Committee(s)	Dated:
Finance & Risk Committee of the Barbican Centre Board	02/11/2020
Subject: Internal Audit Update	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	**N/A**
Does this proposal require extra revenue and/or capital spending?	**N**
If so, how much? **What is the source of Funding?**	**N/A**
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Head of Audit & Risk Management **Report author: Cirla Peall, Audit Manager**	**For Information**

Summary

This report has been prepared to provide Members with an update in respect of Internal Audit activity related to the Barbican Centre, the last written submission having been made to the January 2020 meeting of the Barbican Risk Committee. Audit Plan delivery has been completed for 2019-20 and is progressing in respect of 2020-21. Five audit reports have been finalised since the January 2020 update, one draft report has been issued and two audits are at fieldwork stage.

There has been recent follow-up activity in respect of three audits as part of the corporate follow-up arrangements. As at mid-October 2020 there are no live red priority recommendations and seven live amber priority recommendations which have exceeded their original target dates for implementation. Revised target dates have been supplied for these recommendations due to slippage in implementation timescales.

Recommendation(s)

Members are asked to:

- Note the report
- Consider the appropriateness of the delays in high priority recommendations implementation

Main Report

Background

1. The Barbican Finance & Risk Committee receives updates in respect of delivery of Internal Audit work and the implementation of Audit recommendations.

2. A summary of outcomes is reported for finalised audit work i.e. where full management responses have been received and agreed, and there is a reminder of the scope of audit for those audits where draft reports have been issued and management responses are awaited.

3. In terms of high priority recommendations, this report provides Members with the latest implementation position, based upon information received from the Barbican Centre and audit follow-up undertaken.

Current Position

Delivery of Internal Audit Work

4. Five Barbican audits have been finalised since the last formal update report (January 2020) and summary outcomes are reported below. Finalisation of these audits concludes delivery of the 2019-20 Plan, as outlined in **Appendix 1**.

Business Event Programming: Decision-Making, Evaluation & Contracting

5. The audit provided **substantial assurance** that mechanisms were in place to safeguard the Barbican Centre's interests in terms of business event programming, decision-making and evaluation, to ensure alignment with strategic aims. No audit recommendations were made.

Artistic & Creative Learning Event Programming: Decision-Making & Evaluation

6. The audit provided **substantial assurance** over the decision-making processes related to event programming, including: risk assessment, approval arrangements and demonstration of alignment with the strategic vision and associated goals, as well as the monitoring and reporting of event activity to senior management to enable evaluation of outcomes, including financial performance, against the Barbican's strategic goals. No audit recommendations were made.

Artistic & Creative Learning Events: Contracting

7. The audit provided **moderate assurance** in respect of contractual arrangements for every event type setting out the responsibilities of each party, financial terms and cancellation procedures, as well as the mechanisms for ensuring that contractual requirements are met.

Recommendations	Red	Amber	Green	Total
Number Made:	0	1	7	8

8. All eight recommendations were agreed by Barbican management and will be subject to Internal Audit follow-up in November 2020.

<u>Data Security</u>

9. The audit provided **moderate assurance** in respect of the arrangements for mitigating the risk of cyber security breach and the provisions for managing both current and emerging issues.

Recommendations	Red	Amber	Green	Total
Number Made:	0	2	4	6

10. All six recommendations were agreed by Barbican Management. A follow-up review has already been completed and evidence has been supplied to Internal Audit to demonstrate implementation of the two high priority (amber) recommendations.

<u>Development: Corporate Memberships & Sponsorship</u>

11. The audit provided **moderate assurance** in respect of controls over the income generated in respect of Corporate Sponsorship and Corporate Memberships, consideration of value for money in the administration of these fundraising schemes, and mechanisms for ensuring that such fundraising activities are in line with the Barbican's Strategic Plan and the Corporate Plan.

Recommendations	Red	Amber	Green	Total
Number Made:	0	3	1	4

12. All four recommendations were agreed by Barbican Management and will be subject to Internal Audit follow-up in November 2020.

Work in Progress

13. The status of 2020-21 Plan delivery is outlined in **Appendix 2.** The profile of delivery across the year has been impacted by COVID-19 and internal factors impacting available Internal Audit resources. Progress to date includes the issue of a draft report in respect of an audit of Bars and a management response is awaited. The scope of audit was to review the adequacy of arrangements in place related to income collection, stock control and overall profitability, including controls to mitigate the risk of fraud.

14. Fieldwork is underway in respect of two audits: Barbican Centre Security and a combined audit of Guildhall School of Music and Drama and Barbican Facilities Management; these audits were initiated in March 2020 and put on hold at the request of Barbican management to enable the Centre to focus on its COVID response.

15. Internal Audit will continue to liaise with Barbican management to plan the remaining assignments and scope audit coverage to enable the provision of an annual opinion on the adequacy of the City of London Corporation's system of internal control.

Live High Priority Recommendations

16. In addition to the Data Security audit referred to above, follow-up exercises have recently been completed in respect of three audits and the outcomes are set out below:

Audit:	Retail & Bars				
Final Report Date:	31/05/2018	Issues Raised:	11	Original Assurance Rating:	**Limited**
Follow-up Review	01/09/2020	Issues Resolved:	11	Revised Assurance Rating:	**Substantial**

17. Four amber priority recommendations were outstanding at the time of follow-up; in response to the follow-up outcome report, Barbican management have supplied evidence of implementation in each case and the audit recommendations have been closed.

Audit:	Strategic Planning				
Final Report Date:	24/05/2019	Issues Raised:	2	Original Assurance Rating:	**Moderate**
Follow-up Review	01/09/2020	Issues Resolved:	1	Revised Assurance Rating:	**Moderate**

18. One amber priority recommendation was partially implemented at the time of follow-up and a revised target implementation date of 30/11/2020 has been supplied by Barbican management. Internal Audit will undertake a further follow-up review in early December 2020.

Audit:	Fraud Risk Management				
Final Report Date:	25/06/2019	Issues Raised:	3	Original Assurance Rating:	**Moderate**
Follow-up Review	01/09/2020	Issues Resolved:	3	Revised Assurance Rating:	**Substantial**

19. Two amber priority recommendations were outstanding at the time of follow-up; in response to the follow-up outcome report, Barbican management have supplied evidence of implementation in each case and the audit recommendations have been closed.

20. As at mid-October 2020, there are no live red priority recommendations and seven live amber priority recommendations which have exceeded their original target implementation dates - these are summarised at **Appendix 3**. Revised target implementation dates have been supplied for these recommendations and some have been subject to multiple revisions; four of the recommendations were originally due in late 2018. Planned Internal Audit follow-up activities will be undertaken in line with the latest revised target implementation dates.

21. Internal Audit regularly reiterates the importance of setting realistic timescales for demonstrating recommendations implementation. Management continue to be reminded that any implementation actions which are extended beyond the revised target date may will likely be subject to challenge by the Audit and Risk Management Committee, whose expectation is that there should only be one extension to implementation timescales unless the circumstances are exceptional.

Corporate & Strategic Implications

22. The overall Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks. The Barbican, as an institutional department of the Corporation, has a sub-section of the Plan and a programme of Internal Audit work that includes audit assignments and regular follow-up activity in respect of recommendations implementation.

Conclusion

23. Members are asked to note the status of delivery of the 2019-20 and 2020-21 Audit Plans and the overdue high priority recommendations position as at mid-October 2020. Management have been reminded of the need to propose realistic timescales for the implementation of audit recommendations and going forwards, follow-up activity will be undertaken promptly after target dates have been reached. The profile of Plan delivery has been impacted by Covid 19 but work is progressing to ensure a sufficient level of audit coverage to inform the annual Internal Audit opinion.

Appendices

- Appendix 1: 2019-20 Barbican Audit Plan Delivery
- Appendix 2: 2020-21 Barbican Audit Plan Progress
- Appendix 3: Overdue High Priority Recommendations

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