

Committee(s):	Date(s):	Item no.
Risk Committee of the Barbican Centre Board	11 th October 2012	
Subject: Internal Audit Update Report – September 2012	Public	
Report of: The Chamberlain	For Information	
<u>Summary</u>		
<p>1. The purpose of this report is to provide your committee with an update on the progress of Internal Audit reviews undertaken within the Barbican Centre since the last report made in May 2012. There were eight Internal Audit reviews included within the 2011/12 Internal Audit Plan –seven are now fully completed, a further review was carried forward into the 2012/13 audit plan with a draft report currently being considered by Barbican Management.</p> <p>2. There are a number of important control issues which have been identified in respect of the Control Self-Assessment of Construction Design Management (Health and Safety) review which is at draft reporting stage. Management have notified internal audit that they are actively addressing the recommendations raised. All other Internal Audit work undertaken since the last update report in May 2012 has not revealed any other significant weaknesses.</p> <p>3. Work is progressing on the 2012/13 Internal Audit planned work within the Barbican Centre. The review of Retail Outlets is completed to draft report stage. Details of the Internal Audit Plan for 2012/13 are included within Appendix 2 of this report.</p> <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • That this report be noted. 		

Main Report

Background

4. Regular update reports on Internal Audit activity within the Barbican Centre were requested by the Barbican Centre Finance Committee in November 2009. This report includes details of internal audit outcomes following the finalisation of the 2011/12 Internal Audit Plan and also provides an update on progress being made against the 2012/13 Internal Audit Plan.

Internal Audit Plan 2011/12 completion

5. Two reviews commenced in 2011/12 have been progressed to Final Report Stage:-.

- Income Collection and Banking – which examined the controls over income once it has been recorded in the Box Office system (ENTA) to transfer to the Finance Office for banking and posting to CBIS.
- Events Income & Expenditure (including Artifax) – which examined the control of raising invoices for events, setting charges and ensuring that all relevant expenditure has been recharged to each event.

6. A Control Self-Assessment of Construction Design Management (CDM) (Health and Safety) review is currently at draft reporting stage. The draft report was issued at the end of July 2012. Management have notified internal audit that they are actively addressing the recommendations raised which includes improving procedures over the notification of ‘notifiable’ projects to the HSE in accordance with CDM regulations , and ensuring a construction phase plan is in place prior to work commencing on construction projects.

Barbican Centre – Income Collection and Banking (25 days)  - 4 green priority recommendations

7. The systems of control for collecting and recording and banking income are considered to be sound, with adequate division of duties being practiced. There are also good systems in place over the safe custody of income prior to banking and existing insurance limits for cash holdings are not being exceeded.
8. A minor area of improvement was identified over management authorisation of income reconciliations. It was recommended that the Master Banking Reconciliations prepared by cashiers should be independently checked on a weekly basis for accuracy and completeness by the Systems and Control Manager. This recommendation was accepted, to be implemented by 30th June 2012.
9. It was established that whilst written procedures (known as “How to Cashiers) have been prepared, current staff had not been issued with a copy. It was agreed that a review of these procedures to ensure that they are up to date will be undertaken and made available to staff via the Centre’s shared file drive by 1st September 2012.

10. Controls over monitoring and recovery of overdue debts were examined and it was concluded that arrangements in practice are not consistent with current written procedures. This is because it was found that there had been no consistent follow-up of overdue debts since January 2012. Unpaid invoices as at April 2012 were £1.28 million. It was recommended that written procedures were adhered to and that outstanding debts were followed-up to establish what action was being taken by the Chamberlain's Revenue Collection Group and the City Solicitor. Debts totalling £84,575 are being considered for write-off. (These are in respect of irrecoverable debts raised between July 2007 and November 2010). All debts have now been followed-up and the Centre's new Credit Controller has received training on debt management procedures.
11. The Managing Director of the Barbican Centre agreed to ensure that all outstanding recommendations were to be implemented by 31st August 2012.

Barbican Centre Events Income & Expenditure (20 days)

(4 green priority recommendations.)

12. Audit testing completed in June 2012 established that there are sufficient processes in place across the three departments to control income and expenditure. The departments review fees and production budgets regularly. The Corporate Sales department has undertaken benchmarking to ensure their fees remain competitive. In addition the Barbican Centre has reviewed its commercial strategy.
13. Income and expenditure is being recorded on CBIS and all event associated expenditure examined as part of this review was processed through the Finance Office, accounted for and posted to the correct event. Two event accounts for theatre productions which completed at the end of November and December 2011 had not been finalised at the time of testing. In both these cases, the delay in finalisation was due to where internal recharges needed to be processed. It was agreed with Internal Audit that wherever possible accounts will be settled promptly. Four contracts for Music Department bookings were not fully completed with signatures and dates and it was agreed that the Management Accountant will check that contracts are fully completed with immediate effect.
14. The dates that contracts for the Theatre Department are sent and signed copies returned are not always being recorded on the Artifax system in the fields provided for this information. The issue of consistency of system use across the Barbican Centre was raised with the Chief Operating and

Financial Officer; he has subsequently decided that given other compensating controls, the Theatre Department can continue with the current level of Artifax utilisation.

15. Access controls to the Artifax system were found to comply with the City of London's System Development Security & Audit Requirements, however, there were four generic user IDs which weakens the audit trails within the system and therefore not all transactions can be traced back to individual users. Subsequent to the review the Artifax suppliers advised the Centre that admin users cannot be disabled or renamed, however, the Centre's IT Manager has reset all passwords and read only access granted where this is sufficient.
16. Controls for budget setting and monitoring were found to be satisfactory with fees and production budgets being reviewed on a regular basis. The Corporate Sales Team undertakes benchmarking to ensure that their fees are competitive and the Centre's commercial strategy has been reviewed in the past 12 months.
17. The Managing Director of the Barbican Centre has advised that all recommendations have now been implemented.

Implementation of Agreed Audit Recommendations

18. All amber priority rated recommendations resulting from the finalised 2011/12 reviews have been implemented. Details of implementation of other open green priority recommendations from finalised internal audit reports are set out in Appendix 1.

Internal Audit Plan 2012/13

19. Work on delivery of the 2012/13 Internal Audit Plan is progressing satisfactorily. There are eight planned reviews for completion during the 12 month period. A draft report has recently been issued in respect of the Retail Outlet review.

Appendices

- Appendix 1 – Schedule of Internal Audit Projects 2011/12
- Appendix 2 – Schedule of Internal Audit Projects 2012/13

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Schedule of Internal Audit Projects 2011/12

Full Reviews

Project	Planned Days	Audit Stage	Assurance Level	Recommendations				Recommendation Implementation Progress
				Total Red	Total Amber	Total Green	Total	
Income Collection and Banking	25	Final Report Issued	Green	0	0	2	2	All implemented by 31 st August 2012.
Income & Expenditure controls (including Artifax)	20	Final Report Issued	Green	-	-	4	4	All implemented by 30 th September 2012.
Construction Design Management (Health & Safety)	15	Management Letter issued by 26 th July 2012	Amber (tbc)	tbc	tbc	tbc	Tbc	

Schedule of Internal Audit Projects 2012/13

Project	Planned Days	Planned Completion Date	Current Stage	Recommendations			
				Total Red	Total Amber	Total Green	Total
<u>Retail Outlets</u> The Barbican Centre has a number of retail outlets and has recently taken back in-house the management of the bookshop. The procurement, pricing, stock control, and income collection and banking controls will be examined.	25	30 th June 2012	Draft Report	-	-	-	-
<u>Stocks and Stores</u> There are a number of stores operating across the Centre, for example set and scenery materials, technical equipment, and tools and machinery. This review will examine the arrangements for the purchase, recording, security and disposal of items held within stores. It will also consider how appropriate the current level of stocks are, given the Centre's level of activity.	20	31 st March 2012	Not started	-	-	-	-

<p><u>Box Offices Process</u></p> <p>The Box Office is the event booking and ticketing outlet for the Barbican Centre catering for on-line, telephone and face-to-face customers. The collection and recording of income will be reviewed, as well as controls over complimentary and refunded tickets. This review will not examine e-ticketing or the software application which it is planned to review separately.</p>	10	31 st December 2012	Not started	-	-	-	-
<p><u>Annual IS Strategy & Security</u></p> <p>"This being an annual review as requested by the Barbican Committee following the 2011/12 review. The objectives of the audit exercise are to establish and assess: -</p> <ul style="list-style-type: none"> • Adequacy of the strategy in providing the operational service required. • Responsibility to ensure that tasks have been properly assigned. • Configuration to ensure it provides a sound operational and secure setting. • Logical access controls to ensure a secure management frameworks. • Operational and housekeeping procedures • Resilience. <p>Additionally to incorporate a second follow-up on ICT review (department request)."</p>	5	31 st December 2012	Planning	-	-	-	-

<p><u>E-commerce – Box Office Application (ENTA)</u></p> <p>Standard application/system review, objectives being to establishing and evaluating the strategy, responsibility, logical security, physical & environmental controls, housekeeping and resilience.</p>	10	31 st March 2012	Not started	-	-	-	-
<p><u>Business Continuity (Including disaster recovery)</u></p> <p>Will assess Barbican DR plans being based on Barbican strategic objectives and stated need compared to benchmark leading practice.</p>	15	31 st December 2012	Not started	-	-	-	-
<p><u>Projects – Cost Monitoring</u></p> <p>This review will examine the Barbican Centre’s procedures for monitoring and control of the cost of projects, the process of updating of budgets and cost reports, and the governance arrangements in place to ensure adequate reporting and authorisation of cost overruns.</p>	15	31 st December 2012	Planning				