



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 March 2021

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Annual Report of the Audit & Risk Management Committee

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## Introduction

1. This report has been prepared in accordance with the requirements of the Office for Students (OfS). At its meeting on 15<sup>th</sup> February 2021, the Board of Governors of the Guildhall School of Music and Drama noted that, whilst it had been a requirement of HEFCE for the accounts to be produced with a 31<sup>st</sup> July year-end date, this was no longer an OfS requirement. Furthermore, changing the submission date to 31<sup>st</sup> March would align with the City Corporation's year-end, resulting in a more efficient use of officer time. The Board therefore agreed to change the submission date to 31<sup>st</sup> March
2. The Audit and Risk Management Committee will receive the Audited Financial Statements for 2020-21 at its special meeting on 7<sup>th</sup> September 2021 and Members will have the opportunity to meet with the External Auditors at a private, 'in-camera' session.
3. This Annual Report will cover the period 1 August 2020 to 31<sup>st</sup> March 2021, which represents the City of London Corporation's Municipal Year, but it makes reference to work done at the Audit and Risk Committee Meetings in April and July of this year, as they will shape the work of the Committee over the next couple of years. However, going forward, the reporting period will run from April to March.

## Membership

4. The Governors who served on the Audit and Risk Management Committee during 2020/21 are listed within **Appendix 1** of the report.
5. 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

6. **Appendix 1** details the dates when the Audit and Risk Management Committee met between September 2020 and July 2021. The Governors present at each meeting are also shown. 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, Christopher Costigan and Michael Herrington, who were also joined by Dr Paula Haynes, a newly appointed Co-opted Governor to the GSMD Board. John Chapman's 3 terms as a Board Member expired in April 2021 and he was replaced by Andrew Mayer in May 2021.

## Terms of reference

7. The terms of reference are reviewed on an annual basis, with changes made as appropriate to bring them in line with the relevant CUC (Committee of University Chairs) guidelines which were treated as expectations for higher education institutions by HEFCE and now Office for Students (OfS), as well as best practice and changes with respect to corporate governance. At the meeting of the Audit and Risk Committee on 11<sup>th</sup> November 2020, the newly appointed 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 discussed its own Terms of Reference at some length and proposed a series of amendments, which were subsequently endorsed and approved by the Board of Governors on 23rd November 2020.

### **Internal Audit Strategy**

8. 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. The City of London Corporation's Audit and Risk Management Committee holds "in camera" sessions with the Head of Internal Audit and Risk Management at least once a year.
9. 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 and proposes changes to the priorities and to timing as seems appropriate.
10. Internal Audit update reports are received by the Committee at each Meeting. The Internal Audit Annual Report and Opinion of the Head of Audit and Risk Management for the eight months to 31 March 2021 will be presented to the Committee at its special meeting on 7<sup>th</sup> September 2021. The last Annual report for the year ended 31 July 2020 was presented to the Committee on 11<sup>th</sup> November 2020.
11. 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. However, this did not adversely impact the overall opinion on the control environment. The 2020-21 Internal Audit Plan was reviewed and updated accordingly, with audit fieldwork recommencing in September 2020.
12. 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 that they can be relied upon to ensure that objectives are achieved efficiently.
13. Internal Audit activity within 2020-21 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.

14. The following areas were reviewed:

Guildhall Young Artists – Substantial Assurance

An examination of the adequacy of arrangements for ensuring alignment of activity with strategy, safeguarding, administration, and maintenance of the general control environment.

Medium-Term Financial Planning – Moderate Assurance

An examination of the adequacy of the approach to preparing the Medium-Term Financial Plan and process followed, including timetable, roles and responsibilities.

Facilities Management & Maintenance – Substantial Assurance

Barbican and Guildhall School: 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.

Internationalisation – Moderate Assurance

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.

15. The 2021-22 internal audit plan sets out the following areas to be audited within the next year:

- Universities UK Code of Practice for the Management of Student Housing (The Code)
- Medium Term Financial Planning
- Data Quality
- Safeguarding

16. The Audit Plan is 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 for 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. The Audit and Risk Management Committee has been consulted throughout and have approved the Plan while recognising that any further disruption caused by the pandemic might have an effect on the ability to carry out specific reviews as well as on priorities.

### **External audit**

17. The External Audit services provided to the City Corporation and by extension to the Guildhall School are provided by BDO. The External Auditor's Report and accompanying Management Letter in respect of the School's accounts for the year ending 31<sup>st</sup> March 2021 are taken into account in the opinion provided at the end of this report and are included in the papers for this meeting.

18. The External Auditor's Report and Management Letter in respect of the eight months to 31 March 2021 has not yet been received. Details of any issues raised will be reported to the Committee as soon as they become available.

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

19. The audited financial statements for the year ending 31 March 2021 are included in the papers for this meeting. The Audit and Risk Management Committee is asked to review the report and to make recommendations to the Board prior to its submission for approval by the Board of Governors on 20<sup>th</sup> September 2021. The report is also received by the Finance and Resources Committee of the Board of Governors of the GSMD for information only. This review includes the notes to the accounts, the primary statement of income and expenditure, the operations and finance review and statement of corporate governance and internal control.

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

20. 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 it has received. At each of its meetings during the year the Committee receives updates on the School's risk register, with changing levels of risk identified and discussed. The City of London Corporation is currently undergoing a Governance Review and implementing a new Target Operating Model (TOM). The Committee will be working closely with the School's Governance and Effectiveness Committee in this regard because it sees the latter as responsible for managing governance risks. The Governance Review and the TOM will be standing items on the Audit and Risk Management Committee's agendas.
21. The Head of Finance has been working with the School's risk owners in order to enhance the risk register and reformat it as a higher level, summary version of the kind which the Committee has decided that it would find most helpful. The summary version gives particular attention to the strategy for managing each risk. At the Committee's meeting in July 2021, the Committee welcomed the new format, which was not only concise but provided evidence of risks being managed appropriately and allowed the appropriate level of scrutiny. The Committee is also planning to introduce 'Deep Dive' reviews where appropriate, in common with the practice adopted by the City of London's Corporation's Audit and Risk Management Committee. The Committee has taken an in-depth look at Cyber Security in January 2021 and at Safeguarding in July 2021 and received adequate assurances in respect of both.
22. The City of London Corporation uses a common risk management system across all 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 its meetings. The School does not use the third tier of risk, hence all risks come to the Committee at each meeting.
23. 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.

## **Relationship with the City of London Corporation**

24. At the July Meeting, the Committee received a report of the City of London Corporation's Corporate Risk Advisor in respect of the City Corporation's Risk Management Policy and Strategy for 2021. The Chairman asked the Committee to consider the implications of this for its own review of risk. . Following a detailed discussion, the Committee agreed to narrow this down to a number of points for further consideration at the Committee's November 2021 meeting. The Committee also discussed how the fundamental differences between the School and the City Corporation makes it difficult to align risk appetites; for example, the School would be unlikely to succeed if creativity and performance were treated with a low risk appetite.
25. The City Corporation officers suggested that the School might need to look beyond the 'red, amber and green' ratings in order to gain their own perspective. Officers at the school advised that they enjoy a strong working relationship with the City's Internal Audit Team and felt that their collective support helped to mitigate risks.

## **Value for money**

26. To assist the Committee with monitoring and assessing the School's arrangements for ensuring value for money, the management accounts are presented to the Committee meetings. The Committee received an update on the School's Budget and the City Corporation's Medium Term Financial Plan at its meeting on 11 November 2020, ahead of their being presented to the Board later that month for approval.
27. 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 the shared Barbican-Guildhall School 'common platform' of services.

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

28. 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 2020/21 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. A Data Audit has been scheduled for October 2021.

## **Opinion**

29. 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.
30. 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 recovery from the Covid-19 Pandemic
31. 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.
32. 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.
33. 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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**Professor Geoffrey Crossick**  
Chairman

Date: 7<sup>th</sup> September 2021

**Audit and Risk Management Committee:-  
1<sup>st</sup> September 2020 – 31<sup>st</sup> July 2021**

**Membership**

Professor Geoffrey Crossick (Chairman –Governor on the Board, Co-opted) - appointed by the Board in September 2020  
Randall Anderson (Deputy Chairman, Governor on the Board, Member of City of London Corporation)  
Dr Paula Haynes - Governor on the Board, Co-opted)  
Christopher Costigan (External Member)  
Michael Herington (External Member)  
Andrew Mayer – Governor on the Board, Member of City of London Corporation (replaced John Chapman in May 2021)

*NB. Christopher Costigan and Michael Herington are External Members, appointed by the Board, but do not serve on the Board*

**In attendance**

Graham Packham –Chairman to the Board of Governors (*appointed in May 2021*)  
Vivienne Littlechild – Deputy Chairman of the Board of Governors (*immediate past Chairman of the Board and appointed as Deputy Chairman in May 2021*)

**Officers of the Board of Governors**

Clerk to the Governors:

Julie Mayer – Committee and Member Services, Town Clerks  
John Barradell - Town Clerk & Chief Executive, City of London Corporation

**Dates of meetings and members present:**

**2nd September 2020**

Marianne Fredericks (Chairman - City of London Corporation Member\*)  
Randall Anderson - Deputy Chairman  
Christopher Costigan  
Michael Herington

*\*stood down after this meeting*

**11<sup>th</sup> November 2020**

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

**22<sup>nd</sup> January 2021**

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

**24<sup>th</sup> April 2021**

Prof Geoffrey Crossick (Chairman)  
Randall Anderson (Deputy Chairman)  
Christopher Costigan  
Michael Herington  
John Chapman

**15<sup>th</sup> July 2021**

Prof Geoffrey Crossick (Chairman)  
Christopher Costigan  
Michael Herington  
Andrew Mayer

