

Committee(s)	Dated:
Finance & Risk Committee of the Barbican Centre Board	01/11/2021
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?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Head of Audit & Risk Management	For Information
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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 July 2021 meeting of this Committee. Audit Plan delivery for 2021-22 is in progress and formal Internal Audit follow-up of recommendations is ongoing to enable the provision of a revised assurance opinion for each previously completed audit.

As at mid-October 2021 there are no live red priority recommendations and eighteen live amber priority recommendations which arose from three audits.

The report also provides an indicative programme of work for 2022-23 for information and consideration.

Recommendation(s)

Members are asked to:

- Note the report
- Consider the appropriateness of delays in demonstration of 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. Audit scope and control objective information is reported in respect of agreed terms of reference. A summary of outcomes is reported for finalised audit work i.e. where full management responses have been received and agreed.

3. In terms of high priority recommendations, this report provides Members with the latest implementation position, based on formal audit follow-up undertaken and, where appropriate, interim updates from Barbican management.

Current Position

Delivery of Internal Audit Work

4. The status of 2021-22 Plan delivery is outlined in Appendix 1, reflecting work in progress and the outcomes for completed work. Detailed outcomes are set out below but are summarised as:
- The terms of reference for one audit have been finalised since the July meeting of this Committee and the associated audit fieldwork is nearing completion.
 - One audit is at planning stage and will be initiated this quarter.
 - One formal follow-up exercise has been completed.
 - One formal follow-up exercise is in progress.
 - Indicative timescales have been agreed with Management for the completion of the remaining two planned audits within the current year.

Retail: Online Shop & Branded Merchandise

5. The objective of this audit is to provide assurance over the internal control framework and process efficiency of the general operation of the online shop, as well as the mechanisms to ensure a profitable commercial operation. The audit is examining profitability of the online shop and the various branded product lines sold via all channels. Audit fieldwork is scheduled for completion by the end of October and report finalisation will take place in November 2021, to be reported at the January 2022 meeting of this Committee.

Security: First Follow Up

6. A formal follow-up exercise was carried out in respect of this 2020-21 Audit and confirmed implementation of all recommendations, resulting in a substantial assurance rating.

Audit:	Security				
Final Report Date:	January 2021	Issues Raised:	6	Original Assurance Rating:	Moderate
Follow-up Review	September 2021	Issues Resolved:	6	Revised Assurance Rating:	Substantial

Barbican & GSMD - Facilities Management & Maintenance: First Follow-Up

7. The follow-up in respect of the thirteen recommendations from this 2020-21 audit is in progress. A management update and associated information / documentation has been provided to Internal Audit in respect of the status of implementation and at the time of writing, evaluation is in progress. Barbican management have indicated their view that the position comprises recommendations implemented, recommendations progressed but not fully

implemented and recommendations not implemented. The follow-up outcome, including updated assurance opinion, will be reported to the January 2022 meeting of this Committee.

8. Twelve out of the thirteen live recommendations from this joint audit with GSMD relate to the Barbican Centre and are reflected in the attached live recommendations appendix; the remaining recommendation from the 2020-21 audit has been excluded as it relates solely to GSMD.

Live High Priority Recommendations

9. As at mid-October 2021 there are no live red priority recommendations and eighteen live amber priority recommendations, spanning three audits, as summarised at **Appendix 2**. It should be noted that:
 - Implementation evidence is required in order to close down one recommendation (currently assessed as partially implemented) which predates the currently follow-up process i.e. it is an outlier from a 2019-20 audit and due to the time elapsed since the original audit fieldwork, a revised assurance opinion will not be provided.
 - Twelve recommendations were the subject of recent follow-up enquiries and status information / evidence was received during the writing of this report. Barbican Management have indicated that there has been slippage in implementation of some recommendations and revised target timescales have been proposed for demonstration of full implementation. Internal Audit evaluation of information received is in progress.
 - Five recommendations are scheduled for follow-up in January 2022, in line with the latest target implementation date of December 2021.
10. Internal Audit continues to reiterate the importance of setting realistic timescales for demonstrating recommendations implementation and for ensuring that local progress monitoring is undertaken in respect of the resolution of issues identified through audits; implementation evidence should be readily available once target dates are reached and there should be prompt communication to Internal Audit of any issues in this respect.
11. 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.

2022-23 Audit Planning

12. Building on the discussion at the previous meeting of the Finance & Risk Committee, setting out the approach to Internal Audit planning, a schedule of potential Audit work has been prepared. This schedule will be used as the basis of discussion with Senior Leadership, with Audit coverage prioritised according to risk and the demand for assurance. Additional areas may be identified as part of this process.

13. The schedule is set out in the table below, Members will note that there are two categories; shortlisted items, which are considered higher priority and, longlisted items, from which we may form the balance of the 2022-23 Internal Audit Plan. The Audit Plan will comprise four or five Audit reviews, depending on the scale and depth.

Potential Audit Reviews for 2022-23

Shortlist Items:

Organisational Culture and Staff Experience
Cyber Security (joint Audit covering Guildhall School)

Longlist Items:

Health and Safety – rolling programme, specific theme to be determined
Finance – Use of Control Accounts
International Enterprise and Gallery Tours
Contract Performance/Management
Creative Learning
Theatre Tax Credits

Corporate & Strategic Implications

14. 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

15. Members are asked to note the details of delivery of the 2021/22 Audit Plan and the live high priority recommendations position as at mid-October 2021. Follow-up activity is undertaken promptly in line with target recommendation timescales and revised assurance opinions are informed by a review of implementation evidence. The outcome of recent follow-up activity has been an improvement in the assurance opinion related to one audit and late receipt of information has delayed conclusion of a separate follow-up. Scope exists to strengthen the internal management processes for tracking recommendations implementation and ensuring that evidence is provided to Internal Audit in line with target dates.

Appendices

- Appendix 1: 2021-22 Barbican Audit Plan Progress
- Appendix 2: Live High Priority Recommendations

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