

<b>Committee:</b>	<b>Date:</b>
Risk Committee of the Barbican Centre Board	24 July 2019
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> Head of Audit and Risk Management	<b>For Information</b>

### Summary

This report provides an update on Internal Audit activity undertaken at the Barbican Centre since the last report made in January 2019. Delivery of 2018-19 planned audits is in progress and is analysed at Appendix 1.

Since the last Committee update report two pieces of audit work in respect of the Barbican Centre have been finalised: Strategic Planning, Monitoring & Implementation (moderate assurance) and Fraud Risk Management (moderate assurance); the scope of these audits is outlined in Appendix 2. Additionally, the draft report has been circulated in respect of Financial Monitoring. Delivery of the remaining assurance work has been delayed by Internal Audit staff absence.

A number of corporate audits have been finalised since the last report to this Committee, some of which relate to key systems and processes which are relevant to the Barbican Centre. Audit scope information is provided at Appendix 3. None of the recommendations arising from these audits are the responsibility of Barbican management to progress.

There are 18 live high priority (amber, in this case) recommendations as at the end of June 2019, as set out in Appendix 4, seven of which arose as part of the two Barbican audits finalised since the last meeting of this Committee. Internal Audit will continue to liaise with Barbican management to determine the progress of implementation as part of more frequent corporate follow-up exercises.

The outcomes of two fraud investigations relating to the Barbican Centre are summarised for this Committee (Appendix 5).

Internal Audit and Barbican management have now determined suitable timings and potential areas of focus for planned 2019-20 audit reviews (Appendix 6).

### Recommendation(s)

#### Members are asked to note:

- **the delivery position for the 2018-19 Internal Audit Plan, including audit review outcomes for recently finalised audits,**
- **the outcome of Barbican-related fraud investigations**
- **live high priority recommendation details, and**
- **planned audits for 2019-20.**

## Main Report

### Background

1. This report provides an update on audit work progressed since the January 2019 Committee meeting and includes a summary of the status of all 2018-19 reviews (Appendix 1). Two audits have been finalised since the last meeting of this Committee, resulting in nine amber priority and four green priority recommendations being raised. Details of the scope of these audits are shown in Appendix 2. A further audit report has been issued in draft form.
2. Six corporate audits have been finalised since the last report to this Committee in respect of other assurance work and both scope and outcome information is contained within Appendix 3.
3. As at the end of June 2019 there are no live red priority recommendations and 18 live amber priority recommendations related to Barbican Centre audits, as set out in Appendix 4.
4. Fraud investigation outcomes relevant to the Barbican Centre are reported in Appendix 5.
5. Internal Audit have liaised with Barbican Management to agree areas of audit coverage for 2019-20 and details, including agreed timings, are included at Appendix 6.

### Delivery of Internal Audit Work

6. Details of 2018-19 Audit Plan delivery are shown at Appendix 1. Two Barbican audits have been finalised since the last meeting of this Committee, as set out below.

#### Strategic Planning, Implementation, and Monitoring – **Moderate Assurance**

<b>Recommendations</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Number Made:	0	2	0	2

7. Amber priority recommendations were made in respect of the following:
  - In order to facilitate effective planning and delivery monitoring, the Barbican Incubator should ensure that, going forward, all Project Initiation Forms are fully completed by the relevant Project Lead before submission for approval.
  - SMART KPIs should be defined as part of the project initiation process to facilitate delivery monitoring and evaluation.
8. Barbican management agreed both recommendations and proposed a target implementation date of September 2019 for the control improvements.

## Fraud Risk Management – **Moderate Assurance**

<b>Recommendations</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Number Made:	0	7	4	11

9. Amber priority recommendations were made in respect of the following:

- The Barbican Centre Directorate should ensure that the Barbican Centre's key fraud risks are recorded in the Pentana Risk Management System and managed within its existing Risk Management Framework.
- The Barbican Centre Directorate should ensure that risk management forms a standing agenda item at all Divisional Team meetings.
- The Barbican Centre should include copies of the City's Anti-Fraud and Corruption Strategy and Whistleblowing Policy on its intranet site. Centre wide emails should be regularly circulated to draw staff attention to these documents.
- Barbican Centre management should take appropriate steps to roll-out Fraud Awareness training, including the setting of targets for the proportion of staff undertaking the new module, and monitoring of performance against these.
- The Barbican Centre should ensure that its control framework is enhanced to ensure that consultant services are only employed when formally approved by a Director.
- The Director of Operations and Buildings should ensure that Engineering stock management procedures are developed and circulated to appropriate staff.
- The Head of Retail and Bars Operations Manager should ensure that appropriate staff training records are maintained to evidence training delivered to Retail and Bars staff on key procedures.

10. Barbican management agreed all recommendations and Internal Audit has confirmed implementation of two of these. A revised target timescale is required for full implementation of one of the outstanding recommendations, with the remaining high priority recommendations due for implementation between July 2019 and March 2020.

11. The draft report has been circulated in respect of the audit of Financial Monitoring, which sought to verify that adequate arrangements were in place to seek opportunities to maximise income and manage the financial performance of the Centre. Audit testing was focused on confirmation of the following:

- There is a defined strategy in place which sets out how the Centre is to maximise its income.
- Roles, responsibilities, accountabilities and reporting lines have been defined between all interested parties to help ensure that the CoL interests are safeguarded.
- Accurate financial information and reasonable projections are used to prepare the annual budget.

- Budget variances are analysed regularly and where relevant, corrective actions are agreed and followed up.
- Regular meetings are held with key partners / stakeholders to discuss the financial performance of the Centre and actions arising from the meetings are followed up promptly.
- Financial performance of the Centre is reported to and challenged by the group of officers at the right levels.

12. The planned audit of Event Decision-Making, Contracting and Evaluation was split into three separate pieces of assurance work, with the agreement of Barbican Management. Fieldwork has been completed in respect of all three of these audits and a further audit of Barbican IT Projects but reporting has been impacted by Internal Audit staff absence. Work is underway to complete delivery.

### **Other Relevant Assurance Work**

13. The outcomes of the following finalised 2018-19 corporate audits, relevant to the Barbican Centre in terms of corporate policy and procedures, have not been reported previously to this Committee: Corporate Expenses, Procurement Cards and Petty Cash, City Procurement, GDPR Readiness, Corporate Programmed Repairs & Maintenance, Payroll, and Oracle (CBIS) Application Audit. Scope and assurance level information in respect of these corporate audits is shown in Appendix 2. No recommendations have been made directly in respect of the Barbican Centre.

### **Corporate Follow-Up Exercise**

14. The corporate high priority (red and amber) recommendation monitoring process has been operating on an approximately quarterly basis. Recommendations are assessed as “implemented” only where suitable evidence has been provided to Internal Audit, rather than advised by management / recommendation owners. Where evidence is not provided, recommendations are assessed as either partially or not implemented and a revised target is agreed, recognising the Audit and Risk Management Committee view that there should be only one extension to implementation deadlines.

15. The last corporate follow-up exercise was carried out in respect of all live red and amber priority recommendations due for implementation by 31<sup>st</sup> March 2019 and the outcome was reported to the City’s Audit and Risk Management Committee in May 2019. There were seven recommendations related to the Barbican which were within the scope of this exercise whereby status updates were sought from recommendation owners and evidence was requested of progress in implementation.

<b>Implementation Evidenced</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>	<b>Total</b>
---------------------------------	------------------------------	------------------------	--------------

<b>Implementation Evidenced</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>	<b>Total</b>
1	4	2	7
<p>One of the recommendations has been superseded by the new corporate contract for catering. Revised target dates for implementation have been supplied in respect of the six outstanding high priority recommendations, with management comments provided for five of these to explain the delay in implementation.</p>			

16. Internal Audit has reiterated the need for management to set realistic and appropriate target implementation timescales so that revised timescales are set only in exceptional circumstances.
17. Internal Audit has been actively looking at ways to streamline the corporate follow-up approach and reduce the impact upon available resource for Audit Plan delivery. The City's Audit and Risk Management Committee has agreed the proposal for Internal Audit to undertake more regular follow-up of high priority recommendations to promote regular monitoring of implementation by departmental Senior Management and reduce the perception that this activity as a 'bolt on'; recommendation tracking should be part of business as usual arrangements.

### **Recommendations Implementation Position**

18. At the time of the last update to this Committee (January 2019), there were two live red priority recommendations and 17 live amber priority recommendations related to the Barbican Centre. Both red priority recommendations have been closed since that time upon receipt of implementation evidence. Additionally, nine amber priority recommendations have been raised as part of two recently finalised audits. Internal Audit has received implementation evidence in respect of eight amber priority recommendations, resulting in a total of 18 live amber priority recommendations as at the end of June 2019. A breakdown of all live high priority recommendations is shown at Appendix 4.
19. Of the live amber priority recommendations, eleven have been subject to implementation slippage and revised target dates have been supplied; five of these revised target dates have been provided since the Internal Audit update to the January 2019 meeting of this Committee.

### **Fraud Cases**

20. A summary of Fraud Investigation outcomes relevant to the Barbican Centre is provided in Appendix 5.

### **Internal Audit Plan 2019-20**

21. The updated Internal Audit Plan for 2019-20 is attached at Appendix 6. The Plan was initially prepared using a risk-focused approach and in consultation with both the Barbican's Chief Operating and Financial Officer, and the Acting Head of Finance - Chamberlain's Department.

22. Internal Audit have liaised with the Head of Finance to agree the timing of audit coverage for 2019-20 and assignment planning discussions are underway to agree the detailed scope of audits.

## **Conclusion**

23. Delivery of the Internal Audit Plan 2018-19 (Appendix 1) has progressed with four finalised audits and one audit, Equalities and Inclusion, currently at draft report stage. The scope of recently finalised audits is detailed at Appendix 2 and details of other assurance work are shown in Appendix 3.

12. There are no live red priority recommendation as at the end of June 2019 and there are 18 live amber priority recommendations (Appendix 4). Seven of these high priority recommendations arose from audits finalised since the last Internal Audit Update Report in January 2019. As agreed with the City's Audit and Risk Management Committee, corporate Internal Audit follow-up activity will be undertaken more regularly in future to encourage recommendations tracking to become part of business as usual operations.

13. Two fraud investigations have been undertaken in relation to the Barbican Centre and action has been taken to address the necessary control improvements (Appendix 5).

14. Areas of Internal Audit coverage have been agreed for 2019-20 (Appendix 6), with feedback obtained from Barbican Management and Chamberlain's Finance in respect of the broad scope and timing, and audit assignment planning is underway.

## **Appendices**

Appendix 1 Summary of Internal Audit Plan Delivery 2018-19

Appendix 2 Barbican Finalised Audits – Scope Information

Appendix 3 Corporate Finalised Audits – Scope and Outcome Information

Appendix 4 Live High Priority Recommendations

Appendix 5 Fraud Investigation Outcomes

Appendix 6 Audit Plan 2019-20

Pat Stothard, Head of Audit and Risk Management

E: [Pat.Stothard@cityoflondon.gov.uk](mailto:Pat.Stothard@cityoflondon.gov.uk)