

Committee:	Date:
Board of Governors of the Guildhall School of Music and Drama Board	14 th November 2016
Subject:	Public
Internal Audit Annual Report	
Report of:	For Information
Head of Audit and Risk Management	

Summary

This report has been prepared in accordance with the HEFCE Code of Practice for Accountability and Audit. It provides your committee with details of the Internal Audit work undertaken at the School during the academic year ended 31st July 2016 with the intention of providing you with an opinion on the adequacy and effectiveness of the School's arrangements for internal control.

It is the Head of Audit and Risk Management's opinion that, based on the audit work undertaken during 2015/16, the 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. Internal audit report summaries are circulated to Members when main audit reviews are finalised and management action plans agreed.

Delivery of the 2016-17 audit plan is on-going and work is underway to ensure that The plan will be delivered by 31st July 2017.

There were nine live amber priority recommendations at the end of the 2015-16 academic year. Internal Audit follow-up work has confirmed that as at the end of October 2016 there are five live amber priority recommendations for the School to action and a further amber priority recommendation which is the responsibility of the City Corporation to progress. These recommendations are being addressed by Management.

Recommendation

- Members are asked to note the work that internal audit have undertaken and offer any observations.

Main Report

Background

1. Internal Audit plays a role in providing the required assurance on internal controls using a risk-based planning process, informed by the identified key risks, strategic and operational objectives, to identify the key auditable areas to establish a three-year plan, with key auditable areas being reviewed annually.

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, any areas of concern and a follow-up audit regime.

2. The Internal Audit Section operates, in all aspects, in accordance with the Public Sector Internal Audit Standards, revised and published in April 2016. The work of Internal Audit is relied upon by HEFCE's Audit Service, and informs the work of the City of London Corporation's external auditors.
3. The Committee receives a report on an annual basis from the Head of Internal 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 in January the Committee considers the audit plan for the following year and the three year audit strategy, focusing on coverage of the School's key operations. Additionally regular Internal Audit Update reports are received by this Committee containing a summary of outcomes for finalised audits.
4. The School's main accounting and payroll systems are provided by the City of London Corporation. These systems are subject to 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 Academic Year 1st September 2015 to 31st July 2016.

Current Position

Internal Audit Plan and Annual Opinion 2015-16

6. The Internal Audit Plan for 2015-16 is complete and a summary of the findings of the work completed for the Academic Year September 2015 – July 2016, which have informed the Head of Internal Audit and Risk Management's opinion, can be found in Appendix 1.
7. The Head of Internal Audit and Risk Management's opinion is that ***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.***

Internal Audit Plan 2016-17

8. Whilst no reports have been finalised to date, a follow-up exercise has been completed recently to determine the implementation of high (red and amber) priority recommendations. Terms of reference have been prepared for an audit of Succession Planning, Talent Management and Staff Development, and detailed planning is underway in respect of audits on Income Generation, Strategic

Planning and Satellite Site Operations – taking into account the findings of the Operating Model Review.

Audit recommendation follow-up reviews

9. At the end of the 2015-16 academic year there were nine live amber priority recommendations which were for the School to address and no outstanding red priority recommendations. A recent follow up exercise which looked at high (amber in this case) priority recommendations due for implementation by 30th September 2016 identified that there were seven such recommendations relating to the School which were due for follow-up. Two further recommendations were not yet due for implementation.
10. As at the end of October 2016 and based on audit examination of evidence as part of the follow-up exercise there are five live amber priority recommendations which are due for implementation by the School and a further live amber priority recommendation related to the School which is the responsibility of the City Corporation (City Procurement) to address, as follows:

Audit	Area	Status
Procurement	Management Information	City Procurement action outstanding
	Coding of Purchases	Partially implemented
Strategic Information Technology Services	Disaster Recovery Site	Not implemented
	Tape Storage	Partially implemented
Milton Court	Business Plan Update	Implementation timescale to be confirmed
	Calculation of Costs for Staging Conferences and Artistic Events	

11. Revised timescales for implementation have been agreed for four of these recommendations and Internal Audit is liaising with the recommendation owner to determine the progress in the remaining area (Milton Court) which was expected to be impacted by the Operating Model Review.

Conclusion

12. A positive Head of Audit and Risk Management annual opinion has been provided.
13. The 2016-17 internal audit plan is in progress and due for completion by the end 31st July 2017.

Appendices

- Appendix 1 - Schedule of Internal Audit Planned Work 2015-16

Contact: Pat Stothard, Head of Internal Audit and Risk Management

E: Pat.stothard@cityoflondon.gov.uk