

Committee(s):	Date(s):	Item no.
Barbican Centre Risk sub-Committee	21 st May 2012	5
Subject: Internal Audit Update Report - May 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 February 2012. There were eight Internal Audit reviews included within the 2011/12 Internal Audit Plan – five are now fully completed and the remaining three have been progressed to completion of fieldwork.</p> <p>2. No significant control issues have been identified from Internal Audit work undertaken since the last update report in February 2012. In accordance with your request for more information concerning the progress in implementing recommendations, a column has been included within Appendix 1 of this report which provides summary details of recent action.</p> <p>3. Work has now commenced on the 2012/13 Internal Audit planned work within the Barbican Centre. Initial meetings to prepare the terms of reference for the Retail Outlets review have been arranged. 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 the progress made in completing the 2011/12 Internal Audit Plan and also provides a schedule of the Internal Audit Plan 2012/13 including completion dates discussed with the Head of Finance.

Internal Audit Plan Progress 2011/12 to date

5. There were eight reviews included within the annual plan 2011/12 comprising a total number of 125 Audit days. There are two reviews which have been progressed to the completion of fieldwork as follows:-
 - 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. Draft reports for these reviews will be issued by the end of May 2012.

6. A review of Health and Safety on Building sites is on-going and a management letter for this review will be issued by the end of May 2012.

7. The final report for the Efficiency Review has been issued and the Chairman of the Barbican Centre Board, together with other Members, has been briefed on the outcome of this review. Details of this audit are included in the next section.

8. Members have also requested details of the Barbican Firewall review which was requested by Centre Management following the completion of the main IS Security & Strategy review. Details from this review are included in the next section.

Barbican Centre Efficiency Savings – Progress Against Plan (10 days)

Assurance Level – Green /Substantial

9. The overall purpose of this review was to identify the efficiency savings agreed for the Barbican Centre for the years 2011/12 and 2012/13 and determine whether they are being realised in practice during the course of the year. This included providing assurance that the regular financial updates concerning progress in implementing agreed budget savings was supported by management and accounting information.

10. Audit work undertaken included establishment of the original 2011/12 budget savings proposals and ensuring that the 2011/12 budget had actually been reduced by the total amount involved (12.5%). An

exercise was then performed to ascertain whether these savings had been implemented and that actual expenditure has remained within budget estimates during the year. In addition, the accuracy of reports made to the Barbican Finance Committee compared to budget performance during the year was determined. Finally, where changes to the proposed savings had been necessary, a check was performed to ascertain whether these changes had been reported to the Barbican Finance Committee in accordance with the impact they would have on achieving overall savings and that any approval required had been sought and obtained

11. It was established that the 2011/12 budget was reduced in accordance with the overall savings total (the 2011/12 budget was 16.2% less for net expenditure compared with the 2010/11 budget). The original proposals have revised during the year due to a number of factors, including the delay in implementing some of the employee related savings arising from staff consultation processes. These have had an impact on the budget of an additional £331,000 employee costs. The Centre has also incurred a rise in net expenditure during the year due to reduced box office receipts on some of its events.
12. In order to keep within budget and achieve savings it was necessary to make some changes to the original savings targets; as with all Departments, the Centre was able to draw on the corporate provision for severance costs arising out of this budget process which assisted this. Regular business review reports have been submitted to the Finance Committee and the financial analysis included within these has been agreed to supporting information, namely CBIS General Ledger reports, as well as e-mail correspondence between the Centre's Management Accountant and the Chamberlain seeking approval to the corporate provision. It is noted that the Centre is on target to remain within budget estimates at the end of the year, although this has required re-engineering of savings plans.
13. The fieldwork for this review was completed in February 2012, with the Draft report issued in March 2012 and the final report issued in April 2012. There were no recommendations made as a consequence of this review.

Barbican Firewall

14. An audit was conducted regarding the Barbican ICT Strategy, Security & Operational Control in the early part of 2011 and a large number of issues were identified. The firewall hardware has since been replaced and many

changes have been made. As a result, the Barbican Centre Management requested a further review of the network perimeter protection provided by the firewalls.

15. The firewall infrastructure and configuration has improved considerably since the previous review, a large amount of work has been undertaken to improve the security, capacity and robustness of the Barbican's network security perimeter. This includes addressing the relevant parts of the 'red' risk priority rated issue identified in the previous report issued in May 2011. Four new issues were identified, including one amber and three green risk priority rated recommendations.
16. The main areas of weakness discovered were in regards to Virtual Private Network connections which provide secure communications over insecure networks such as the internet. The risks identified were to service availability, data confidentiality, data integrity, and could lead to financial and reputational loss or service unavailability. One 'amber' recommendation was made and agreed to increase the encryption levels for transporting potentially sensitive information, keeping pace with the latest developments in information security.
17. The management letter from this short review was issued in September 2012. One amber and one green risk priority rated issues were dealt with prior to the end of the audit in September 2012 and a further green priority recommendation has been reported as completed since. The one green recommendation to introduce integrity checking of data moving over secure 'tunnels' has been delayed, awaiting vendor support on introducing a particular data integrity mechanism.

Implementation of Agreed Audit Recommendations

18. All amber priority rated recommendations resulting from the finalised 2011/12 reviews have been implemented, including the amber priority recommendation from the IS Strategy & Security review to implement penetration testing which was highlighted in the 6th February 2012 Committee audit update report as being outstanding. There are four remaining green rated recommendations in respect of this review which the Centre have advised that these will be fully implemented by 30th June. This is also one remaining green priority rated recommendations outstanding for the Firewall review, which will be followed up later in the year.

Internal Audit Plan 2012/13

19. Work has now commenced on delivery of the 2012/13 Internal Audit Plan. There are eight planned reviews for completion during the

12 month period. Meetings have been held with the Barbican Centre's Head of Finance and acting Head of Finance to discuss the timings of these reviews. Work has started on preparing the terms of reference of the Retail Outlets review with an initial scoping meeting arranged for the third week in May 2012.

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	
Security and Facilities Management (b/fwd 2010 for completion)	8	Completed July 2011	Green	0	0	2	2	The planned implementation for these two recommendations was the 31 st October 2011. A short follow-up audit will be undertaken by the 31 st May 2012 to verify implementation of improved control over monitoring the timeliness of paying invoices.
Efficiency Savings – Progress Against Plan	10	Final Report Issued	Green	-	-	-	-	
Income Collection and Banking	25	Fieldwork Completed	Tbc	-	-	-	-	
Income & Expenditure controls (including Artifax)	20	Fieldwork Completed	Tbc	-	-	-	-	
CSA – Health & Safety	15	Management Letter to be issued by 31 st May 2012	Tbc	-	-	-	-	
Trade Waste	20	Completed	Green	0	1	7	8	All recommendations fully

		March 2011						Implemented
ICT Strategy/Security/Operations	20	Completed May 2011	Amber	3	8	28	39	Four remaining green priority recommendations which the Centre have advised will be fully implemented by 30 th June.
Barbican Centre Firewall	7	Management Letter sent September 2011	n/a	0	1	3	4	One remaining green priority rated recommendation outstanding.

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	Planning	-	-	-	-
<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	30 th September 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	30 th September 2012	Not started	-	-	-	-
<p><u>E-commerce – Box Office Application (ENTA)</u></p>	10	30 th September 2012	Not started	-	-	-	-

Standard application/system review, objectives being to establishing and evaluating the strategy, responsibility, logical security, physical & environmental controls, housekeeping and resilience.							
<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	31 st December 2012	Not started	-	-	-	-
<u>Contract Review – Minor Works</u> This review will examine the City's procedures for the letting of orders and the inspection of small revenue works prior to payment. An evaluation will be made of the procedures for initiating works, selecting a contractor, agreeing rates, inspecting the works and controlling costs. Consideration will also be given to the distribution of orders among eligible contractors and the completion of works prior to payment.	15	31 st December 2012	Not started	-	-	-	-