Committee(s): Risk Committee of the Barbican Centre Board Barbican Centre Board	Date(s): 22/01/2020 22/01/2020
Subject: Internal Audit Update	**Public**
Report of: Head of Audit and Risk Management	**For Information**
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Summary

This report has been prepared to provide Members with an update in respect of Internal Audit activity related to the Barbican Centre. Audit Plan delivery is progressing, with two reports recently finalised, and there has been recent follow-up activity in respect of live high priority (red and amber) recommendations as part of a regular corporate exercise.

Since the November meeting of this Committee, one amber priority recommendation has been closed down upon receipt of implementation evidence. There are no live red priority recommendations and, including those that are not yet due, 18 live amber priority recommendations.

Green priority recommendations are not subject to formal follow up. It is good practice for management to keep implementation progress under review and to seek assurance that the control weaknesses identified at the time of audit have been addressed. Internal Audit has received status updates in respect of live green priority recommendations, enabling closure of the majority.

Recommendation(s)

Members are asked to:

- Note the report.
- Consider the appropriateness of the delays in high priority recommendations implementation.

Main Report

Background

1. The Barbican Risk Committee receives regular updates in respect of delivery of Internal Audit work and the status of high priority recommendations.

2. A summary of outcomes is reported for finalised audit work, i.e. where full management responses have been received and agreed, and there is a reminder of the scope of audit for those audits where draft reports have been issued and management responses are awaited.

3. In terms of high priority recommendations, this report provides Members with the latest implementation position, based upon information received from the Barbican Centre and audit testing undertaken.

4. Green priority recommendations are not routinely subject to formal follow-up and reporting, although Internal Audit has received updates from Barbican Management which has reduced the total live recommendations in this area.

Delivery of Internal Audit Work

5. Two Barbican audits have been finalised since the last update report and summary outcomes are reported in **Appendix 1**:

Financial Monitoring and Income Generation – **Substantial Assurance**

6. Scope: to examine the financial monitoring arrangements, including reporting on financial performance to senior management and Members, and the strategy used to ensure that income is maximised.

Recommendations	Red	Amber	Green	Total
Number Made:	0	0	2	2

7. Both recommendations were agreed by Barbican Management for implementation by November and December 2019 respectively. Internal Audit has recently been advised that one of these recommendations has been implemented and remaining recommendation will be addressed by March 2020.

IT Projects – **Moderate Assurance**

8. Scope: to obtain assurance that the framework for delivery of IT Projects supports the achievement of the Barbican's strategic objectives

Recommendations	Red	Amber	Green	Total
Number Made:	0	2	3	5

9. All recommendations were accepted by Barbican Management with implementation timescales of January 2020 and December 2020 for the amber priority recommendations. Implementation of one of the green priority recommendations is dependent upon the current recruitment freeze being lifted and as such the target timescale is not yet known. Barbican Management have undertaken to implement the remaining green priority recommendations by March 2020 at the latest.

Work in Progress

10. The status of 2019-20 Plan delivery is outlined in **Appendix 2.**

11. Completion of Internal Audit work in 2019-20 has been impacted by extended Internal Audit staff absence. Draft reports have been prepared, but not yet issued, in respect of the following two audits:

- Artistic Events Contracts and Cancellation Arrangements – an examination of the arrangements for management of event contracts to ensure that contractual requirements are met.
- Corporate Memberships and Sponsorship – an examination of controls over the income generated in respect of Corporate Sponsorship and Corporate Memberships, consideration of value for money in the administration of these fundraising schemes, and controls for ensuring that such fundraising activities are in line with the Barbican's Strategic Plan and the Corporate Plan.

12. These audit reports are undergoing quality assurance review prior to formal circulation. There are also two further reports being prepared in respect of Barbican Events audit activity: Commercial Events Contracts and Cancellation Arrangements, and Event Decision-Making and Evaluation (Artistic and Commercial). Finalised outcomes will be reported to this Committee.

13. The terms of reference have been finalised in respect of an audit of Data Security which is focused on obtaining assurance that adequate mechanisms are in operation for the following:

- A data security strategy is in place with supporting policies and procedures to help regulate activity and manage cyber incidents
- Protection of the Barbican's network with a range of measures such as firewalls to monitor and control network traffic, anti-virus software to protect from malware, and the use of penetration testing to identify weaknesses and appropriate mitigations.
- Network access is controlled with restriction based on business need.
- Secure configuration practices are in operation which include routine patching.
- Staff are made aware of cyber threats and the arrangements for cyber incident reporting.

14. Audit assignment planning is underway in respect of the remaining audits within the 2019-20 Plan to ensure completion by year-end.

Recommendations Implementation

15. Live high priority recommendations are summarised at **Appendix 3** and a comparison of latest revised target dates to original agreed dates is shown. There are no live red priority recommendations and 18 amber priority recommendations, representing an increase of one recommendation since the last update to this Committee - two new recommendations having arisen from a recently finalised audit and one separate recommendation having been confirmed as implemented.

16. A recent corporate follow-up exercise has confirmed the status of all high priority recommendations due for implementation by 31st December 2019. Of the twelve Barbican recommendations within the scope of this exercise, there has been

slippage in implementation in respect of ten with revised target timescales provided to Internal Audit. Internal Audit are liaising with Barbican Management to obtain a revised target date for demonstration of implementation in respect of one further recommendation and follow-up testing has been scheduled in respect of the remaining recommendation.

17. Internal Audit has reiterated the importance of setting realistic timescales for demonstrating recommendations implementation. Management continue to be reminded that any implementation actions which are extended beyond the revised target date will likely be subject to challenge by the Audit and Risk Management Committee, whose expectation is that there should only be one extension to implementation timescales unless the circumstances are exceptional.

18. Green priority recommendations are not subject to Internal Audit follow-up although it is recommended that Management review these periodically to determine the risk presented to operations. Barbican Management have recently provided status updates in respect of live green priority recommendations which has reduced the overall position from 36 at the time of the last update to this Committee to nine as at January 2020.

Forward Planning

19. The Internal Audit Strategy 2018-2021 has been subject to annual review to ensure that resources are targeted appropriately. Internal Audit are reviewing proposed audit coverage for 2020-21 in conjunction with Barbican Management and the updated Plan will be circulated to members of this Committee upon agreement.

Conclusion

20. Audit Plan delivery is ongoing but has been impacted by Internal Audit staff absence. Reports recently finalised have resulted in one moderate and one substantial assurance opinion.

21. Internal Audit follow-up activity has identified further slippage in the implementation of high priority recommendations, with ten out of twelve recommendations due by 31st December 2019 subject to revised target dates. There has been a significant reduction in the number of live green priority recommendations following the submission of status updates to Internal Audit by Barbican management.

22. Proposed audit coverage for 2020-21 is under discussion with Barbican Management.

Appendices

- Appendix 1 – Finalised Audit Outcomes
- Appendix 2 - Internal Audit Plan Delivery
- Appendix 3 – Live High Priority Recommendations as at January 2020

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