

Committee:	Date:
Risk Committee of the Barbican Centre Board	14 th October 2014
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit and Risk Management	For Information

Summary

This report provides an update on the internal audit reviews undertaken between June 2014 and September 2014 as well as further information on the progress being made on the completion of the 2013/14 Internal Audit Plan (Appendix 1). It also includes a status update in respect of the schedule of planned work for 2014/15 (Appendix 2).

One full audit from the 2013/14 audit plan has been postponed as result of the need to reprioritise other internal audit work. This review of International Enterprise is anticipated to be completed by the end of December 2014.

Draft reports have been issued in respect of two 2014/15 Control Self-Assessment (CSA) reviews: Projects -Extensions of Time and Interim Valuations (details of the outcome of these reviews will be included in the next update report once management action plans have been agreed).

A planned spot check of debt management has been finalised which concluded that the overall systems of control for the management and monitoring of debts are operating adequately and in accordance with Financial Regulations.

Fieldwork in respect of the spot check of Expense Claims has been completed and the findings subsumed by a wider corporate review. A thematic issue of inaccurate coding of expenditure was identified and a further update will be presented to this Committee once the review output has been finalised.

Two follow-up exercises have been completed in respect of the ICT Review finalised in July 2013 and the Stocks and Stores audit finalised in August 2013. A good level of implementation of audit recommendations has been noted.

Recommendation

Members are asked to note the outcome from recent internal audit work and progress against the internal audit planned work.

Main Report

Background

1. This report provides an update on audit work progressed since the last update to this Committee in June 2014 and includes a summary of the status of all 2013/14 reviews (Appendix 1) and 2014/15 reviews. (Appendix 2). An analysis is also provided in respect of the progress made in implementing Internal Audit recommendations based on the outcome of recent follow-ups.

Delivery of Internal Audit Work

2. Since the last Committee update report, the planned review of Debt Management has been finalised and the detailed outcome is reported below. Fieldwork in respect of the planned spot check of Expense Claims (including staff hospitality) has been completed and subsumed within a corporate review in light of issues related to the accuracy of coding of expenditure, a recurring theme across City of London departments. A further update will be provided to this Committee once the corporate expenses work has been finalised. It should be noted that these were the last two spot checks relating to the 2013/14 plan year; no further such checks are planned.
3. Following the decision at the last meeting of this Committee to cancel the review of the Value Framework, one full audit remains outstanding. It is anticipated that the review of International Enterprise will be initiated shortly and concluded by the end of December 2014. This delayed delivery is due to emerging priorities in other City departments, which have required resources to be focused elsewhere.
4. Two follow-up exercises have been completed since the last meeting of this Committee in respect of reviews finalised in 2013/14. The outcome of these exercises relating to Stocks and Stores and ICT Strategy, Security and Operations are shown below.
5. Progress in delivering 2014/15 audit reviews has comprised the completion of fieldwork in respect of two CSA exercises and the initiation of the annual ICT assurance review. Draft reports have been issued in respect of the Project Control Self Assessment reviews: Extensions of Time and Interim Valuations and the detailed outcomes will be reported to the next meeting of this Committee, once the management action plans have been agreed.

Summary of audit review outcomes - 2013/14 Planned Work

Debt Management (5 days)

6. This probity check was focused on debt levels, the adequacy of arrangements related to recovery action and resulted in the provision of substantial assurance. Testing identified that the overall systems of control for the management of monitoring of debts are operating adequately and in accordance with Financial Regulations.

7. The Barbican Finance Department was found to have adequate written procedures for monitoring debts for the whole Centre. Testing confirmed that debts over 30 days old are monitored consistently each month and actions taken to recover outstanding amounts are recorded appropriately.
8. An examination of Aged Debtors for end of the 2013/14 financial year period identified that the outstanding debts (i.e. debts more than 30 days old) totalled £986,720. This represents a £235,000 reduction over the previous financial year 2012/13, where the debts totalled £1,222,062.
9. With regard to a prominent debt of £16,000 (dating back to 2012) accrued by the Centre's catering contractor, Searcy's, it was noted that these are monitored closely by the Centre under an agreed arrangement. The debts are understood to relate mainly to room hire for external client events and the charges were billed directly to Searcy's on the basis that they were collecting the catering element directly from the clients. The need for payment in advance of the event for the room hire element is understood to have presented difficulties and the contract was subsequently amended to incentivise Searcy's to chase the client for the room hire element. Currently if no payment is obtained within a six month period, Searcy's is obliged to pay the Centre the full hire cost; the £16,000 is thus considered to be a legacy issue.
10. It was understood from discussions with the Group Accountant that no debts had been written off during the 2013/14 financial year.

Other Relevant Assurance Work

11. Delivery of the plan of corporate and key systems reviews across the City's departments is on-going, providing assurance over a range of arrangements relevant to the Barbican Centre. A review of banking arrangements has been completed and two reviews in City Procurement are in progress: one concentrating on the payment of invoices and the other relates to the work of the Corporate Buying Team. A review of Insurance arrangements is also imminent.

Implementation of Audit Recommendations

12. Based on the outcome of the two recent follow-up exercises there has been a high degree of recommendations implementation. The summary of progress since the last update report is as follows:

Recommendations	Red	Amber	Green	Total
Implemented	0	1	17	18
In progress	0	2	3	5
Total	0	3	20	23

13. The follow-up review of the Stocks and Stores audit finalised in August 2013 identified that out of the 17 green priority recommendations made, 14 had been implemented in full. The outstanding recommendations related to the development of written procedures for the day to day operation and management of stocks and stores, the undertaking of a feasibility study of the store to evaluate need and whether value for money is demonstrated in its operation, and regular reconciliations between the financial balance on the stock system and CBIS.
14. The follow-up review of the 2013 ICT Strategy, Security and Operational Control identified that of the six recommendations made (three amber priority and three green priority), four had been implemented as far as feasible and two amber recommendations were in progress.
15. The two outstanding recommendations relate to the significant omission from the Disaster Recovery Plan of the arrangements to cater in full for the total loss of the computer room, and the need to improve and document the testing of user system and access which is performed remotely to the Disaster Recovery site. Actions were in progress and full implementation is anticipated by the end of October 2014.

Conclusion

16. The review of Debt Management has provided substantial assurance, identifying that arrangements in this respect are well-controlled and as such no recommendations were made. Follow-up exercises in respect of Stocks and Stores and ICT identified a high degree of recommendation implementation.
17. Work in other City departments which represent greater overall risk to the organisation has resulted in the deferral of a full review from 2013/14 until later in the 2014/15 plan year. In determining this resource prioritisation, account has been taken of the overall sound control and risk environment at the Centre and previous recent coverage of internal audit work.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2013/14

Appendix 2 Internal Audit Plan Schedule of Projects 2014/15

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