

Committee:	Date:
Risk Committee of the Barbican Centre Board	13 October 2015
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit and Risk Management	For Information

Summary

This report provides an update on Internal Audit activity undertaken at the Barbican Centre since the last report in June 2015. Delivery of 2015-16 planned reviews is analysed at Appendix 1.

Since the last Committee update report one piece of audit work has been progressed to completion, a review of Barbican International Enterprise is in progress, the terms of reference have been agreed for the review of Budget-Setting and Financial Management, and draft terms of reference have been circulated for the review of Box Office Income.

A review of Cost Estimating and Cost Planning was finalised in August 2015 and resulted in a substantial assurance rating. This audit sought to ensure that major project costs are properly estimated and planned with appropriate budgets set prior to project works commencing on site. One amber priority recommendation was made of the City Corporation's Town Clerk's Department in relation to a Gateway report template and it is understood that this was implemented by 31 August 2015. A green priority recommendation was made to reinstate the log of lessons learnt in project delivery and was agreed by Barbican Centre management with an implementation date of 30 November 2015.

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

Recommendation(s):

Members are asked to note the delivery position for the 2015-16 Internal Audit Plan, the outcome of reviews completed to date and the proposed areas of coverage for forthcoming reviews.

Main Report

Background

1. This report provides an update on audit work progressed since 9 June 2015 Committee and includes a summary of the status of all 2015-16 reviews (Appendix 1). Analysis of outstanding audit recommendations as at mid-September 2015 confirmed that there are no live red or amber priority issues.

Internal Audit Review Outcomes 2015/16

Delivery of Internal Audit Work

4. An analysis of the status and outcome of reviews within the 2015-16 audit plan is attached at Appendix 1. One audit review – outlined below – has been finalised, one review is in progress, the terms of reference have been agreed for a review and fieldwork initiation is imminent, and draft terms of reference have been prepared for another review. It is intended that the scope and timing of the remaining reviews within the audit plan will be confirmed with management by 31 October 2015 to facilitate full plan delivery by 31 March 2016.
5. The finalised review of Cost Estimating and Cost Planning was focused on the arrangements for ensuring that projects are delivered within agreed budgets to support overall achievement of the Capital Cap Programme. The review sought to obtain reasonable assurance that an adequate control environment is in place and to ensure that major project costs are properly estimated and planned with appropriate budgets set prior to project works commencing on site. Testing also considered whether actual project expenditure is compared with original project estimates to identify key variances and improve cost estimation in future.
6. The review resulted in a substantial (green) assurance opinion, concluding that:
 - There are adequate arrangements in place for preparing cost estimates at Gateway 2-4 of the City's project procedure.
 - Reasonable assurance was obtained that Project Managers use estimated project costs (Gateway 2-3) to verify the reasonableness of tender prices obtained at Gateway 5.
 - There are adequate controls in place to ensure that appropriate budgets are set at Gateway 5, prior to work on site commencing.
 - Controls are in place to review actual project costs against agreed project sums at project completion; this helps to ensure that lessons in respect of cost estimation are learnt in future.
7. An amber priority recommendation was made of the Town Clerk's Department to update the Gateway 7 report template to require officers to set out whether project specifications were delivered in full and as agreed at Gateway 5, and to set out key reasons why they were not. This recommendation has been implemented.
8. A green priority recommendation was raised for the Barbican's Head of Projects to reinstate a centralised log of project lessons learnt, recording matters identified on Gateway 7 reports. The Head of Projects undertook to implement the following by 30 November 2015 and this will be followed up on the due date.
9. The review of Barbican International Enterprise is in progress and is anticipated to be completed by 31 October 2015. The scope of the audit is an evaluation of the adequacy of the arrangements in place regarding the development and delivery of a programme of touring exhibitions and the financial management provisions to ensure that value for money is achieved.

10. The terms of reference for the review of Budget-Setting and Financial Management have been agreed and fieldwork commencement is expected by 30 September 2015. The audit will seek to:

- Evaluate the adequacy of budget-setting arrangements and the mechanism to ensure that this accords with Barbican priorities, for example Artistic Strategy.
- Determine whether sufficient relevant, reliable and timely information is available to budget holders (including forecasts of the year end position).
- Identify whether significant budgetary variations are analysed, investigated, explained and acted upon by budget holders.
- Ensure there is regular, timely and accurate reporting of budgetary position to Committee such that prompt, informed decisions may be made.
- Assess if the integrity of the financial ledger and its records are assured through interface from feeder systems and periodic reconciliation of the general ledger to the bank account(s), creditors and debtors systems.

11. Draft terms of reference have been produced for the Box Office review deferred from 2014-15 and delivery will be prioritised within quarter 3 of 2015-16. The scope and timing of the remaining planned audits – Bars, Membership Scheme and IT System Controls are to be discussed with Barbican Centre management to facilitate delivery by the end of the financial year.

Other Relevant Assurance Work

12. 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.

13. A corporate review of Expenses (including out of pocket, travel and subsistence claims) is in progress and has incorporated testing of Barbican Centre transactions. The review is focused on the controls to ensure that only valid business related expenses are incurred and that the cost of expenses are claimed in line with established policies and guidance. Testing is also considering the adequacy of arrangements to ensure that expenses are properly coded in Oracle R12 to help ensure the accuracy of financial management information. Details of the outcome will be reported to the next meeting of this Committee, once the review has been finalised.

Implementation of Audit Recommendations

14. Two recommendations have arisen from the full assurance review finalised since the last meeting of this Committee, one of which (green priority) was addressed to Barbican Centre management and has not yet been subject to follow-up.

15. There are two further green priority recommendations which are awaiting formal follow-up and no live red or amber recommendations as at mid-September 2015.

Conclusion

16. Delivery of the 2015-16 audit plan is progressing to target and further liaison is intended with Barbican Centre management to agree the scope and timing of reviews not yet initiated. Barbican Centre management have accepted the green priority recommendation arising from a recent review and there are two further green priority recommendations awaiting Internal Audit follow-up. As at mid-September 2015 there are no live red or amber recommendations arising from any Internal Audit work in respect of the Barbican Centre.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2015-16

Chris Harris, Head of Audit and Risk Management
E: Chris.Harris@cityoflondon.gov.uk