

<b>Committee(s)</b>	<b>Dated:</b>
Finance & Risk Committee of the Barbican Centre Board	11/01/2021
<b>Subject: Internal Audit Update</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit &amp; Risk Management</b>	<b>For Information</b>
<b>Report author: Cirila Peall, Audit Manager</b>	

### Summary

This report has been prepared to provide Members with an update in respect of Internal Audit activity related to the Barbican Centre since the November meeting of this Committee. Audit Plan delivery is progressing in respect of 2020-21 and is supplemented by prompt Internal Audit follow-up of recommendations made to enable the provision of a revised assurance opinion for each audit.

As at mid-December 2020 there are no live red priority recommendations and seven live amber priority recommendations which will be subject to formal follow-up.

### Recommendation(s)

Members are asked to:

- Note the report
- Consider the appropriateness of the delays in high priority recommendations implementation
- Provide input to high level audit planning proposals for 2021-22 by suggesting potential areas of coverage.

### 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. The status of 2020-21 Plan delivery is outlined in Appendix 1. The profile of delivery across the year was impacted by COVID-19 and internal factors impacting available Internal Audit resources. Progress to date includes finalisation of one audit, draft report stage for a second audit and fieldwork nearing completion for a third audit.
5. 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.

### Bars

6. The audit provided moderate assurance in respect of the arrangements in place in relation to income collection, stock control and overall profitability, including controls to mitigate the risk of fraud.

<b>Recommendations</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Number Made:	0	4	0	4

7. All four recommendations were agreed by Barbican management but demonstration of implementation has been impacted by the operating restrictions caused by the Coronavirus pandemic. Internal Audit follow-up will take place once Bars trading has resumed and there is evidence of controls application in practice.

### Security

8. This audit has progressed to draft report stage since the last update to this Committee and the scope of the audit is to verify that robust arrangements are in place for managing the security of the Centre through the following:
  - Policies, procedures training and guidance.
  - Clear definition of roles, responsibilities and accountabilities.
  - Conduct of risk assessments.
  - Security infrastructure (including access controls, alarms, hostile vehicle mitigations, CCTV).
  - Safeguarding and transfer of assets (including loans and items in transit).
  - Incident Reporting and Management.
  - Performance management compliance monitoring.
  - Financial Management.

9. A summary of the outcome of this audit will be reported to this Committee following report finalisation.

**Barbican Centre & Guildhall School of Music & Drama: Facilities Management & Maintenance**

10. Fieldwork is in progress for this audit, the scope of which is to verify that robust arrangements are in place for managing the property assets of the Barbican Centre and Guildhall School through the following:

- Strategies, policies and procedures.
- Programmed maintenance.
- Responsive repairs and maintenance.
- Health and safety risk management and statutory compliance.
- Performance management.
- Financial management.

11. A summary of the outcome of this audit will be reported to this Committee following report finalisation.

*Audit Plan 2021-22*

12. Internal Audit resource allocations for 2021-22 have been undertaken and 40 days have been assigned for delivery of assurance work in respect of the Barbican Centre. Internal Audit will consult with Barbican management to determine appropriate areas of audit coverage, ensuring that resources are targeted appropriately. Members of this Committee are invited to highlight potential areas / themes for audit review in 2020-21.

*Live High Priority Recommendations*

13. Formal follow-up exercises have recently been completed in respect of two audits and the outcomes are set out below:

<b>Audit:</b>	<b>Corporate Memberships &amp; Sponsorship</b>				
Final Report Date:	Sept 2020	Issues Raised:	4	Original Assurance Rating:	<b>Moderate</b>
Follow-up Review	Nov 2020	Issues Resolved:	3	Revised Assurance Rating:	<b>Substantial</b>

14. One green priority recommendation was outstanding at the time of follow-up and will be subject to audit testing in January 2021 to confirm implementation.

<b>Audit:</b>	<b>Data Security</b>				
Final Report Date:	Apr 2020	Issues Raised:	6	Original Assurance Rating:	<b>Moderate</b>
Follow-up Review	Oct 2020	Issues Resolved:	5	Revised Assurance Rating:	<b>Substantial</b>

<b>Audit:</b>	<b>Data Security</b>				
2 <sup>nd</sup> Follow-up Review	Dec 2020	Issues Resolved:	6	Revised Assurance Rating:	<b>Substantial</b>

15. A second round of follow-up was carried out as one management action was outstanding in October 2020 and a revised target date of December 2020 was provided by Barbican management. Implementation of all six recommendations has been confirmed.
16. As at mid-December 2020, there are no live red priority recommendations and seven live amber priority recommendations, as summarised at **Appendix 2**. Revised target timescales have been supplied where there has been implementation slippage and Internal Audit follow-up will be undertaken promptly in line with these dates.
17. Internal Audit continues to reiterate 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**

18. 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**

19. Members are asked to note the status of delivery of the 2020-21 Audit Plan and the live high priority recommendations position as at mid-December 2020. Follow-up activity is undertaken promptly in line with target recommendation timescales. 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: 2020-21 Barbican Audit Plan Progress
- Appendix 2: Live High Priority Recommendations

### **Cirla Peall**

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