

<b>Committee(s)</b> Finance & Risk Committee of the Barbican Centre Board	<b>Dated:</b> 01 July 2024
<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>	N/A
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> The Chamberlain	<b>For Information</b>
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### Summary

This report provides Members with an update in respect of Internal Audit activity related to the Barbican Centre since the January 2024 meeting of this Committee.

Delivery of relevant assurance work has progressed significantly, comprising five key Barbican Centre risk reviews, completion of fieldwork in respect of two Barbican Centre audits, finalisation of a relevant corporate audit, and a follow-up (fourth round) in respect of Facilities Management and Maintenance.

As at mid-June 2024 there are no live high (red) or medium (amber) priority recommendations.

### Recommendation(s)

- Members are asked to note the report.

### Main Report

#### Background

1. Internal Audit provides assurance on the effectiveness of internal controls through delivery of its risk-focused audit programme, developed in consultation with Barbican Centre Management, and incorporating timely follow-up activity to confirm the resolution of issues identified during audit testing.
2. The Internal Audit Section operates in accordance with the Public Sector Internal Audit Standards and its Charter reflects that the remit of audit work covers the entire control environment of the City of London Corporation (the Corporation), of which the Barbican Centre is an institutional department.
3. This Committee receives updates in respect of the delivery of relevant Internal Audit work i.e. Barbican Centre audits and corporate audits incorporating testing of Barbican Centre controls, and the implementation of high (red) and medium (amber) priority audit recommendations.

## Delivery of Internal Audit Work

4. A breakdown of assurance work delivery between the last Internal Audit update and mid-June 2024 is set out in Appendix 1. Detailed progress is set out under relevant headings below but key developments since the last update to this Committee can be summarised as:
  - Five risk register reviews have been completed and the management reports issued: these focused on
    - Health and Safety (Emergency, Major Incident, Risk of Terrorism)
    - Health and Safety (Failure to Comply with Legislation)
    - Fire Safety (Non-Compliance with Fire Regulations)
    - Fire Safety (Fire Leading to Major Incident)
    - Safeguarding
  - The draft report in respect of the audit of Business Continuity has been circulated. The outcome will be reported to this Committee once finalised.
  - Audit fieldwork in respect of Financial Management has been completed and the report drafted. As above, the outcome will be reported once finalised.
  - A corporate audit has been finalised which incorporated testing related to the Barbican Centre (Accounts Payable: Prompt Payment Performance).
  - A fourth round of follow-up has been completed in respect of Facilities Management and Maintenance.
5. Internal Audit work has identified areas for improvement across all areas examined. It is key that Barbican Management take appropriate action to ensure sustained improvement and ongoing compliance with requirements.
6. Formal follow-up activity has identified that target timescales for resolving issues have been over-optimistic in some cases, resulting in recommendations implementation slippage, and delaying closure; progress in making the necessary improvements has also been affected by staff turnover and reorganisation. Barbican Management should implement proactive monitoring of control improvements to ensure that they are being progressed satisfactorily and having the required impact.

## *Risk Reviews*

7. Internal Audit introduced a programme of risk register reviews within 2023-24 to replace 'deep dives' undertaken by the Audit & Risk Management Committee, with a focus on streamlining the process, and improving efficiency and effectiveness. These Internal Audit-led reviews incorporate a quantitative assessment of the systematic application of the corporate Risk Management Framework and a qualitative assessment as to the overall quality and completeness of sampled risk register content.
8. Internal Audit has undertaken five Barbican Centre risk reviews and identified shortcomings in the systematic application of risk management, as indicated by

content within the corporate risk management system (Ideagen) and the risk registers examined. Summary outcomes are set out below and detailed findings are shown in Appendix 2.

<b>Risk Ref and Title</b>	<b>Date</b>	<b>Assurance</b>
BBC H&S 002: Failure to deal with Emergency/ Major Incident/ Risk of Terrorism	Feb 24	Moderate
H&S 006 – Failure to Comply with Current Legislation	Feb 24	Limited
H&S 005 – Non-Compliance with Fire Regulations	Feb 24	Limited
H&S 008 - Fire Leading to Major Incident	Feb 24	Moderate
BBC CL 002 Safeguarding	May 24	Limited

9. It should be noted that improvement principles have been highlighted as opposed to formal audit recommendations being made. The expectation is that Barbican Centre management will use the outcome of these exercises to support strengthening of risk management practices, particularly as recorded within Ideagen. It is intended that a full audit of Safeguarding will be carried out within 2024-25.

*Corporate Audit: Prompt Payment of Invoices*

10. This audit was carried out because overall compliance with the Prompt Payment Code was consistently below these corporate targets for undisputed invoices:

- 88% of Small and Medium Enterprises (SMEs) paid within 10 days
- 97% of all suppliers paid within 30 days

11. The review determined the factors contributing to poor invoice payment performance via data analysis and sample testing of non-compliant transactions, including those relating to the Barbican Centre. Audit testing identified several recurring themes which hamper prompt payment of invoices, such as:

- No or retrospective Purchase Orders (POs) or insufficient funds against POs
- Matching difficulties, including where inaccurate POs have been raised
- Delays in invoice input or input errors

12. Internal Audit was unable to provide assurance that the controls in place to help ensure compliance with the Prompt Payment Code were operating effectively, or that the range of activities in progress to drive improvement in this area was having the desired effect. It was noted that processes were generally fit for purpose but were undermined by patchy application in practice. Several corporate-focused recommendations were made to supplement ongoing departmental action to improve performance. Barbican Centre management should ensure that the recurring themes identified are monitored and addressed.

Recommendations Implementation

13. Internal Audit follow-up since the last update has focused on live issues from the 2020-21 joint audit of Facilities Management and Maintenance (Barbican Centre and Guildhall School of Music and Drama). All recommendations from this audit have now been closed. Future audit coverage (2025-26) will examine whether internal control improvements in this area have been sustained.

14. As at mid-June 2024, there are no live high (red) or medium (amber) priority recommendations.
15. Barbican Centre management have been reminded of the importance of providing realistic rather than optimistic target timescales for resolution of issues. Internal Audit has also highlighted scope to strengthen internal management processes for tracking recommendations implementation and ensuring that evidence is provided for follow-up in line with target dates unless exceptional circumstances apply.

### Forward Programme

16. Confirmed assurance work for the remainder of 2024-25 comprises the following:
- P Cards Compliance: annual exercise to evaluate the effectiveness of established controls.
  - Contract Management (Locally Managed): part of a rolling programme examining arrangements to monitor and manage contractual performance.
  - Safeguarding: expanding on the findings of the risk review.
  - Health and Safety: focus to be agreed with Barbican Centre management but likely to be expanding on the findings of one or more of the risk reviews.
17. Formal follow-up exercises will be undertaken in line with the timescales agreed during audit finalisation e.g. Business Continuity and Financial Management.
18. A corporate audit of Accounts Payable Approval Controls is in planning stage and will incorporate examination of the Barbican Centre's arrangements.

### **Corporate & Strategic Implications**

19. 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**

20. Members are asked to note the delivery position in respect of the ongoing programme of assurance (corporate and Barbican-focused), the outcome of finalised work, planned future coverage and the feedback in respect of recommendations implementation.

### **Appendices**

- **Appendix 1: Internal Audit Assurance Work**
- **Appendix 2: Findings of Barbican Centre Risk Reviews**

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