facilities Management and the scope of this work spans both the Barbican and the Guildhall School.
25. Internal Audit will continue to liaise with the School's senior management to plan the remaining assignments and scope audit coverage to enable the provision of an annual opinion on the adequacy of the system of internal control for 2020-21.

Recommendations Implementation

26. Regular Internal Audit follow-up activity within 2019-20 and 2020-21 to date has confirmed implementation of recommendations, as well as identifying instances of slippage in implementation timescales.
27. As at mid-October 2020, there are no live red priority recommendations and three live amber priority recommendations which have exceeded their original target

implementation dates - these are summarised at Appendix 3. Revised target implementation dates have been supplied for two of these recommendations and a revised target date is required for the remaining one. Planned Internal Audit follow-up activities will be undertaken in line with the latest revised target implementation dates.

28. Internal Audit has reiterated the importance of setting realistic timescales for demonstrating recommendations implementation and work is ongoing to obtain status updates and confirm revised implementation dates for those outstanding recommendations where no information was provided.

Corporate & Strategic Implications

29. The overall Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks. The Guildhall School, as an institutional department of the Corporation, has a sub-section of the Plan and a programme of Internal Audit work that includes audit assignments and regular follow-up activity in respect of recommendations implementation.

Conclusion

30. A positive Head of Audit and Risk Management annual opinion has been provided, based on Internal Audit work carried out during the academic year ended 31st July 2020.

31. Delivery of the 2020-21 Internal Audit Plan is in progress. The scoping and timing of delivery of the remaining assignments will ensure sufficient coverage to enable the provision of an annual opinion on the adequacy of the system of internal control for 2020-21.

32. 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 overdue 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 for 2019-20 Opinion
- Appendix 2 – Audit Plan 2020-21
- Appendix 2 – Overdue High Priority Recommendations as at 20/10/2020

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