

Committee:	Date:
Risk Committee of the Barbican Centre Board	25 January 2017
Subject: Internal Audit Update Report	Public
Report of: Head of Internal Audit and Risk Management Report Author: Pat Stothard, Head of Audit and Risk Management	For Information

Summary

This report provides an update on Internal Audit activity undertaken at the Barbican Centre between November 2016 and January 2017, as well as a status update in respect of the schedule of planned work for 2016-17 (**Appendix 1**).

Delivery of 2016-17 planned audits is in progress and one audit of Barbican Centre Catering has been finalised since the last meeting of this Committee. This audit contained a moderate (amber) assurance rating and resulted in three amber priority and two green priority recommendations which were accepted by management. Barbican management advised that two of the amber priority recommendations were implemented prior to finalisation of the audit report.

Audit fieldwork is in progress for the audit of Major Incident, Safety and Security and it has been agreed with Barbican Centre management to defer the audit of Customer Experience until 2017-18 in recognition of on-going development in this area.

There are two live amber priority recommendations as at the end of December 2016: one which was reported as being outstanding at the November 2016 meeting of this Committee and for which implementation has been delayed, plus a further recommendation arising from the recently finalised audit of Catering. Live high priority recommendations are detailed at **Appendix 2**. There are currently no live red priority recommendations.

This report also includes the Draft Internal Audit Plan 2017- 20 for consideration. Members' views are sought on proposed coverage and timing (**Appendix 3**).

Recommendation(s)

Members are asked to note the status of planned audit work for 2016-17, the live high priority recommendations position and audit plan proposals for 2017-20.

Main Report

Background

1. This report provides an update on audit work progressed since the update to this Committee in November 2016 and includes a summary of the status of all 2016-17 reviews (Appendix 1). Live high priority recommendation details are outlined in Appendix 2. The draft Internal Audit Plan for 2017-2020 is attached for consideration and comment (Appendix 3).

Delivery of Internal Audit Work

2. An analysis of the status and outcome of reviews within the 2016-17 audit plan is attached at Appendix 1. To date one audit has been finalised (Catering), one audit is at draft report stage (Car Parks), audit fieldwork is in progress for one (Major Incident, Security and Safety) and it has been agreed that the remaining planned audit (Customer Experience) be deferred until 2017-18. Delivery of the updated audit plan for 2016-17 is anticipated by 31st March 2017.

Summary of audit review outcomes – 2016-17 Planned Work

Catering

4. This finalised audit examined arrangements for management of the public catering contracts to ensure that services are delivered as per requirements and that appropriate financial monitoring controls are in place. It was noted during audit fieldwork that the contract with Searcy had not been signed by either party and an amber priority recommendation was made to address this; management implemented this prior to audit report finalisation.
5. Audit testing indicated that there were arrangements in place to obtain assurance that the caterers are meeting the key performance requirements as set out in the contracts. It was noted that contractual performance requirements were generally subjective in nature and may hamper challenge of contractors and instigation of contractual remedies, should poor performance be identified. An amber priority recommendation was made to strengthen control in this area and Barbican Centre management undertook to implement this by 1st April 2017.
6. On the basis of sample testing undertaken, arrangements were in operation to monitor the caterers' financial performance against agreed budgets; these arrangements were supplemented by regular internal budget monitoring. Audit examination identified scope, however, to improve the quality of financial information used at monitoring meetings with the caterers. An amber priority recommendation was made to consider longer term financial forecasts, as well as a breakdown of information for two outlets which were currently combined for financial monitoring purposes. Barbican Centre management confirmed implementation of this recommendation prior to audit report finalisation.
7. Whilst the commission generated from Searcy at the time of audit testing was approximately £11k below budget, it was noted various marketing initiatives had been identified to improve financial performance.

8. Audit testing confirmed the existence of processes to ensure that financial transactions are calculated in accordance with the catering contracts. The Barbican Centre is entitled to commission, based on the caterers' reported sales levels, and also recharges the caterers' costs incurred in operating the catering outlets. Internal Audit were advised at the time of testing that the caterers' sales levels had not yet been subject to verification; this is understood to be undertaken at the end of financial period 6. No recommendations were made in this area.
9. On the basis of testing undertaken, it was confirmed that there were arrangements in place for reporting contractual financial performance to Members, Senior Management and Senior Finance Officers.

2016-17 Audits in Progress

Major Incident, Safety and Security

10. Internal Audit have liaised with Barbican Centre management to scope this review and audit fieldwork is focused on examination of the major incident plan and determination of whether this is being adhered to by Barbican Centre staff, and associated arrangements such as staff awareness and training.

Customer Experience

11. It has been agreed following discussion with the Barbican Centre's Chief Operating and Financial Officer and the Financial Controller that the planned audit of Customer Experience will be deferred until 2017-18. The precise scope and timing of this audit will be agreed between Internal Audit and Barbican Centre management to take into account relevant developments such as the outcome of the Front of House Review.

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. No applicable corporate audits have been finalised since the last meeting of this Committee. In future summary audit outcomes will be reported to this Committee where appropriate, including the detail of any recommendations made directly in respect of the Barbican Centre.

Implementation of Audit Recommendations

13. There are currently no outstanding red priority recommendations. Two of the amber recommendations arising from the recently finalised audit of Catering were confirmed as being implemented post audit fieldwork and as such only one is awaiting implementation. There is a further live amber priority recommendation which was reported to the last meeting of this Committee and relates to remote testing of the Disaster Recovery site. The recommendation owner has since advised that full implementation is now anticipated by the end of January 2017. Internal Audit will follow up on this recommendation on the revised target date and the outcome will be reported to this Committee. Both recommendations are detailed at Appendix 2.

Draft Internal Audit Plan 2017-20

14. The Draft Internal Audit Plan for 2017-20 has been prepared using a risk-focused approach and in consultation with the Barbican's Chief Operating and Financial Officer, and the Financial Controller. This one year plan and the strategy for 2017-20 are attached at Appendix 3. Comment and suggestions for consideration in future internal audit plans are sought from your Committee Members.

Conclusion

15. Delivery of the 2016 – 17 audit plan is on-going. The audit of the Barbican Centre's Catering arrangements has provided moderate assurance. Audit fieldwork is in progress in respect of Major Incident, Safety and Security. The planned audit of Customer Experience has been deferred following discussion with Barbican Centre management and is included within the 2017 – 18 audit plan which is attached for comment and consideration by Members of this Committee.
16. Barbican Centre management accepted all five of the recommendations arising from the recently finalised audit of Catering and implemented two of the three amber priority recommendations prior to report finalisation. There are two live amber priority recommendations, including one related to Catering, as at the end of December 2016 and Internal Audit will continue to liaise with recommendation owners to confirm the progress of implementation. There are no live red priority recommendations awaiting implementation by Barbican Centre management.

Appendices

Appendix 1 Internal Audit Plan Schedule of Projects 2016-17

Appendix 2 Live High Priority Recommendations

Appendix 3 Draft Internal Audit Plan 2017-2020

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