



## Risk Committee of the Barbican Centre Board

**Date:** TUESDAY, 14 JANUARY 2014  
**Time:** 1.45 pm  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

4. **INTERNAL AUDIT UPDATE**  
Report of the Chamberlain.
10. **RISK REGISTER UPDATE – FULL RISK REGISTER**  
Report of the Chief Operating and Financial Officer.
11. **DEBT MANAGEMENT REPORT**  
Report of the Chief Operating and Financial Officer.

Items received too late for circulation in conjunction with the Agenda.

**John Barradell**  
Town Clerk and Chief Executive

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# Agenda Item 4

<b>Committee(s):</b>	<b>Date(s):</b>
Risk Committee of the Barbican Centre Board	14 January 2014
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>

## Summary

The purpose of this report is to provide your Committee with an update on the progress of Internal Audit reviews undertaken at the Barbican Centre since the last report made in October 2013.

Since the last Committee update report the review of Business Continuity Planning has been finalised with an overall substantial Assurance Level confirmed. The fieldwork for the Variation Orders and Change Control Procedures review is underway with a planned completion date for the project of 31<sup>st</sup> March 2014. There are two further full reviews yet to be started which it is planned will be completed by 31<sup>st</sup> March 2014: Value Framework; and International Enterprises. In addition, two spot check reviews: Debt Management; and Expense Claims will also be completed by 31<sup>st</sup> March 2014.

There have been two Internal Audit staff vacancies during 2013/14 and it has been necessary to undertake higher risk reviews at the expense of lower priority work. Given the overall robustness of the Barbican Centre control and risk environment, commencement of the bulk of the 2013/14 Internal Audit Plan has been deferred until Quarter 4 of 2013/14. (Schedule of Internal Audit Work 2013/14 Appendix 1). The internal audit section is now fully resourced, with additional contractor resource in place for the next 3 months in excess of establishment, to provide additional resources to enable the timely completion of the planned review work.

The Barbican Centre ICT Manager has advised that all recommendations for the Annual IS Strategy have been implemented. (Schedule of Internal Audit Follow-up reviews Appendix 2).

The Barbican Centre is one of six City departments and institutions which has yet to achieve the required 90% compliance with staff undertaking the mandatory anti-Fraud awareness e-learning package. As at the time of reporting 57% of Barbican staff have completed the on-line training.

This report also includes the Draft Internal Audit Plan 2014/19 for comment and suggestions for any changes or additions to the proposed plan. (Appendix 3)

## Recommendation

- Members are asked to note the current progress of the internal audit plan, offer and observations, and consider the draft Internal Audit Plan 2014/19.

## **Main Report**

### **Background**

1. This report provides an update on progress in undertaking the 2013/14 plan to date. Where 'Amber' rated recommendations have been made, related to findings that require prompt action, a follow-up review has been undertaken. Other 'Green' rated recommendations are subject to implementation at a later date, since these issues do not pose a significant risk to the control environment. These recommendations are subject to a follow-up review six to twelve months after the completion of the audit review to which they relate. Details of the Draft Internal Audit Plan 2014/19 are also included.

### **Internal Audit Plan Progress**

2. Since the last Committee update report, the review of Business Continuity Planning has been finalised with an overall substantial green assurance level confirmed. This review was carried forward from the 2012/13 audit plan. There are three full reviews and three spot check reviews included within the revised 2013/14 Barbican Centre Internal Audit Plan. Fieldwork is currently on-going for Variation Orders and Change Control Procedures. Work on two further reviews: Value Framework; and International Enterprises will start in the next few weeks.
3. There were three spot check reviews in the 2013/14 Internal Audit work schedule for 2013/14. One of these: Cash Security, was completed in June 2013 and details of the outcome included within the October 2013 update report to your Committee. There were two Amber rated recommendations for this review in respect of reconciliation processes. The Group Accountant has verbally confirmed that these have been implemented. The two remaining spot checks: Debt Management; and Expense Claims will be completed by 31<sup>st</sup> March 2014. (Schedule of Internal Audit Work 2013/14 Appendix 1).
4. It has been necessary to defer until Quarter 4 of 2013/14 the majority of Internal Audit work planned for the Centre. This is due to two vacant posts, which have been filled this month, and undertaking higher risk work in other City departments. This decision was taken in view of the overall robustness of the Barbican Centre control and risk environment.

### **Business Continuity Planning – Green Substantial Assurance**

5. The objective of the review was to determine the assurance that can be placed on the Barbican Centre's business continuity management system (BCMS). To that end four main areas were evaluated: governance arrangements; formal documentation; BCMS processes; and operational issues.
6. Internal Audit can provide substantial assurance since the BCMS has been properly considered. Processes and procedures are in place to deal with 'any incidents'.

7. The benchmark for this review was an amalgam of international standards, CoL guidelines and general leading practice. This was tailored to the characteristics of the Barbican Centre.
8. Overall, the BCMS was found to be properly constructed and most importantly the plan(s) would be operable in the event of a real incident. Furthermore, this opinion has been reinforced by the Directors and Managers who represent the 'Emergency Management Team'. Their views were elicited via a questionnaire and interviews. The review did, however, identify a number of areas where improvement can be made and resulted in ten recommendations .
9. The governance arrangements were generally conducted properly with the Security Manager having a high level of understanding, both of the Barbican's operation and business continuity. Many of the expected BCMS requirements are in place, most importantly a workable plan with senior staff awareness and backing. An area highlighted for consideration is formally reporting the BCMS policy to committee and establishing a formal meeting schedule with Directors and Managers. There were two issues for consideration regarding a salvage strategy and PR/Media response.
10. Access to the BCPs (both central and departmental) in the event of an incident may prove difficult for some, as a number of key staff rely on access via the central server held version. If, however, the incident has affected the IT computer room a remote access connection may not be possible, as a result an amber recommendation has been made. Further, reliance is placed on being able to access a device (e.g. laptop) to make the connection in the first instance.
11. The formal elements and documentation of the BCMS including the Business Impact Analysis (BIA) and the Business Continuity Plan were reviewed. With the exception of IT, the last comprehensive BIA conducted (both corporate and departments) was for the Olympics (July 2011). While it is recognised that BIAs are viewed annually, a recommendation has been made to formalize this process, including a central review. A similar recommendation was given regarding the review of BCPs.
12. Testing has occurred (both planned and by virtue of ad hoc incidents) but it could be improved if organized on a regular and formalised basis, and a recommendation has been made with numerous examples of tests that could be performed.
13. Training has occurred and many of the managers believe that this has been sufficient for their needs. Furthermore, the Induction course includes aspects of BCP and a number of staff have attended high level continuity courses in other employments. Nevertheless, a recommendation has been made to place training on a more regular and formalised basis.
14. The everyday operational issues that could cause reputational damage were reviewed and the outcome was reassuring. Many issues occur on an ad hoc

basis (e.g. electrical/mechanical failures, incidents requiring a PR response, industrial action, security issues and performance cancellations), and these have all been handled well, with both proactive forethought and employing existing procedures. Issues that may be considered outside the standard BCMS, but are important to the Barbican on a reputational basis, examples of which include dealing with a fire incident or personal injuries, have been well considered.

15. Ten recommendations were made comprising of one amber priority and nine green priority recommendations, and have all been accepted. Proposed dates for implementation of the recommendations have been agreed as acceptable to internal audit, although final confirmation of these dates from Barbican Senior Management were still required at the time of issuing the report. It is proposed that the amber priority recommendation and other green priority recommendations be implemented by March 2014.

### **Fraud Awareness Training**

16. A tailored fraud awareness e-learning course, developed in-house by internal audit was rolled out to all City Corporation employees in June this year. The target date for completion by all staff was the 1st October 2013. At the time of writing this report, training has been completed by 57% of the Barbican Centre staff.
17. Completion of this training is being actively monitored, and has been reported to the Audit & Risk Management Committee at their October and December meetings.
18. The Chairman of the Audit & Risk Management Committee and Chamberlain expect to see the completion of the Fraud Awareness training by each Department to exceed 90% by Friday 17th January 2014. The Chairman of the Audit and Risk Management Committee has insisted that those Chief Officers who do not reach at least 90% completion of this training will be expected to attend the Audit & Risk Management Committee meeting on 28th January 2014 to explain why.
19. Since the launch of this training, we have received feedback from several departments on the difficulties a small number of their staff have faced in completing the on-line training, primarily due to a lack of IT access and/or skills. Internal Audit have responded to this by producing a Fraud Awareness hand-out booklet that can be used to facilitate the training to such staff, in a classroom based environment; this hand-out booklet has been made available to Chief Officers upon request, and is also available on the City's intranet. It can also be provided to Members on request.
20. This training course will form a mandatory part of the corporate induction for new starters.

## **Follow-up Reviews**

21. One follow-up review have been undertaken since the October 2013 update report: IS Strategy & Security. It was confirmed by the Barbican Centre's ICT Manager that all recommendations have been implemented. (See Appendix 2).

## **Internal Audit Plan 2014/19**

22. The Draft Internal Audit Plan covering the five year period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2019 (Appendix 3) has been prepared in consultation with the Barbican Centre's Chief Financial Operating Officer and Head of Finance. A risk-based approach has been adopted in preparing this plan and has been informed by the Centre's Business Plan Objectives and Risk Register. Comment and suggestions for any additional reviews are sought from your Committee Members.

## **Conclusion**

23. A review of the Barbican Centre Business Continuity Arrangements has provided a substantial assurance conclusion, with one amber priority and nine green priority recommendations agreed.
24. Due to Internal Audit staff vacancies and higher risk work in other City departments, it has been necessary to defer two full reviews and two spot check reviews until Quarter 4 of 2013/14. Account has been taken in this decision of the overall view that the control and risk environment at the Centre is robust.

## **Background Papers:**

Appendix 1 - Schedule of Internal Audit Work 2013/14  
Appendix 2 – Schedule of Follow-up reviews  
Appendix 3 – Draft Internal Audit Plan 2014/19

## **Contact Details:**

Jeremy Mullins  
Audit Manager

T: 020 7332 1279

E: [Jeremy.mullins@cityoflondon.gov.uk](mailto:Jeremy.mullins@cityoflondon.gov.uk)

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## Internal Audit Plan 2013/14

Project	Planned Days	Planned Completion Date	Current Stage	Recommendations			
				Total Red	Total Amber	Total Green	Total
<u>Variation Orders and Change Control Procedures (Barbican Centre)</u>  This review will examine the method by which project variations are notified, authorised and controlled, and the effectiveness of change control reporting arrangements.	20	31 <sup>st</sup> March 2014	Fieldwork				
<u>Value Framework</u>  Assessment of the process, methodology and software employed to measure customer satisfaction with event programming.	15	31 <sup>st</sup> March 2014	Not started	-	-	-	-
<u>Barbican Centre – International Enterprise</u>  The activities of this initiative will be examined with emphasis on governance, operational controls and measurement of outcomes.	10	31 <sup>st</sup> March 2014	Not started				

Project	Planned Days	Planned Completion Date	Current Stage	Recommendations			
				Total Red	Total Amber	Total Green	Total
<u>Spot Check Reviews</u> <u>Debt Management (including CBIS AR)</u> Probity check of debt levels and recovery action.	5	31 <sup>st</sup> December 2013	Not started				
<u>Expense Claims (including staff hospitality)</u> Probity check of a sample of claims submitted by staff.	5	31 <sup>st</sup> December 2014	Fieldwork				
<u>Cash Security (Petty Cash/Floats/Safes)</u> Probity check of cash holdings against agreed sums, security arrangements and reconciliations.	5	30 <sup>th</sup> June 2014	Completed	0	2	0	2

## Follow-Up Reviews

Project	Follow-up Date	Recommendations Made				Recommendations Implemented				
		Red	Amber	Green	Total	Red	Amber	Green	Total	Outstanding
Income Collection & Banking (all sources)	TBA	0	0	2	2					
Retail Outlets	TBA	0	4	2	6					
Commercial Income & Expenditure (inc. Artifax)	TBA	0	0	4	4					
Stocks and Stores	TBA	0	0	17	17					
Box Office Processes	TBA	0	0	3	3					
Cost Monitoring	TBA	0	0	3	3					
Annual IS Security & Strategy	November 2013	0	3	3	6	0	3	3	6	0

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## Draft Internal Audit Report 2014/19

AUDIT	DATE OF LAST AUDIT	YEAR 1 2014/15	YEAR 2 2015/16	YEAR 3 2016/17	YEAR 4 2017/18	YEAR 5 2018/19	COVERAGE IN FIVE YEARS
<b>BARBICAN CENTRE</b>							
DATA COLLECTION (SOFTWARE/TECHNIQUES/ANALYSIS AND REPORTING)	NEW	5	0	0	0	0	5
VALUE FRAMEWORK (TECHNIQUES AND SCORING)	2014.03	0	0	0	0	20	20
BOX OFFICE (INCOME TARGET SETTING AND MONITORING)	NEW	20	0	0	0	0	20
STAFF RECRUITMENT & TRAINING (BUD. CTRL/CAPTURE OF BENEFITSD/OUTCOMES/TEMP STAFF)	NEW	0	0	0	20	0	20
BUSINESS EVENTS (INCOME TARGET SETTING AND MONITORING)	2014.03	0	0	0	0	10	10
BARBICAN CENTRE - INTERNATIONAL ENTERPRISE	2014.03	0	0	0	0	10	10
CATERING (STRATEGY/STRUCTURE/CONTRACTS/CINEMA CATERING)	NEW	0	15	0	0	0	15
SPONSORSHIPS/DONATIONS/GRANTS (TARGET MANAGEMENT/COLLECTION/REPORTING)	NEW	0	0	15	0	0	15
BUSINESS PLANNING (DEVELOPMENT AND MONITORING AGAINST PERFORMACE)	NEW	0	0	5	0	0	5
MEMBERSHIP SCHEME (TAREGT SETTING/COLLECTION/REPORTING & MONITORING)	NEW	0	5	0	0	0	5
INCOME COLLECTION & BANKING	2012.08	20	0	20	0	0	40
PROCUREMENT (COMPLIANCE WITH STANDING ORDERS/CBIS PO&AP/PURCHASE CARDS)	NEW	0	20	0	20	0	40
BUDGET SETTING/FINANCIAL MANAGEMENT)	NEW	10	0	10	0	0	20
<b>ICT REVIEWS</b>							
ANNUAL ICT (STRATEGY/SECURITY/OPERATIONS)	2013.12	5	5	10	5	5	30
<b>CONTRACT AUDIT</b>							
COST MONITORING	2013.03	0	0	0	15	0	15
COST ESTIMATES AND COST PLAN	NEW	0	25	0	0	0	25
VARIATION ORDERS AND CHANGE CONTROL	2014.12	0	0	0	0	20	20
CONSULTANT SERVICES	2004.06	0	15	0	0	0	15
CONTRACT DOCUMENTATION	2002.09	0	0	20	0	0	20
COMPLETION AND DEFECTS	NEW	0	0	0	15	0	15
CSA - CDM & HEALTH AND SAFETY	2013.01	0	0	15	0	0	15
CSA - EXTENTIONS OF TIME	NEW	15	0	0	0	0	15
CSA - INTERIM VALUATIONS	NEW	15	0	0	0	0	15
LIFE CYCLE COSTING	NEW	0	0	20	0	0	20
CSA - VALUE ENGINEERING	NEW	0	0	0	0	15	15
<b>SPOTCHECKS</b>							
DEBT MANAGEMENT (INCLUDING CBIS AR)		0	5	0	5	5	15
EXPENSE CLAIMS (INCLUDING HOSPITALITY/STAFF EXPENSES)		0	5	0	5	5	15
CASH & SECURITY(PETTY CASH/FLOATS/SAFES)		0	5	0	5	5	15
SYSTEM CONTROLS (ARITFAXENTAVINS)		0	0	5	0	0	5
<b>FOLLOW-UPS</b>							
FOLLOW-UP CONTINGENCY		8	8	8	8	8	40
<b>TOTAL</b>		<b>98</b>	<b>108</b>	<b>128</b>	<b>98</b>	<b>103</b>	<b>535</b>

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# Agenda Item 10

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# Agenda Item 11

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