

Committee(s)	Dated:
Finance & Risk Committee of the Barbican Centre Board	07/11/2022
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 Internal Audit	For Information
Report author: Cirla Peall, Audit Manager	

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 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-October 2022 there is one live red priority recommendation and eleven live amber priority recommendations which arose from three audits.

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 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

4. A summary of 2022-23 audit coverage is outlined in **Appendix 1**. Detailed audit and follow-up outcomes are set out under audit headings below but delivery since the last update to this Committee can be summarised as:
- The audit of Cyber Security has been finalised. Moderate assurance has been provided.
 - The Barbican Centre has been selected as part of the sample for a corporate review of the use of Purchasing Cards and audit fieldwork is in progress.
 - A first follow-up has been completed in respect of Fire Safety. Moderate assurance has been provided.
 - Second and third round follow-ups have been completed in respect of Retail: Online Shop & Branded Merchandise. Substantial assurance has been provided.
 - A third follow-up has been completed in respect of Facilities Management & Maintenance. Moderate assurance has been provided.

Cyber Security 2022-23

5. This audit in respect of the adequacy of the control framework in place to manage cyber security risks has been finalised and a moderate assurance opinion given. Appendix 2 contains the executive summary and the management action plan, with full recommendation details provided.

Recommendations	Red	Amber	Green	Total
No. Made & Accepted	0	4	3	7

6. We have scheduled the follow-up exercise for December 2022, as all but one of the recommendations are expected to have been addressed by that point and the remaining recommendation progressed significantly.

Fire Safety – First Follow-Up

7. The first follow-up in respect of this 2021-22 audit has been completed and there has been no movement in the assurance rating, as set out below:

Audit:	Fire Safety				
Final Report Date:	April 2022	Issues Raised:	7	Original Assurance Rating:	Moderate
First Follow-Up	August 2022	Issues Resolved:	4	Revised Assurance Rating:	Moderate

8. A second follow-up is scheduled for November 2022, in line with the revised target implementation dates supplied for two (one red, one amber priority) of the three outstanding recommendations.

Retail: Online Shop & Branded Merchandise – Second and Third Follow-Ups

9. All but one recommendation were agreed by management, with implementation targeted by 31st March 2022. Implementation slippage was confirmed in July 2022, resulting in a third round of follow-up being necessary.

Audit:	Online Shop & Branded Merchandise				
Final Report Date:	January 2022	Issues Raised:	7	Original Assurance Rating:	Moderate
First Follow-Up	May 2022	Issues Resolved:	2	Revised Assurance Rating:	Moderate
Second Follow-Up:	July 2022	Issues Resolved:	6	Revised Assurance Rating:	Substantial
Third Follow-Up	August 2022	Issues Resolved:	6	Revised Assurance Rating:	Substantial

10. No further follow-up is planned in respect of the remaining issue, relating to online retail profitability calculations, as the recommendation was not accepted. Barbican Centre management have advised that the cost of fulfilling online shop product sales will be considered if the online operation is expanded.

Facilities Management & Maintenance: Third Follow-Up (September 2022)

11. The third follow-up in respect of this 2020-21 audit has been completed and there has been no movement in the assurance rating, as set out below:

Audit:	Facilities Management & Maintenance				
Final Report Date:	March 2021	Issues Raised:	13	Original Assurance Rating:	Moderate
1 st Follow-up Review	December 2021	Issues Resolved:	4	Revised Assurance Rating:	Moderate
2 nd Follow-up Review	June 2022	Issues Resolved:	4	Revised Assurance Rating:	Moderate
3 rd Follow-up Review	September 2022	Issues Resolved:	8	Revised Assurance Rating:	Moderate

12. A management comment has been provided in respect of the outstanding issues – this is attached at **Appendix 4**. In line with the agreed protocol, Internal Audit is escalating this third follow-up outcome to the Committee.
13. Barbican Centre management have advised of their intention to implement the remaining recommendations and the Committee should determine the appropriateness of the proposed response relative to the risk.

Live High Priority Recommendations

14. 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-October 2022 there is one live red priority recommendation and eleven live amber priority recommendations which arose from four audits, as summarised at **Appendix 3**.
15. Recent activity includes two third round follow-ups. In one of these cases it has not been possible to provide substantial assurance in respect of the control framework in the area examined.
16. Internal Audit reiterates that Barbican Centre 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

17. 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

18. Members are asked to note the findings of completed Internal Audit work, the delivery position in respect of planned audit coverage, the escalation in relation to a third follow-up with outstanding issues, and the status of live high priority recommendations as at mid-October 2022.
19. 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. Internal Audit reiterates that scope exists to strengthen the internal management processes for tracking recommendations implementation and ensuring that evidence is provided in line with target dates, unless exceptional circumstances apply.

Appendices

- Appendix 1: 2022-23 Barbican Centre Audit Plan Delivery
- Appendix 2: Recently Finalised Audit Outcomes
- Appendix 3: Live High Priority Recommendations
- Appendix 4: Management Comment in respect of Facilities Management & Maintenance Third Follow-Up

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