

**AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF
GOVERNORS OF THE GUILDHALL SCHOOL OF MUSIC & DRAMA
Wednesday, 11 November 2020**

Minutes of the meeting streamed live to You Tube at 9.30 am

https://youtu.be/CbJ2dp_B7XU

Present

Members:

Professor Geoffrey Crossick (Chairman)
Randall Anderson (Deputy Chairman)
John Chapman
Dr Paula Haynes
Christopher Costigan
Michael Herington

In Attendance:

Vivienne Littlechild
Chairman of the Board of Governors,
Guildhall School of Music and Drama

Officers:

Lynne Williams	-	Principal, Guildhall School of Music and Drama
Katharine Lewis	-	Guildhall School of Music and Drama
Jonathon Poyner	-	Barbican Centre
Sandeep Dwesar	-	Barbican Centre
Jonathan Vaughan	-	Guildhall School of Music & Drama
Katharine Lewis	-	Guildhall School of Music and Drama
Matthew Lock	-	Chamberlain's Department
Julie Mayer	-	Town Clerks
Gemma Stokley	-	Town Clerks

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

RESOLVED, that – the public minutes and non-public summary of the meeting held on 2nd September 2020 be approved as a correct record.

4. NEW CUC CODE OF PRACTICE FOR AUDIT COMMITTEES

Introduction by the new Chairman

Members noted that the last meeting of the Board of Governors of the Guildhall School of Music and Drama had appointed Geoffrey Crossick, a Co-opted Member of the Board, as Chairman of its Audit and Risk Management Committee. The new Chairman introduced himself and welcomed new Members; Paula Haynes (a Co-opted Member of the Board) and Christopher Costigan and Michael Herington (Co-opted Members of this Committee but not

the Board). The Chairman asked that the Members' status on the Committee be reflected on the agenda front sheet.

The Chairman had written to Members of the Committee before today's meeting in respect of its Terms of Reference, noting the Committee's unusual position as an Audit Committee of a Higher Education Institution, in that it is located within the governance structure of the City of London Corporation and not the Guildhall School of Music and Drama itself.

The first substantive item of business on today's agenda was the *Higher Education Audit Committee Code of Practice*, which had been published in the Summer by the Committee of University Chairs (CUC). The Chairman advised that, although CUC Codes were not formal requirements, they were an authoritative and helpful guide to good practice. This document had been placed on the agenda, immediately before the Terms of Reference, and the Chairman proposed that they be considered together. It was noted that the Board would need to approve any recommended amendments to the Committee's Terms of Reference. The Chairman suggested that proposals discussed today should be agreed by email following the meeting, before being collated and presented to the Board for approval.

The Committee noted that the CUC encouraged its adoption, and that further consideration could be given to this later in the year, as part of the Committee's Annual Report. However, it was also a good opportunity to consider if any aspects of the Terms of Reference could be amended sooner.

5. **TERMS OF REFERENCE**

The Committee received its current Terms of Reference and the Chairman encouraged reflections from those who had been on the Committee for a while, together with contributions from the new Members, in respect of how well the Committee's Terms of Reference aligned to the Code and, if not, where and how this could be resolved. It was also noted that the current Terms of Reference had been based on a previous CUC Model.

It was noted that the fact that the School was a part of the City of London Corporation and not a fully autonomous body meant that certain duties in the CUC's Model Terms of Reference did not apply to the responsibilities of the Audit & Risk Management Committee. This specifically concerned the appointment and relationship with external auditors; the appointment of an internal audit function; overseeing the policy in relation to fraud; arrangements to ensure the appointment of 'fit and proper persons' to the Board and executive positions; and the clause concerning dissolution or merger.

Officers were also welcomed to join in and during the discussion the following points were noted:

- a) Whilst the current Terms of Reference generally align well to the Code, there could be more focus on the academic side. It was suggested that a '*deep dive*' into on-line learning would be helpful. It was noted that the

CUC suggests that academic risk and assurance of quality standards should be included.

- b) The Committee should be able to suggest non-routine items for consideration on the agenda and conduct deep dive reviews where necessary. Deep dives had been undertaken by previous Audit and Risk Committee Chairmen and they were also undertaken by the City of London Corporation's central Audit and Risk Management Committee.
- c) There is a clear separation of leadership between the Board and its Audit Committee, which is recognised as good practice. The Chairman of the Board observes the Committee meetings but is not a Member of it.
- d) The Terms of Reference achieve a good balance in respect of the school's unusual legal status and relationship with CoLC.
- e) Arrangements for supporting culture, behaviours and managing conflicts of interest could be included at the appropriate points.
- f) The Terms of Reference give the audit function a strong focus but as this is an Audit and Risk Committee (ARMC), the Risk Register should be referenced, along with operational resilience, GDPR, cyber security etc. and items (c) and (d) could be stronger. The Chairman and the Member suggesting the enhancement agreed to discuss outside of the meeting.
- g) Sustainability should be included to reflect the work of the Principal and her colleagues. The City Corporate may not be a complete financial backstop to the School and this was another good reason for including it. The current Terms of Reference give more scope to financial sustainability and less to legal and regulatory compliance, and it was noted that sustainability might not have been in the last iteration of the Code. Given that sustainability is now a principal risk, it should have the focus of the full Board. The ARMC would need to have regard to this; not in terms of managing or proposing strategies, but to ensure they are interrogated and given assurance.
- h) Periodic reviews of effectiveness should be included.
- i) HEFCE had recommended that Audit Committees not receive management accounts, but there was nothing in the new Code to suggest this. The accounts are fully scrutinised by the Finance and Resources Committee, before being approved by the Board. It was suggested that the character of management accounts might represent an unnecessary level of detail for this Committee. The Committee agreed that, since it was not actually wrong for the Audit and Risk Committee to receive them, and that they were likely to contain sustainability implications, it might be best to leave them on for now and return to the matter at a later if it was thought necessary.

- j) The Finance and Resources and the Audit and Risk Committees receive and recommend the extracted financial details from the main City of London Accounts; i.e. the nominal School accounts which go to the Office for Students, and the Board then approve them. Currently, the Audit and Risk Committee receive the academic financial statements at the November meeting but the OfS had put back the deadline this year, to take account of the update to the Financial Model. The Review of Institutional Specific Funding (RISTA) would have a particular interest in our unusual status as an HEI and it is therefore very important for them to fully understand our governance structure and decision-making process.
- k) The Town Clerk advised that the date of the Audit Committee, scheduled for 4 February 2021, would need to come forward to accommodate the change of the OfS Deadline. Some possible dates in the latter part of January had been identified and would be circulated to the Committee after the meeting. It was also likely that there would need to be a Special Meeting of the Board of Governors in late January, after the Finance and Resources and Audit and Risk Management Committees had met.
- l) In terms of induction, the new Co-optees had met with key officers and been provided with backdated Committee papers, on request. They were encouraged to indicate those areas they would like to understand better. They had also been invited to attend the next Board Meeting and would continue to receive a full set of Board agendas.
- m) In respect of communications with the Governing Body, the minutes from these meetings are included in the Board Agendas and the Chairman would also raise any salient points orally at the Board Meetings. Members were encouraged to advise the Chairman if they felt that any particular matters should be raised.
- n) Internal audit is one of our most important functions and the Chairman had had a constructive meeting with the Head of Audit and Risk Management in respect of future presentation of reports.
- o) There was some more general updating of the Terms of Reference required in order to remove references to HEFCE and to replace this with the OfS.

In concluding, the Chairman thanked the Committee for their contributions and welcomed more outside of the meeting. The suggestions would be compiled and circulated for agreement, via email, before being presented to the Board in order to seek approval to amending the Committee's Terms of Reference

6. **INTERNAL AUDIT ANNUAL REPORT AND OPINION**

The Committee received the Internal Audit Annual Report and Opinion of the Head of Audit and Risk Management. The Committee noted that the Chairman had discussed the style of these reports with the Head of Audit and Risk Management (ARM). Suggestions from Members were welcomed and, whilst the Head of AMR would be happy to share full Internal Audit reports with the

Committee, it was noted that the reports can be quite lengthy. The Head of ARM advised that he was working on a new format Audit report which could be trialled with this committee. The Chairman expressed a preference for fuller reports on recommendations and management responses and outcomes from the reviews. It was suggested that the reports in their current format felt like a paraphrased version of a lot of underlying work and this made it difficult to comment and assess the recommendations.

The Chairman suggested that the Committee should focus on the character of the reports, the actual report on this agenda and the work plan, which might need some amendment. Members noted that the Annual Report was always a summarised version of reports previously provided and generally, the regular Internal Audit Reports were more detailed though still not at the level that the Chairman had proposed and with which members of the Committee were in agreement.

The Chairman expected to see the following key elements on each audit: the Terms of Reference of the Review; the recommendations set out under key headings and the management responses to the recommendations. There should also be a stand-alone summary, with the opportunity to drill down into the more serious matters, if necessary. Going forward, the Head of Audit and Risk Management would be able to present this format, alongside full audit reports, which will make the paperwork more manageable and still allow the Committee to drill into the detail and be able to challenge and hold officers to account.

During the discussion, the following points were noted.

- a) In terms of the Academic Programme development, the Head of ARM acknowledged that this was a complex area but the Team had provided an internal audit service to the school for a number of years and, therefore, had a breadth of experience and expertise in this area. However, for some specialisms, it might be advantageous to look at other providers. Furthermore, the Professional Code of Conduct prevented Auditors from undertaking Internal Audit work if they did not have the expertise to do so.
- b) One possible area for an academic audit might be unexplained grade inflation and officers agreed to discuss this with the Principal. The Chairman advised that the Academic Assurance Working Party had considered this and reported to the Board.
- c) In respect of the fraud risk management target dates, which had been delayed, the Head of Audit and Risk Management explained that the review had been more generic about risk management than fraud risk management, which hadn't initially been intended. The Head of ARM did not have the details to hand but future reports would be more specific. It was noted that one of the recommendations from the review was in terms of how risks were identified and considered on an on-going basis within the School and this had also been discussed at the subsequent cycle of Committee meetings. It was noted that this should have been documented and might explain why this particular risk appeared to be

outstanding. It was also noted that last month's Senior Management Team were asked to ensure that all School Committees consider risk management as a regular agenda item.

- d) The School used spreadsheets for student number modelling and it was difficult to process and record this information in any other way. The spreadsheets for the committee budget for establishment staff are extracted from payroll and cover vacancies and new appointments. When this is uploaded to CBIS, all links are removed and the files are then saved in a folder which hard codes the information and ensures their integrity is maintained.
- e) In terms of this year's Internal Audit Plan, which had been disrupted by the pandemic, the Chairman then asked the Committee whether it was the right time to undertake the following areas of work:
 - i. **Governance**, given that the Target Operating Model (TOM) had been approved and significant developments would follow its implementation early next year, it would be prudent to delay this work. The Chairman of the Board was in attendance and endorsed this approach. It was also noted that this work would work cut across Lord Lisvane's Governance Review of the City of London Corporation, which was likely to take longer as it had to go through the decision-making process. The Principal explained that the TOM was being driven by the Town Clerk and would implement a restructure of the City of London Corporation, thereby putting the School into a separate division, along with the other institutions which report into the City Corporation. The Committee noted that both the TOM and Lisvane contained radical proposals which might give the School a greater degree of autonomy and they would receive regular updates. Members were reminded that the detail behind the TOM concerned staffing matters and many aspects were still exempt under the Local Government Act. Co-opted Governors would continue to receive non-public information via their City Corporation email addresses.
 - ii. **Data Futures** should be postponed. It was noted that data quality had been included in the Audit Plan but this is a separate piece of work. The Chairman suggested that the area of external data returns should still receive attention, as was good practice for all higher education audit committees and especially important as it can be a struggle for smaller institutions to keep up with a high volume of data demands. Therefore, the Committee would need to receive assurance that it was being well managed and that it could have confidence in the quality of the data supplied to the OfS and other external bodies.
 - iii. The Head of Marketing had an **international strategy** addendum with a risk mitigation section covering recruitment issues such as Brexit, and access to Student Finance England, which also touched on on-line provision. Similar addendums would be developed in other papers in response to the cycle of audit reviews, and officers would be able to

develop the mitigations accordingly. The Principal stressed her concerns about the wellbeing of the academic staff, who had been working under intense pressure this year, and therefore suggested that the International Strategy be postponed. Furthermore, by the time the next audit plan is prepared, there might be more stability in terms of Covid, Brexit and the Target Operating Model. The Chairman and Members agreed that it should be captured as part of academic assurances for a future year. The Principal welcomed this approach and stressed that audit work should focus on a perceived problem and be of benefit to the school. Members noted that the academic dimension needs attention but in ways that are mindful of the pressures on staff and should be helpful.

In concluding, the Chairman felt that this had been a valuable discussion, ahead of the report on Risk Management, later on this agenda. Whilst there might be occasions when the Committee needed assurance promptly, the Chairman hoped that that future plans would be accommodating to both sides. The Chairman would also speak at Board Meetings on any emerging risks and commended the progress made by management in reducing the number of overdue recommendations.

RESOLVED, that – the Head of Audit and Risk Management’s Annual Report and Opinion for 2019-20 be noted in 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.

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

In response to a question about students travelling home early for Christmas, the Committee noted that the timing of the School’s Programme fit well into these requirements. Those not returning home would need to access practice rooms and arrangements were in hand. The proposals for mass testing had presented the School with a major challenge in terms of space and staff. However, the school had registered an interest, without commitment at this stage, and it was possible this it might join up with London Metropolitan University on Moorgate, giving due regard to data protection and storage. The Principal advised that this position had only changed today and was not reflected in the Board Papers. It was noted that if a student tested positive then they could not go home and would need to self-isolate for 10 days but the test was not compulsory.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

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
11-13	3
14 - 15	-

10. NON-PUBLIC MINUTES

The non-public minutes of the meeting held on 2nd September be approved.

At 11.25 pm, Members agreed to waive Standing Order 40 in order to conclude the business on the agenda.

11. GUILDHALL SCHOOL OF MUSIC & DRAMA RISK REGISTER

The Committee received a report of the Principal, Guildhall School of Music and Drama.

12. GUILDHALL SCHOOL OF MUSIC AND DRAMA BUDGET 2020/21

The Committee received a report of the Principal, Guildhall School of Music and Drama.

13. UPDATE TO THE MEDIUM-TERM FINANCIAL PLAN

The Committee received a report of the Principal, Guildhall School of Music and Drama.

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

There were no questions.

15. 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 urgent items.

The meeting ended at 11.35 pm

Chairman

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