

Committee(s):	Date(s):	Item no.
Risk Committee of the Barbican Centre Board	15 th January 2013	
Subject: Internal Audit Update Report – January 2013		Public
Report of: The Chamberlain		For Information
<u>Summary</u>		
<p>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 September 2012. There are six Internal Audit reviews included within the 2012/13 Internal Audit Plan – one in respect of Retail Outlets is now fully completed and three further review of Stocks and Stores, Box Office Processes and Cost Monitoring are in progress.</p> <p>Two of the remaining three reviews in the 2012/13 Plan have been delayed due to the recent departure of the ICT Senior Auditor. An appointment to this post has recently been made and work in this area will be initiated in January 2013. The remaining review which is a detailed Box Office IT application review has been cancelled because this application is planned for replacement in 2013/14. An update on the progress in implementing the recommendations for the Construction Design Management (Health & Safety) Review started in 2012/13 is also included. Whilst internal audit have been informed that the two red priority recommendations have been implemented, the remaining three amber and five green priority recommendations have been rescheduled from November 2012 to the end of January 2013 for implementation. (See Appendix 2 for analysis).</p> <p>In addition to planned work there has been a special investigation resulting to a recent spate of losses of cash and physical assets from the Theatre Department. With the exception of this matter, there have been no other significant control weaknesses identified.</p> <p>This report also includes details of the draft Internal Audit Plan for the five year period 2013/18 which has been discussed with the Chief Operating Officer and Head of Finance.</p> <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • That this report be noted and • That Members comment on the content of the draft Internal Audit Plan 2013/18. 		

Main Report

Background

1. This report provides an update on progress being made against the 2012/13 Internal Audit Plan and sets out the draft Internal Audit Plan for 2013 to 2018.

Internal Audit Plan 2011/12 completion – carried out in 2012/13

Control Self-Assessment - Construction (Design & Management) Regulations 2007 (Health & Safety) - Moderate Assurance - Amber

2. The findings from this review gave rise to significant risk issues so the key audit findings were presented orally and discussed with this committee at its meeting on the 11th October 2012.
3. The requirements and role of the Client in construction are seen as major factors in the level and prevention, of accidents. Changes in Health & Safety legislation have placed greater responsibility upon the Client and it can no longer transfer on responsibilities and liabilities to an agent or contractor. Past fines for failure to discharge duties under the previous regulations have been in the region of £200,000 and future failures could therefore represent significant risk to the City of London.
4. City of London Departments, including the Barbican Centre, which have teams responsible for construction work must therefore ensure that suitable controls are in place and maintained to mitigate and manage those risks in an acceptable manner. The Construction (Design and Management) Regulations 2007 (CDM Regs) give details of the legislative requirements, and the Approved Code of Practice (ACoP) provides official guidance to assist in determining whether processes are compliant with the statutory requirements. The associated risks in respect of this area of the City's operations are
 - i. the Death or injury of construction workers, consultants and/or officers,
 - ii. loss of reputation through failure to comply with legislative requirements, and
 - iii. liability to prosecutions and/or subsequent fines under Criminal Law.
5. This review found that there had been a failure to correctly identify the New Security Control Room project as a project requiring notification

to the Health and Safety Executive prior to work commencing on site. This failure to notify the Health and Safety Executive subsequently caused delay and additional cost to the project whilst the required notification was made. Two red priority recommendations have therefore been made to require management authorisation of the appropriate notification to HSE and to maintain adequate records showing such authorisation. Three further amber priority recommendations were made to update and improve current staff guidance documents, in light of the changes and new requirements of the 2007 CDM Regulations as follows:

- a. Ensure staff guidance documents address officer responsibility to allow sufficient time for each stage of the project from concept onwards;
 - b. Ensure officers supply individual leaseholders with health and safety information relating to their property;
 - c. Obtaining assurance that project managers have the know-how to assess the competence of the CDM Co-ordinators being employed.
6. Five further green priority recommendations have been made to address control improvements in respect of the training log maintained by the Barbican Centre, and in the storage and accessibility of Health and Safety Files.
7. The fieldwork for this review was completed in July 2012 and a draft report issued to the Managing Director of the Barbican Centre later in that month. Following confirmation of the Management response a final report was issued in October 2012. Management implemented the two red priority recommendations in September 2012, with the remaining three amber and five green priority recommendations originally agreed for implementation by the end of November 2012.
8. Due to workload pressures, revised implementation dates for these eight recommendations have been agreed for the end of January 2013. Until these recommendations are fully implemented there continues to be a risk that the knowledge of Barbican Centre project officers in their responsibilities under CDM 2007 is insufficient, resulting in a further violation of these requirements, which could potentially result in HSE action against the City of London.

Implementation of Agreed Audit Recommendations




9. Other than the implementation of the recommendation resulting from the Construction (Design & Management) Regulations 2007 - Health & Safety – review, there are no other recommendations from 2011/12 reviews which have yet to be implemented.

Internal Audit Plan 2012/13

10. There are seven planned reviews within the 2012/13 internal audit plan for the Barbican Centre. A final report has recently been issued in respect of the Retail Outlet review. An unplanned review resulting from Theatre Department cash and physical assets losses has also been undertaken in the period September to December 2012. Details of both reviews are given in the next section.
11. The Contract Audit - Cost Monitoring review report is currently being drafted. Two reviews are currently at fieldwork stage, with one review at planning stage. The IS/IT review of the Box Office application has been cancelled, with final remaining IS/IT Security/Strategy/Operations Review planned to commence in the final quarter.

Barbican Centre Retail Outlets (Amber Assurance)

12. The Barbican Centre internally manages three permanent retail outlets and this year introduced a temporary retail outlet (the Bond shop) which is an initiative the Barbican Centre is looking to continue. The review concentrated on the Foyer, Gallery and Bond Shop. The Foyer shop received £55k in income with a surplus of £11k for 2011/12 and is predicted to make a surplus of £40-60k for 2012/13. The Gallery shop received £125k for the same period and made a surplus of £50k, it is predicted to make a surplus of £88k for the financial year 2012/13. The Bond shop took £203k income and made a surplus of £60k.
13. The purpose of this review was to establish and evaluate the control arrangements for the purchasing and invoice processes across the three outlets: reviewing whether there are appropriate and consistent pricing strategies across the three outlets: ensuring there are efficient stock control processes in place; that all income is collected and banked promptly.

AREA	Red Recommendations 	Amber Recommendations 	Green Recommendations 
Procurement	0	1	1
Pricing Strategies	0	1	0
Stock Control	0	2	1
TOTAL	0	4	2

14. Audit testing established that there are sufficient processes in place across income collection as this is undertaken independently by the Box office or house management staff and the systems are independent to their own income collection systems. A full review has been undertaken of all income collection at the Barbican Centre this financial year that gave green assurance for the income collection processes in place.
15. All procurement activity across the three retail outlets had been appropriately authorised and all invoices have been processed through CBIS.
16. There were issues identified reconciling the stock to the management information for the Foyer shop and the Gallery shop, an amber priority recommendation was agreed to resolve these discrepancies. The stock could not be reviewed for the Bond shop as the management information was not available at the time of the audit review. An amber priority recommendation was agreed for the finance section to complete the final stock assessment and write-off stock following the closure of the outlet at the end of the exhibition.
17. Across the three retail outlets there were inconsistencies identified with the procurement approach, pricing strategies, and stock control. An amber recommendation was agreed whereby the Head of Commercial Development and the Art Galleries Manager are going to look to introduce a co-ordinated approach across the outlets to ensure a consistent strategic approach is adopted for these retail outlets by agreeing a pricing policy, adopting a co-ordinated procurement and stock management approach and by introducing a new EPOS system.
18. The co-ordinated approach will be considered by 31st December 2012; however the implementation of the new approach and EPOS system will not be until 31st March 2013. The fieldwork for this review was completed in August 2012 and a draft report issued to the Managing Director of the Barbican Centre later in October 2012. Following confirmation of the Management response a final report was issued in November 2012.

Theatre Department Cash and Physical Asset Losses

19. On 25th October 2012 Internal Audit was notified of the loss of the Theatre Production Office petty cash float (cash in the region of £430) which occurred during the period 10th -17th July 2012. Whilst the Centre failed to inform Internal Audit of the theft as soon as it was discovered, the incident had been reported internally within the Barbican Centre to the Security Manager on the 17th July and was subsequently reported to the police.

20. An internal audit investigation was undertaken to establish whether the control environment had improved and to establish whether there had been any further losses experienced.
21. Since July there have been a series of losses experienced within the Theatre Department. The items lost and assumed stolen include: cash, both Centre funds and personal; a laptop belonging to a visiting company member; a laptop belonging to the Centre; audio equipment (a pair of speakers); two electric drills; and a pen knife belonging to a member of staff. It is not possible to determine whether these are all related incidents and the City Police have not pursued their investigations due to lack of evidence.
22. At the time of the incidents there was a number of security failings within the department which meant that expected controls were not in operation. Such as locked doors, limited access to the safe and care taken over personal belongings. This allowed access to Barbican cash and assets as well as staff and visiting companies' assets and staff personal belongings. These failings have now been rectified in accordance with Internal Audit recommendations.
23. The Barbican Centre failed to comply with the City's Financial Regulations since Internal Audit was not notified of the losses and the Town Clerk was not consulted before a report was made to the City Police. In addition, the Chamberlain's Insurance Section was not provided with details of these losses, with the exception of the audio equipment.
24. The Barbican Centre has now installed CCTV cameras in the Theatre Department as a deterrent and the last incident reported was at the start of November.

Five Year Draft Internal Audit Plan 2013/18

25. The Draft Internal Audit Plan covering the five year period 1st April 2013 to 31st March 2018 (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.
26. The IS audit plan is currently under review as a result of plans to outsource aspects of the City of London IS function in 2013. Future IS audit plans for the Barbican Centre are currently based on an annual ICT Strategy, Security and Operation review with a cyclical review of Disaster Recovery arrangements and the Box Office application. Further collaboration and merger of strategy and operations between the Barbican Centre and GSMD

IS Teams is also a consideration, and therefore long term planning for IS Audit reviews is not appropriate.

Appendices

- Appendix 1 – Schedule of Internal Audit Projects 2011/12
- Appendix 2 – Schedule of Internal Audit Projects 2012/13
- Appendix 3 – Draft Internal Audit Plan 2013/18

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Schedule of Internal Audit Projects 2011/12

2011/12 Internal Audit reviews where recommendations remaining to be implemented

Project	Planned Days	Audit Stage	Assurance Level	Recommendations				Recommendation Implementation Progress
				Total Red	Total Amber	Total Green	Total	
Construction (Design and Management) Regulations 2007 (Health & Safety in Construction)	15	Final Report issued on 18 th October 2012	Amber	2	3	5	10	A follow up review will be carried out by Internal Audit in due course but at this time Barbican Centre staff have confirmed that the two red recommendations were implemented on the 27 th September 2012. Although the initial intention was to implement the remaining eight recommendations by the 30 th November 2012 this was not achieved and a revised implementation date of the 31 st January 2013 agreed.

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	Completed	-	4	2	6
<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	20	31 st March 2013	In Progress	-	-	-	-

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.							
<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 March 2013	In Progress	-	-	-	-
<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 framework. • Operational and housekeeping procedures • Resilience. <p>Additionally to incorporate a second follow-up on</p>	5	31 st May 2013	Work to commence Feb 2013	-	-	-	-

ICT review (department request). "							
<u>E-commerce – Box Office Application (ENTA)</u> Standard application/system review, objectives being to establishing and evaluating the strategy, responsibility, logical security, physical & environmental controls, housekeeping and resilience.	10		Cancelled- as Application due to be replaced in 2013/14	-	-	-	-
<u>Business Continuity (Including disaster recovery)</u> Will assess Barbican DR plans being based on Barbican strategic objectives and stated need compared to benchmark leading practice.	15	30 th April 2013	Planning	-	-	-	-
<u>Projects – Cost Monitoring</u> 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.	15	31 st January 2012	Fieldwork Completed				

Draft Internal Five Year Audit Plan 2013/18

	DATE OF LAST AUDIT	YEAR 1 2013/14	YEAR 2 2014/15	YEAR 3 2015/16	YEAR 4 2016/17	YEAR 5 2017/18	COVERAGE IN FIVE YEARS
AUDIT							
<u>BARBICAN CENTRE</u>							
MARKETING DATA COLLECTION (SOFTWARE/TECHNIQUES/ANALYSIS AND REPORTING)	NEW	0	5	0	0	0	5
VALUE FRAMEWORK – EVENT PROGRAMMING (TECHNIQUES AND SCORING)	NEW	20	0	0	0	0	20
BOX OFFICE (INCOME TARGET SETTING AND MONITORING)	NEW	0	20	0	0	0	20
STAFF RECRUITMENT & TRAINING (BUDGETARY CONTROL/CAPTURE OF BENEFITS/OUTCOMES/TEMP STAFF)	NEW	0	0	0	0	20	20
BUSINESS EVENTS (INCOME TARGET SETTING AND MONITORING)	NEW	20	0	0	0	0	20
CATERING (STRATEGY/STRUCTURE/CONTRACTS/CINEMA CATERING)	NEW	0	0	15	0	0	15
SPONSORSHIPS/DONATIONS/GRANTS (TARGET MANAGEMENT/COLLECTION/REPORTING)	NEW	0	0	0	15	0	15
BUSINESS PLANNING (DEVELOPMENT AND MONITORING AGAINST PERFORMACE)	NEW	0	0	5	0	0	5
MEMBERSHIP SCHEME (TARGET SETTING/COLLECTION/REPORTING & MONITORING)	NEW	0	0	0	5	0	5
INCOME COLLECTION & BANKING	2012.08	0	20	0	20	0	40
PROCUREMENT (COMPLIANCE WITH STANDING ORDERS/CBIS PO&AP/PURCHASE CARDS)	NEW	0	0	20	0	20	40
BUDGET SETTING/FINANCIAL MANAGEMENT	NEW	0	10	0	10	0	20
CONTRACT AUDIT - VARIATION ORDERS AND CHANGE CONTROL PROCEDURES	NEW	20	0	0	0	0	20
CONTRACT AUDIT - CSA – INTERIM VALUATIONS	NEW	15	0	0	0	0	15
CONTRACT AUDIT - CSA EXTENSIONS OF TIME	NEW	0	15	0	0	0	15
CONTRACT AUDIT - SMALL WORKS OF REPAIRS AND MAINTENANCE	2005.09	0	15	0	0	0	15
CONTRACT AUDIT - COST ESTIMATING & COST PLANNING	2009.08	0	0	25	0	0	25
CONTRACT AUDIT - CONSULTANT SERVICES	2004.08	0	0	15	0	0	15
CONTRACT DOCUMENTATION	2009.04	0	0	0	20	0	20
COMPLETION AND DEFECTS	NEW	0	0	0	0	15	15
<u>SPOTCHECKS</u>							
DEBT MANAGEMENT (INCLUDING CBIS AR)		5	0	5	0	5	15
EXPENSE CLAIMS (INCLUDING HOSPITALITY/STAFF EXPENSES)		5	0	5	0	5	15
CASH & SECURITY(PETTY CASH/FLOATS/SAFES)		5	0	5	0	5	15
SYSTEM CONTROLS (ARITFAX/ENTA/VINS)		0	0	0	5	0	5

FOLLOW-UPS								0
INCOME COLLECTION AND BANKING (ALL SOURCES)		1	0	0	0	0	0	1
RETAIL OUTLETS		1	0	0	0	0	0	1
COMMERCIAL - INCOME, EXPENDITURE (INCLUDING ARTIFAX)		1	0	0	0	0	0	1
STOCKS AND STORES		1	0	0	0	0	0	1
BOX OFFICE PROCESSES		1	0	0	0	0	0	1
CDM 2007 (Health & Safety)		2	0	0	0	0	0	2
FOLLOW-UP CONTINGENCY		0	5	5	5	5	5	20
TOTAL		95	90	100	80	75		440