

<b>Committee(s)</b>	<b>Dated:</b>
Finance & Risk Committee of the Barbican Centre Board	04/07/2022
<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 Internal Audit</b>	<b>For Discussion</b>
<b>Report author: Cirla 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 January 2022 meeting of this Committee. Two audits, a spot check and three follow-up exercises have been completed since the last meeting, fieldwork is in progress for a further audit.

As at mid-June 2022 there is one live red priority recommendation and sixteen live amber priority recommendations which arose from four audits.

### Recommendation(s)

Members are asked to:

- Note the report
- Consider the appropriateness of delays in demonstration of high priority recommendations implementation and the need for Barbican management to implement more effective internal tracking

### 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 information is provided, as per finalised terms of reference, for audits in progress and summary outcomes are 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*

A summary of 2021-22 audit coverage (a year end position statement) is outlined in **Appendix 1** and a summary of 2022-23 audit coverage is outlined in **Appendix 2**.

4. Detailed audit and follow-up outcomes are set out under audit headings below; delivery since the last update to this Committee can be summarised as:
- 2021-22: two audits have been completed and the reports finalised (Retail: Online Shop & Branded Merchandise, and Fire Safety).
  - 2021-22: a first follow-up in respect of one audit (Spektrix) has been completed.
  - 2022-23: the terms of reference for an audit (Cyber Security) have been agreed and audit fieldwork is in progress.
  - 2022-23: a spot check (Ticketing: Refunds) has been completed.
  - 2022-23: a first follow-up in respect of one audit (Retail: Online Shop & Branded Merchandise) has been completed.
  - 2022-23: a second follow-up in respect of one audit (Facilities Management & Maintenance) has been completed.

### Retail: Online Shop & Branded Merchandise – Audit & First Follow-Up

5. The objective of this Audit was to provide assurance over the internal control framework and process efficiency of the general operation of the online shop, as well as the mechanisms in place to ensure a profitable commercial operation; we have given an Amber (moderate) assurance rating. **Appendix 3** contains a copy of the executive summary and the associated management action plan, with full recommendation details provided.
6. All but one recommendation were agreed by management for implementation by 31<sup>st</sup> March 2022. A first follow-up exercise identified some slippage in implementation, as set out below:

<b>Audit:</b>	<b>Online Shop &amp; Branded Merchandise</b>				
Final Report Date:	January 2022	Issues Raised:	7	Original Assurance Rating:	<b>Moderate</b>
Follow-up Review	May 2022	Issues Resolved:	2	Revised Assurance Rating:	<b>Moderate</b>

7. A second follow-up exercise is in progress – in line with revised target implementation timescales.

## Fire Safety Audit

8. The objective of this Audit was to provide assurance as to the adequacy of the control framework in place to comply with relevant legislation and manage the risk of fire at the Barbican Centre; we have given an Amber (moderate) assurance rating. **Appendix 3** contains a copy of the executive summary and the associated management action plan, with full recommendation details provided.

<b>Recommendations</b>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
Number Made:	1	5	1	7

9. Barbican management undertook to implement all recommendations by 31<sup>st</sup> July 2022 at the latest. Internal Audit follow-up is scheduled for August 2022.

## Cyber Security Audit

10. The terms of reference for the audit have been agreed, and audit fieldwork is in progress to examine the adequacy of the control framework in place to manage cyber security risks. **Appendix 2** contains a summary of the areas included within the scope of audit.

## Spektrix – First Follow-Up

11. The first follow-up exercise in respect of this 2020-21 resulted in a revised assurance opinion, as set out below:

<b>Audit:</b>	<b>Spektrix</b>				
Final Report Date:	June 2021	Issues Raised:	6	Original Assurance Rating:	<b>Moderate</b>
1 <sup>st</sup> Follow-up Review	February 2022	Issues Resolved:	6	Revised Assurance Rating:	<b>Substantial</b>

## Facilities Management & Maintenance: Second Follow-Up (June 2022)

12. The second follow-up exercise has been undertaken in respect of this 2020-21 audit and no movement in implementation has been demonstrated. Revised target timescales have been obtained and a third round of follow-up is scheduled for October 2022.

<b>Audit:</b>	<b>Facilities Management &amp; Maintenance</b>				
Final Report Date:	March 2021	Issues Raised:	13	Original Assurance Rating:	<b>Moderate</b>
1 <sup>st</sup> Follow-up Review	December 2021	Issues Resolved:	4	Revised Assurance Rating:	<b>Moderate</b>
2 <sup>nd</sup> Follow-up Review	June 2022	Further issues resolved:	0	Revised Assurance Rating:	<b>Moderate</b>

### *Live High Priority Recommendations*

13. Internal Audit follow-up is undertaken promptly once target timescales have been reached and a revised assurance opinion is provided, where appropriate, on the basis of detailed follow-up outcomes. As at mid-June 2022 there is one live red priority recommendation and sixteen live amber priority recommendations which arose from four audits, as summarised at **Appendix 4**. It should be noted that implementation evidence is required in order to close down one recommendation (IT Projects - currently assessed as partially implemented), this remains open until such time as there is a body of evidence to validate this control in operation.
14. A second follow-up exercise is scheduled in respect of one audit and in another case, a third round of follow-up activity is required. Internal Audit continues to reiterate the importance of setting realistic timescales for demonstrating recommendations implementation. Barbican management should ensure 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 and proactive communication to Internal Audit of any exceptional circumstances preventing this.

### **Corporate & Strategic Implications**

15. The overall programme of Internal Audit work 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-programme of Internal Audit work that includes audit assignments specific to the activity of the Barbican and regular follow-up activity in respect of recommendations implementation.

### **Conclusion**

16. Members are asked to note the findings of completed Internal Audit work (2021-22 and 2022-23), the delivery position in respect of planned audit coverage, and the status of live high priority recommendations as at mid-June 2022.
17. Follow-up activity is scheduled to be undertaken promptly in line with overall target recommendation timescales and revised assurance opinions are informed by a review of implementation evidence. 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, unless exceptional circumstances apply.

### **Appendices**

- Appendix 1: 2021-22 Barbican Centre Audit Plan Delivery
- Appendix 2: 2022-23 Barbican Centre Audit Plan Delivery
- Appendix 3: Recently Finalised Audit Outcomes
- Appendix 4: Live High Priority Recommendations

### **Cirla Peall**

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