



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 2020

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Annual Report of the Audit & Risk  
Management Committee

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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 requirements of the Office for Students (OfS).
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 2020.

## Membership

3. The Governors who served on the Audit and Risk Management Committee during 2019/20 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 in 2019/20 and the impact of Covid-19 Pandemic in 2020

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.

It should be noted that, due to the Covid-19 Pandemic, the Sub Committee only met 3 times in 2019-20; in September and November 2019, and then in March 2020. As a further consequence of the Pandemic, the Annual Meeting of the Court of Common Council, which appoints City of London Corporation Committees and approves their Terms of Reference, took place in July 2020 and not April 2020, as would usually be the case. Subsequently, this affected the timing of the first meetings of the Municipal Year for all City of London Corporation Meetings, including the first meeting of the Board of Governors of the Guildhall School of Music and Drama (GSMD). Consequently, the first Board Meeting of the new Municipal Year was not until 21<sup>st</sup> September 2020 and not in May 2020, as would usually be the case.

In May 2020, the GSMD Board appointed two new External Co-opted Members to the Audit & Risk Management Committee and Ann Holmes stepped down. A meeting of the Audit and Risk Committee took place on 2nd September 2020, a couple of weeks before the first Board Meeting of the Municipal Year. At that meeting, two new external co-opted Members were welcomed to the Audit and Risk Committee; Christopher Costigan and Micheal Herrington, and Ann Holmes was thanked for her service.

At the September 2020 Board Meeting, Professor Geoffrey Crossick, a Co-opted Governor of the GSMD Board, was appointed chairman of the Audit Risk Management Committee for the ensuing Municipal Year. The Board reappointed Randall Anderson, John Chapman, Christopher Costigan and Micheal Herrington, who were also joined by Dr Paula Haynes, a newly appointed co-opted Governor to the GSMD Board.

## 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 then-HEFCE and now Office for Students (OfS) expectations, as well as best practice and changes with respect to corporate governance. As set out in paragraph (5) above, the approval of the Board's Terms of Reference, along with appointments to its committees and approval of their Terms of Reference, was delayed in 2020. At the first meeting of the Audit and Risk Committee on 11<sup>th</sup> November 2020, the new Chairman asked for the Committees Terms of Reference to be considered in accordance with the CUC's Higher Education Amended Code of Practice, which was published in May 2020. The Committee subsequently proposed some amendments, which were confirmed by the Board of Governors on 23<sup>rd</sup> November 2020.

### **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, developing and maintaining a three-year strategic Internal Audit plan.
10. The Committee has held "in camera" sessions 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 its continued relevance.

12. Internal Audit update reports were received by the Committee at each of its meetings with the Internal Audit Annual Report and Opinion of the Head of Audit and Risk Management opinion for 2019-20 presented at its meeting in November 2020.
13. Delivery of Internal Audit work in late 2019-20 was impacted by the Coronavirus Pandemic and completion of some planned work was delayed and carried forward into the 2020-21 financial year; this has not, however, adversely impacted the overall opinion on the control environment. The 2020-21 Internal Audit Plan has been reviewed in light of recent events and updated accordingly, with audit fieldwork recommencing in September 2020.
14. 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.
15. Internal Audit activity within 2019-20 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 by management.
16. The 2020-21 internal audit plan sets out five items to be reviewed within the next year:
  - Internationalisation: An evaluation of arrangements in place to support delivery of strategic aims related to Internationalisation, including mechanisms for monitoring, review and reporting of delivery to Senior Management and Members
  - Facilities Management & Maintenance (GSMD & Barbican Centre): An examination of the Facilities Management arrangements, including structures, contracts and policies, and the maintenance arrangements to ensure the provision of suitable facilities that are safe, compliant and well-managed.
  - Medium Term Financial Planning: Provision of assurance on the adequacy of the approach to preparing the plan and process followed, including timetable and roles and responsibilities.

- Guildhall Young Artists: Operation of the GYA programme, alignment to strategy, administration and general control environment.
  - Data Quality: Independent verification / validation of data submissions in respect of Finance and HR (to exclude Registry).
17. 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 2021-2022 and a statement of intent for the period up to 31 March 2023 have been discussed with the School's management to agree potential scope and timing of audits.

### **External audit**

18. The Independent Accountants Reasonable Assurance Report is provided by BDO LLP who are also the external auditors to the City of London, from who's records the School's accounts are extracted. The Independent Accountant's Report and accompanying Management Letter in respect of the School's accounts for the year ending 31 July 2020 are taken into account in the opinion provided at the end of this report and are included in the papers for this meeting.
19. The Independent Accountant's Report and Management Letter in respect of the year ending 31 July 2020 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**

20. The audited financial statements for the year ending 31 July 2020 are included in the papers for this meeting. The Audit and Risk Management Committee reviews the report, as does the Finance and Resources Committee of the Board of Governors of the GSMD, prior to submission for approval by the Board of Governors on 15 February 2021. This review includes the Statement of comprehensive income and the accompanying notes, the operations and finance review and statement of corporate governance and internal control. As a department of the City of London, the School does not have its own Balance Sheet and is therefore exempted from the requirement to produce a Balance Sheet and Cash Flow Statement within its published accounts.
21. During the year, the financial statements for the year ending 31 July 2019 were similarly reviewed and approved, prior to submission to the OfS.

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

22. 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 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.

23. 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. 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.
24. 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**

25. 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.
26. 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**

27. 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), the Office for Students (or HEFCE prior to the creation of the OfS), and other relevant bodies. The School continues to meet all its reporting requirements to date in 2019/20 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.

## **Opinion**

28. 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.
29. 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 and the Covid-19 Pandemic and recovery.
30. The Committee is assured that the School also has in place appropriate arrangements for the management and quality assurance of data submitted to appropriate and other funding bodies.
31. 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.
32. 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.

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**Marianne Fredericks**  
Chairman

Date: 13th January 2021



**Audit and Risk Management Committee:-  
1 August 2019 to 31 July 2020**

**Membership**

Marianne Fredericks (Chairman)  
Randall Anderson (Deputy Chairman)  
John Chapman  
Ann Holmes

**In attendance**

Vivienne Littlechild – Chairman of the Board of Governors  
Graham Packham – Deputy Chairman to the Board of Governors  
John Bennett – Past Chairman to the Board of Governors

**Officers of the Board of Governors**

Clerk to the Governors:  
Greg Moore (from September 2019)  
Julie Mayer/Greg Moore (from February 2020)  
John Barradell - Town Clerk & Chief Executive, City of London Corporation

Dates of meetings and members present:

**11<sup>th</sup> September 2019**

Marianne Fredericks (Chairman)  
Randall Anderson (Deputy Chairman)  
John Chapman  
Ann Holmes

**13<sup>th</sup> November 2019**

Marianne Fredericks (Chairman)  
Randall Anderson (Deputy Chairman)  
John Chapman  
Ann Holmes

**4<sup>th</sup> March 2020**

Marianne Fredericks (Chairman)  
Randall Anderson (Deputy Chairman)  
John Chapman  
Ann Holmes