

Committee:	Date:
Risk Committee of the Barbican Centre Board	4 th July 2018
Subject: Internal Audit Update Report	Public
Report of: Head of 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 made in January 2018. All planned work for 2017-18 has been delivered, as well as an additional piece of assurance work related to management of a contract spanning both the Barbican Centre and the Guildhall School of Music and Drama. Delivery of 2017-18 audits is analysed at Appendix 1.

Since the last Committee update report four pieces of audit work have been finalised: Cash Handling (moderate assurance), Visitor Experience (moderate assurance), Retail and Bars (limited assurance) and Contract Management – Baxter Storey (limited assurance); the scope of these audits is outlined in Appendix 2. These reviews have resulted in three red priority, twenty-one amber priority and eight green priority recommendations being raised. Additionally, the draft report has been circulated in respect of the audit of Equalities and Inclusion.

A number of corporate audits have been finalised since January 2018, some of which relate to key systems and processes which are relevant to the Barbican Centre. Audit scope information is provided at Appendix 3. None of the recommendations arising from these audits are the responsibility of Barbican management to progress.

There are twenty live high priority (red and amber) recommendations as at mid-June 2018, as set out in Appendix 4, all but one of which arose as part of the four Barbican audits finalised since the last meeting of this Committee. Internal Audit has evidenced implementation of some of the recommendations arising from these audits and will continue to liaise with Barbican management to determine the progress of implementation of the remainder.

Internal Audit and Barbican management have now determined suitable timings and potential areas of focus for planned 2018-19 audit reviews. The 2018-19 plan is shown in Appendix 5.

Recommendation(s)

Members are asked to note:

- the delivery position for the 2017-18 Internal Audit Plan, including audit review outcomes since the last Internal Audit Update Report in January 2018,

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| <ul style="list-style-type: none">- live high priority recommendation details and- planned audits for 2018-19. |
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Main Report

Background

1. This report provides an update on audit work progressed since the January 2018 Committee meeting and includes a final summary of the status of all 2017-18 reviews (Appendix 1), including an additional piece of assurance work. Four audits have been finalised since the last meeting of this Committee, resulting in three red priority, twenty one amber priority and eight green priority recommendations being raised. Details of the scope of these audits are shown in Appendix 2. A further audit report has been issued in draft form.
2. Three corporate audits have been finalised since the last meeting of this Committee and scope information is contained within Appendix 3.
3. As at mid-June 2018 there are three live red priority recommendations and seventeen live amber priority recommendations related to Barbican Centre audits, as set out in Appendix 4.
4. Internal Audit have liaised with Barbican Management to agree audit coverage for 2018-19, including the scope and timing of planned audits. The three-year audit strategy is included at Appendix 5.

Delivery of Internal Audit Work

5. Four Barbican audits have been finalised since the last meeting of this Committee and Member Briefings have been circulated in respect of each. Summary outcomes for these audits are shown below, with detailed scope information contained in Appendix 2.

Cash Handling – Moderate Assurance

Recommendations	Red	Amber	Green	Total
Number Made:	0	4	1	5

6. Amber priority recommendations were made in the following areas to strengthen the control environment and for Barbican management to obtain on-going assurance that agreed procedures are operating as intended:
 - Updating procedural guidance to reflect all cash operations;
 - Promotion of agreed procedures and associated checking to confirm compliance;
 - Introducing a register and sign-off arrangements for Bars income deposited in the Cash Counting Office (CCO) safe, and
 - Enforcement of counter-signing in respect of income reconciliation forms.

7. Internal Audit has obtained evidence of implementation of all four high-priority (amber, in this case) recommendations arising from this audit.

Visitor Experience – **Moderate Assurance**

Recommendations	Red	Amber	Green	Total
Number Made:	0	5	5	10

8. Amber priority recommendations were made in respect of the following areas:

- To promote a common understanding of the definition of It a 'visitor' and what constitutes a 'visitor experience' an amber priority recommendation was made to encourage a common understanding in this respect.
- Improving the 'line of sight' between strategic aims, associated plans, projects and operational activity to help ensure goal congruence and consideration of 'Visitor Experience' within every aspect of the Barbican Centre's operations.
- Inclusion of SMART objectives and refining the success measures relating to the Visitor Experience goal within the supporting detail that sits below the Business Plan which is, in line with the corporate framework, a high-level document.
- Development of a consistent format for surveying, collating and disseminating 'Visitor Experience' data and information across the organisation, supporting the Audience Experience Department in refining feedback analysis.
- Strengthening Business Plan delivery monitoring relative to the Visitor Experience Strategic Goal, bridging the gap between Board level updates and project team discussion.

9. Barbican management agreed all recommendations. Target implementation timescales for the five high priority recommendations range between August 2018 to May 2019 and as such have not yet been subject to Internal Audit follow-up.

Retail and Bars – **Limited Assurance**

Recommendations	Red	Amber	Green	Total
Number Made:	1	9	1	11

10. In respect of the Retail operation, four amber priority recommendations were made to strengthen control in relation to use of the Revel (EPOS) system by addressing the following:

- A 'replenishment spreadsheet', incorporating manual input, is compiled for the purposes of ordering stock as the Revel system does not have the facility to produce the necessary management information reports.
- The online sale system does not interface with the Revel system and consequently individual sales orders must be manually recorded. Additionally,

as no 'establishment' has been created on Revel for the online shop, sales are recorded as 'wastage' on the EPOS system.

- The stock take process for Retail is understood to be very resource intensive, requiring manual input and data manipulation which carries an increased risk of error compared to automated reporting. Additionally, stock is counted manually as the Revel system does not support the use of scanners.
- Cross-charges i.e. stock 'sold' internally to other Barbican departments is recorded as wastage on Revel, reducing the quality of management information held on the system.

11. A further amber priority recommendation was made to strengthen control over the stock used for the online shop as this was held within the Retail staff office. Internal Audit has confirmed that this recommendation has been implemented.
12. An opportunity was identified to strengthen control through the introduction of a separation of duties for stock ordering and receipting and a red priority recommendation was raised. An amber priority recommendation was also made to improve stock cost information on Revel to facilitate management monitoring.
13. Unlike the retail operation, the Bars' tills are not within the range of the CCTV cameras and an amber priority recommendation was made to strengthen security arrangements in this respect. Further amber priority recommendations were made in respect of the procedures for monitoring action taken in respect of high levels of wastage and to facilitate reconciliation between external stocktake reports and data on Revel.
14. Barbican management agreed all recommendations. Target implementation timescales for the high priority recommendations ranged between April and July 2018; Internal Audit follow-up is in progress.

Baxter Storey Contract Management – **Limited Assurance**

Recommendations	Red	Amber	Green	Total
Number Made:	2	3	1	6

15. As reported to the last meeting of this Committee, an additional piece of assurance work has been undertaken as a result of a planned audit of Catering (including Student Bar) in respect of the Guildhall School of Music and Drama. The School's services are managed under a contract with Baxter Storey Limited which includes catering for The Green Room and the Artists Café, based at the Barbican Centre, and as such the audit outcome is relevant to both sites.
16. On the basis of evidence provided to Internal Audit, assurance could not be provided that arrangements in operation ensure that service provision and payment mechanisms comply with those laid down in the contract for supply; a red priority recommendation was made accordingly for future contracts.
17. Amber priority recommendations were made in respect of the following:

- Ensuring that KPI monitoring, including discussion at contract management meetings, is more clearly documented to reflect performance against contractual requirements.
- Formalisation of increased subsidy and profit share arrangements, as these were not reflected in the contractual document supplied for audit purposes.
- Use of sanctions in the event of poor contractual performance.
- Prompt resolution of any disagreements over the prioritisation of improvements recommended by the health and safety consultant and improved tracking of actions taken in respect of identified issues.

18. Barbican management agreed all recommendations. Target implementation timescales for the high priority recommendations ranged between May and September 2018; the latter due to commencement of the new corporate contract at that time.

Other Relevant Assurance Work

19. A number of corporate audits have been finalised since the last meeting of this Committee, some of which are relevant to the Barbican Centre in terms of corporate policy and procedures. Audits have been undertaken in respect of: Starters and Leavers, Medium Term Financial Planning, and Business Travel. Scope and assurance level information in respect of relevant corporate audits is shown in Appendix 3. No recommendations have been made directly in respect of the Barbican Centre.

Implementation of Audit Recommendations

20. As at mid-June 2018 there are three live red priority recommendations related to Barbican Centre audits, and seventeen live amber priority recommendations, of which three and sixteen respectively, arose from audits finalised since the last Internal Audit Update Report. A breakdown of these recommendations is shown at Appendix 4.

21. One of the three red priority recommendations is not yet due for implementation and Internal Audit follow-up in respect of the remaining two will take place once circumstances arise which enable full roll-out of the agreed management actions to be demonstrated.

22. Of the seventeen live amber priority recommendations, thirteen have not yet reached their target implementation dates. Internal Audit follow-up is in progress in respect of two recommendations and will be undertaken in respect of the remaining two once circumstances arise which enable full roll-out of the agreed management actions to be demonstrated.

Internal Audit Plan 2018-19

23. The Internal Audit Plan 2018-19 (Appendix 3) has been prepared using a risk-focused approach and is aligned to the Barbican's strategic objectives. There has been consultation with Barbican senior management since the last meeting of this Committee to determine suitable timing for reviews and to support detailed planning. Comment and suggestions for consideration in the reviews shown in

Appendix 5 are sought from your Committee Members. Proposed audit coverage in 2019-20 and 2020-21 is indicative and will be subject to review as part of the annual high-level planning process.

Conclusion

24. Delivery of the Internal Audit Plan 2017-18 (Appendix 1) has progressed with four finalised audits and one audit, Equalities and Inclusion, currently at draft report stage. Internal Audit coverage has exceeded that originally planned due to an audit in respect of a contract which spans both the Barbican Centre and the Guildhall School of Music and Drama.
12. There are three live red priority recommendations at as mid-June 2018 and there are seventeen live amber priority recommendations which are the responsibility of Barbican management to progress, all but one of which arose from audits finalised since the last Internal Audit Update Report.
13. Internal Audit coverage has been agreed for 2018-19, with feedback obtained from Barbican management in respect of scope and timing, and audit assignment planning is underway.

Appendices

Appendix 1 Summary of Internal Audit Plan Delivery 2017-18

Appendix 2 Barbican Finalised Audits – July 2018: Scope Information

Appendix 3 Corporate Finalised Audits – July 2018: Scope Information

Appendix 4 Live High Priority Recommendations

Appendix 5 Audit Plan 2018-19 and Three-Year Strategy

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