

Committee:	Date:
Risk Committee of the Barbican Centre Board	9 June 2015
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit and Risk Management	For Decision

Summary

This report provides an update on Internal Audit activity undertaken at the Barbican Centre since the last report made in January 2015. All planned work for 2014/15 has been concluded with the exception of two deferred reviews: Box Office (income target setting and monitoring) and Financial Management; as reported previously these have been incorporated within the audit plan for 2015/16. Delivery of 2014/15 reviews is analysed at Appendix 1.

Since the last Committee update report one piece of audit work has been progressed to completion. A follow-up exercise has been undertaken in respect of the review of the Barbican telecommunication system, finalised in December 2014. The original review focused on the risks associated with PBX fraud and resulted in a substantial assurance rating. Seven recommendations were made and good progress was noted at the time of follow-up, with six recommendations implemented in full and the remaining recommendation in progress.

As of January 2015, Chris Harris, a Partner at Baker Tilly, was engaged as the Head of Internal Audit and Risk Management (HARM) to cover the secondment of Paul Nagle to an interim finance role for 12 months. A new Internal Audit Strategy is in development. One of the initial changes has been to reduce the five-year statement of intent for audit coverage, as presented to the last meeting of this Committee, to an annual audit plan. This updated plan is attached (Appendix 2) and has been determined to provide Members and management with assurance over the financial control and operational framework in key risk areas.

There are no outstanding amber priority recommendations as at mid-May 2015 and only four live green priority recommendations which are awaiting follow-up.

Following a request at the last meeting of this Committee, a copy of the Whistleblowing Policy is attached (Appendix 3). The Policy has been produced in line with best practice and reflects the changes to the Public Interest Disclosure Act. It is accessible through the Barbican Centre intranet and action is in progress by HR management to raise further awareness internally via the monthly staff newsletter.

Recommendation(s)

Members are asked to note the outcome of the recent follow-up exercise, the final delivery position for the 2014/15 Internal Audit Plan, and consider the updated Internal Audit Plan for 2015/16.

Main Report

Background

1. This report provides an update on audit work progressed since 20th January 2015 Committee and includes a final summary of the status of all 2014/15 reviews (Appendix 1). A recent follow-up exercise confirmed good progress in the implementation of audit recommendations and as at the middle of May 2015 there are no outstanding red and amber priority recommendations. The updated Internal Audit Plan for 2015/16 is attached for consideration and comment (Appendix 2). A copy of the Whistleblowing Policy is also attached (Appendix 3) in response to a query at the last meeting of this Committee.

Delivery of Internal Audit Work

2. A formal follow-up exercise has been carried out on the recommendations arising from the review of the Barbican Centre's telecommunication system, finalised in December 2014. The focus of the original audit was the risks associated with PBX fraud, whereby an external hacker gains access to an organisation's switchboard and profits in two main ways: making a high volume of calls to premium rate numbers to which they are affiliated and selling calls via dialling international numbers through the compromised switchboard.
3. The PBX areas reviewed were responsibility, configuration, third parties support, maintenance, access controls, physical security, monitoring and fraud awareness. Seven recommendations arose from this review (five green and two amber) to further strengthen controls. The follow-up outcome was as follows:

Recommendations	Red	Amber	Green	Total
Number Made:	0	2	5	7
Implemented	0	2	4	6
In progress	0	0	1	1

The outstanding green priority issue related to the voicemail system and its reliance on users changing their PIN. The system cannot enforce a change and as a result user PINS can remain at default, increasing the risk of unauthorised access. Management undertook to address this issue in full by the end of June 2015, including consideration of system configuration so that a number of unsuccessful attempts to log in to voicemail results in call failure.

Internal Audit Review Outcomes 2014/15

4. A summary of the outcomes of audit reviews relating to 2014/15 is attached at Appendix 1 and this includes an addition to the plan within the year in respect of the Telecommunication System assurance work. Deferred reviews have been incorporated within the Internal Audit Plan 2015/16 (Appendix 2).

Other Relevant Assurance Work

5. 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.

Draft Internal Audit Plan 2015/16

6. The City's Internal Audit Strategy is in development as part of the Service Based Review. An initial review of audit coverage has been initiated and the five-year statement of intent presented to the last meeting of this Committee has been reduced to an annual plan.
7. The updated draft Internal Audit Plan 2015/16 (Appendix 2) has been prepared using a risk-based approach and has been determined to provide Members and management with assurance over the financial control and operational framework in key risk areas. A meeting has been arranged with the Chief Operating and Financial Officer and the Head of Finance to determine the detailed scope of reviews and suitable timing. Comment and suggestions for consideration in future internal audit plans are sought from your Committee Members.

Implementation of Audit Recommendations

8. No recommendations have been raised since the last meeting of this Committee and there are no outstanding red and amber priority recommendations. The recent follow-up exercise confirmed a good level of implementation of green priority recommendations and as at mid May 2015 there are four live green recommendations from Internal Audit work, all of which will be followed-up prior to the next meeting of this Committee.

Whistleblowing Arrangements

9. The City of London Whistleblowing Policy (Appendix 3) has been produced in line with best practice and reflects the changes to the Public Interest Disclosure Act. The Act provides protection for employees against detrimental treatment or dismissal as a result of a protected disclosure made by them if they speak out genuinely against corruption and malpractice at work. The purpose of the Policy is to clarify for employees how they can raise matters of concern that fall within the remit of this Act and what they can expect to happen once they have made a complaint.
10. The Policy forms part of the Employee Handbook and is accessible through the Barbican Centre intranet. There is scope to raise further awareness of Whistleblowing arrangements amongst staff and action is in progress by HR management to promote the Policy via the monthly staff newsletter. Consideration is also being given to a staff briefing, supported by the City of London's Anti-Fraud Manager.

Conclusion

11. Good progress has been noted in the implementation of recommendations arising from the review of the Barbican telecommunication system, followed-up recently, and as at mid May 2015 there are no live red or amber recommendations arising from any Internal Audit work.

12. Delivery of the Internal Audit Plan 2014/15 has concluded with the exception of two deferred reviews: Box Office (income target setting and monitoring) and Financial Management. These deferrals were due to work in other City departments which represent greater overall risk to the organisation. Both reviews have been incorporated in the Internal Audit Plan 2015/16 which has been determined using a risk-based approach.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2014/15

Appendix 2 Draft Internal Audit Plan 2015/16

Appendix 3 Whistleblowing Policy

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