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| Committee(s) | Dated: |
| Audit and Risk Management Committee of the Guildhall School of Music and Drama | 07/09/2021 |
| Board of Governors of the Guildhall School of Music and Drama | 20/09/2021 |
| 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: Cirla 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') with the intention of providing you with the annual Head of Audit Opinion for 2020-21.

As a result of the School's in-year change of financial reporting period, this opinion is based on eight months of audit work completed between 1st August 2020 to 31st March 2021; a summary of the relevant audit outcomes is provided at Appendix 1.

The Head of Audit and Risk Management opinion for 2020-21 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. 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, updates on recommendations implementation and assurance opinions arising from follow-up work.
4. 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. This is supported by detailed reports to each meeting of the Committee presenting the findings of Internal Audit work for review and discussion.

Current Position

5. The profile of delivery of the 2020-21 audit plan was impacted by the Coronavirus pandemic and the organisation's ongoing response. It is, however, the view of Internal Audit that sufficient audit work has been carried out in relation to the School and relevant corporate systems in order to inform the annual audit opinion for 2020-21. This report includes a summary of relevant audit outcomes.

Internal Audit Outcomes

6. Appendix 1 provides a summary of the audit outcomes informing the 2020-21 Head of Audit Opinion. Four School-focused audits have been delivered within the eight-month reporting period with two substantial and two moderate audit opinions given. Due to the change in financial reporting period and the impact of the pandemic upon the profile of the School's Audit Plan delivery, audits have been finalised towards the end of the reporting period; consequently, formal follow-up of these audits will take place in 2021-22.
7. 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.

8. 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.

Risk Management Activities (at a City Corporation level)

9. The Corporate Risk Management Policy and Strategy aligns with the key principles of ISO 31000: Risk Management Standard and the UK Government's Management of Risk Guide. The Policy and 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.
10. The Chief Officer Risk Management Group, working on behalf of the Executive Leadership Board (ELB) meets quarterly to review, in depth, the corporate risk register and report their findings to the ELB when they consider the quarterly risk update report.
11. The Risk Management Group, consisting of senior managers representing all City of London departments, includes the Guildhall School of Music and Drama.
12. In addition to receiving quarterly risk update reports, the City of London Corporation's 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. The Guildhall School risk challenge did not fall within this reporting period, this is scheduled for November 2021. 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.

Recommendations Implementation

13. Regular Internal Audit follow-up activity within 2020-21 confirmed implementation of recommendations, as well as identifying instances of slippage in implementation timescales. As at the end of March 2021, there were no live red priority recommendations and two overdue live amber priority recommendations; updated target timescales have since been received for implementation and Internal Audit will undertake follow-up activity promptly in line with these (October and November 2021). Internal Audit continues to reiterate the importance of setting realistic timescales for demonstrating recommendations implementation.

Head of Audit Opinion

14. The Head of Audit and Risk Management provides the following audit opinion, based on Internal Audit work undertaken in 2020-21, 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.

Corporate & Strategic Implications

15. 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

16. A positive Head of Audit and Risk Management annual opinion has been provided, based on Internal Audit work carried out in the eight-month period to 31st March 2021. No material issues have been identified at the time of writing this report which would negatively impact this opinion.

17. 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 GSMD Audit Outcomes for 2020-21 Audit Opinion

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