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| <b>Committee:</b>                                      | <b>Date:</b>           |
| Risk Committee of the Barbican Centre Board            | 8 November 2017        |
| <b>Subject:</b><br>Internal Audit Update Report        | <b>Public</b>          |
| <b>Report of:</b><br>Head of Audit and Risk Management | <b>For Information</b> |

### **Summary**

This report provides an update on Internal Audit activity undertaken at the Barbican Centre since the last report made in June 2017. The status of 2017-18 planned audits is shown at Appendix 1: one audit is at fieldwork stage and nearing completion (Cash Handling), two audits are at detailed planning stage (Equalities & Inclusion, and Retail and Bars) and the remaining audit (Customer Experience) has been scheduled for quarter four of the audit plan year.

A corporate audit of VAT Management has been finalised in 2017-18 and provides assurance over central systems which are relevant to the Barbican Centre. The audit resulted in a moderate assurance opinion with four amber priority and seven green priority recommendations raised. One amber priority recommendation related directly to the Barbican Centre and the miscoding of car park income. This recommendation is understood to have been implemented prior to audit report finalisation. In addition, an audit of the Corporation's Project Management process was undertaken, resulting in a moderate assurance opinion with two amber priority recommendations raised. There were no specific recommendations raised in relation to the Barbican Centre.

There are no outstanding red priority recommendations as at mid-October 2017 and there is one live amber priority recommendation which is not due for implementation until March 2019; Appendix 2 contains the recommendation detail.

### **Recommendation(s)**

Members are asked to note: the delivery position for the Barbican Centre's 2017-18 Internal Audit Plan, the outcome of a recent relevant corporate audit, and the live high priority recommendation detail as at mid-October 2017.

## **Main Report**

### **Background**

1. This report provides an update on audit work progressed since the June 2017 Committee meeting. Appendix 1 outlines the status of planned 2017-18 audits: Cash Handling is at audit fieldwork stage, nearing completion. Detailed planning is underway in respect of two audits: Equalities and Inclusion, and Retail and Bars. An audit of Customer Experience has been scheduled for quarter four of the plan year and planning will commence in November 2017.

2. A corporate audit of VAT Management has been finalised within 2017-18 and resulted in an amber priority recommendation related to the treatment of Barbican Car Park income; the recommendation status was 'completed' in the final audit report.
3. As at the end of May 2017 there are no live red priority recommendations and one live amber priority recommendation which is the responsibility of Barbican to implement. Appendix 2 provides the recommendation detail and reflects that the target implementation date is March 2019.

### **Delivery of Internal Audit Work**

#### VAT Management – **Moderate Assurance**

4. The audit objective for this VAT Management review was to examine the adequacy of arrangements for ensuring that:
  - VAT is correctly levied on goods and services provided by the City Corporation; and
  - Regular, timely and accurate VAT returns are submitted to HMRC;
  - The City Corporation has protected its position in respect of common areas of claim or at least considered the opportunities.
5. The audit provided a moderate assurance opinion with four amber priority and seven green priority recommendations made, one of which related directly to the Barbican Centre. It is noted that this recommendation in respect of the miscoding of car park income was implemented prior to audit report finalisation. The management response to this recommendation indicated that the VAT Accountant had liaised with the Barbican Finance Team to confirm that a journal had been posted to account for output tax on the car park income.

#### Corporate Project Management – **Moderate Assurance**

6. This audit sought to obtain assurance in respect of the mechanisms for ensure that projects were being undertaken in accordance with the City's Project Management Procedures to:
  - Confirm that projects were following the appropriate route through the gateway approval process, and
  - Where appropriate, confirm that significant changes to project scope or increases in project budgets (once work has commenced on site) were being dealt with in accordance with the City's Project Management Procedure.
  - In relation to sourcing works, the Contract Letting and Responsible Procurement requirements of the Procurement Code 2015 (or predecessor regulations, as appropriate) were being adhered to.
7. On the basis of audit testing performed on ten projects (all projects completed in 2015 and 2016), the audit confirmed that;

Based on sample testing, generally projects are being undertaken in accordance with the City's Project Management Procedure; a high level of compliance with the Project Procedure was noted. In particular;

- The audit was able to confirm that projects in the main are following the appropriate route through the gateway approval process. Two issues were noted in relation to Gateway 6 and Gateway 7 reporting requirements.
- The audit was able to confirm that, where appropriate, significant changes to project scope or increases in project budgets (once work has commenced on site) are being dealt with in accordance with the City's Project Management Procedure.
- In relation to sourcing works, the audit obtained assurance the requirements of the Procurement Code 2015 (or predecessor regulations as appropriate) are being adhered to.

#### Barbican Cash Handling

8. Audit fieldwork in this area is nearing completion and the draft report is expected to be circulated for management comment in November 2017. The scope of this audit has covered the following:
  - Processes in operation for the timely identification, collection, recording, banking and reconciliation of cash income;
  - Arrangements for the safe custody and security of processing of cash income received; and
  - Separation of duties in respect of the above areas and the arrangements for management review.
9. Internal Audit has also examined the arrangements for the administration of cash floats and cash advances, for example in respect of Artist fees and per diems, at the request of Barbican management. A summary of the audit findings will be reported to this Committee post report finalisation.

#### Forward Plan

10. Detailed planning is underway in respect of the audits of Equalities & Inclusion, and Retail & Bars. Draft terms of reference have been produced for the Equalities & Inclusion Audit and fieldwork is expected to commence in November 2017. For Retail & Bars, the Terms of Reference and start date are to be agreed. Internal Audit will continue to liaise with Barbican management to agree the terms of reference for both audits and detailed arrangements for audit delivery. Planning for the Customer Experience audit will be initiated to support the delivery in quarter four of the 2017-18 Audit Plan year.

#### **Implementation of Audit Recommendations**

11. As at mid-October 2017 there are no live red priority recommendations outstanding and only one live amber priority recommendation with a target implementation date of March 2019 (Appendix 2). This extended

implementation timescale reflects that the recommendation will be applied to strengthen the control framework in respect of future contract management.

### **Conclusion**

12. Delivery of the Internal Audit Plan 2017-18 is underway following discussion with Barbican management regarding the scope and timing of individual reviews. One audit is at fieldwork stage, two are at detailed planning stage with fieldwork initiation expected shortly and planning is to commence for the remaining audit to support delivery by the end of the 2017-18 Audit Plan year.
13. A corporate audit finalised in 2017-18 has provided assurance over arrangements for VAT management. A recommendation made in relation to the treatment of Barbican Centre income is understood to have been implemented prior to audit report finalisation.
14. There are no live red priority recommendations as at mid-October 2017 and there is one live amber priority recommendation due for implementation by March 2019.

### **Appendices**

Appendix 1 Status of Internal Audit Plan 2017-18

Appendix 2 Live High Priority Recommendation

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