**Birmingham Organising Committee for the 2022 Commonwealth Games Limited Audit and Risk Assurance Committee Meeting**

**13.00pm, Tuesday 2nd March 2021**

**Held at: Teams Meeting Online**

**Members:**

(SB) (Chair) Commonwealth Games England Nominee (GB) Ex Officio Member

(RH) Chief Financial Officer, BCC Nominee (CH) Ex Officio Member

(HD) Department for Digital, Culture, Media and Sport Nominee (NT) Independent Board Member

**In Attendance:**

(AB) Internal Audit Partner, PwC

(GC) Internal Audit, Senior Manager, PwC

(AC) Chief Information Officer, B2022 (Item 3b only) (EF) Head of Financial Planning, B2022

(DG) Chief Financial Officer, B2022

(AH) Director of Programme Management & Integrated Planning, B2022 (SH) Head of Financial Management, B2022

(PK) Head of Programme Management, B2022 (CM) Chief Legal Officer/Company Secretary, B2022 (IR) Chief Executive Officer, B2022

(BR) Audit Manager, National Audit Office

(GW) Audit Director, National Audit Office

(EB) Executive Assistant, B2022 (Secretariat)

**Apologies:**

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|  | **Item** | **Action Owner** |
| **1.** | **Welcome and Introductions**  SB opened the meeting and confirmed that it was quorate. Due to current COVID-19 restrictions the meeting was held via Microsoft Teams. |  |
| **2.** | **Actions and Minutes**  The minutes and actions of the ARAC meeting held on 26th January 2021 were formally approved.  **Action:** Minutes to be redacted for publication purposes.  It was proposed that the outstanding Actions log would be picked up at the end of the meeting.  There is an open action for the ARAC to be kept up to date with additional work packages instructed to PwC to ensure full visibility - DG updated the ARAC that the OC is in discussions with PWC regarding a potential piece of work to support with its “return to office” activities. The ARAC noted this. | **CMcG** |
| **3.** | **Risk Update including Brexit**  PK presented the paper previously distributed and this was tabled as read.  The risks with the highest severity score included on the OC Risk Register at the date of the meeting were noted.  A total of 37 new risks have been identified during this reporting period (from November 2020 to February 2021). PK highlighted the following new risks.  PK updated the ARAC on the ongoing Covid-19 risks, noting that a further paper is to be tabled. PK highlighted the following key Covid related risks.  The OC continues to monitor EU exit closely and liaise with Central Government contacts regarding implications on visa processes, immigration, logistics and accreditation for the Games. PK also highlighted the potential impact of the international supply chain and supply chain delivery timescales.  The OC is current running a Games time operational risk exercise across FA’s to identify where Games Time risks may lie. The exercise is due to conclude in March and the PiP team will review outcomes and include any relevant items in the risk register. These will be reported to the ARAC in the next reporting period.  EDI remains a priority for the OC. Training sessions have been rolled out for existing staff and they are now part of the current induction process for new starters. The OC has on board an interim Head of EDI from the EDI consultants currently appointed and the OC is recruiting a permanent Head of EDI. Further details will be discussed in the later agenda item. The OC is currently undertaking a staff EDI survey to update the current EDI data which the OC holds on its workforce.  **Action:** PK to send risk register to EB & EB to distribute full risk register with minutes and actions.  GB questioned why the Games Management System was so critical in nature. PK advised that the software is not novel in that it currently exists in the market place.  HD questioned how and when the OC collects EDI data from new starters. IR advised that when the OC was first incorporated, this data wasn’t collected however when the OC grew to 80+ employees the OC did collect this data however the data was anonymised for Data Protection purposes. This however raises an issue when individuals leave the OC as the data cannot be corrected to remove the data of the anonymised leaver(s) and therefore the data is not a completely accurate reflection of the current workforce..  HD challenged if the OC has a framework to assess the higher risk due to EU exit. PK reassured the ARAC that this is an ongoing risk that is continually monitored and assessed. DG advised that the EU exit risk has been on the OC’s radar since the beginning of the Games. HD asked if there were any other indicators of challenges in existing contracts that might be affected. DG noted that the OC was managing Brexit related risks as part of BAU for both existing contracts and ongoing procurement activities. AH also advised that the OC is reviewing EU exit risks on quarterly basis with all partners through CPPG to CEO Group.  CH asked that when the OC is analysing risks in the risk register, it would be helpful to have a summary diagram showing the targets for resolution and an indication of whether the actions are going to achieve those targets. PK noted this and will include this at the next ARAC meeting. CH challenged if there is anything that the OC envisage on the horizon that is not included in the report.  **Action**: AH to cover Brexit challenges at the next ARAC meeting.  **Action**: PK to prepare a summary document showing the process used to assess the OC’s risk tolerance for the next ARAC meeting.  PK shared a slide presented to the OB Board on Emerging Issues and Risks and talked the ARAC through these. | **EB/PK**  **EB**  **PK** |
| **4.** | **Covid-19 Scenario Update Planning**  AH shared the latest Covid-19 Update slides with the ARAC. The OC is taking the presentation to the OC Board on 19 April, there will be further updates before this and it was suggested the latest paper is brought back to ARAC in the interim period.  As the pandemic develops the OC is monitoring four variables at international, national & regional level whilst observing other major events prior to summer 2022 to determine the impact to the Games: Health, Policy, Economics and Public Confidence. AH presented the key decisions on the Road Map and highlighted to the ARAC that the ticketing campaign has been pushed back to July to address the Covid situation to ensure greater engagement. AH presented the 2 workstreams which the team are working on during the preparation phase, namely:-   1. Covid-19 Project/Programme/Risk Management 2. Project Management/deep dives with client groups   AH presented an example of the monthly status update that is presented to the OC EMT – this highlights the impacts and opportunities on health & economics for the Games. The update also reflects the review of Games time policies, including but not limited to the possible introduction of quarantine hotels, UK vaccine rollout strategy and vaccine passports.  The OC has been able to use the IOC playbooks to compare and overlay current plans and the lessons learned from the Australian Open and other sporting events have been used. The OC has also been tracking the public confidence in Covid-19 measures and it is positive to see this is slowly increasing. Key updates from the UK Government are closely monitored and the 4 stage path out of lockdown is also taken into account.  The OC has built a forward look model around all the Commonwealth Nations, taking into consideration the data that is available now, the challenges facing some of those countries while recovering from the pandemic and how Birmingham can support them. The OC recognises that some countries will not have started their vaccine rollouts, and this will have an impact on the plan. The OC is also tracking the rollout of various vaccines and their efficiency as they go forward.  AH advised that a QBR International Route workshop was held on 26th February 2021 where analysis work was presented to the QBR team and they are in the process of reviewing options which will be bought to the April Board meeting for review. A dedicated risk workshop is also being scheduled with EMT to understand and address the risk tolerances and appetite across operational delivery.  SB invited the ARAC to reach out to the Risk team to share ideas as they develop. AH welcomed this suggestion.  AH confirmed that the OC has a good relationship with the Tokyo Games and sharing of knowledge. The OC is also monitoring and reviewing other events both nationally and internationally. Within the UK the OC is reviewing events scheduled to take place at Games venues and through a health & safety contact, looking at how successful safety measures are. There is also a high volume of work ongoing with DCMS and regular catch ups are in place within PMO office.  HD asked if the slides are shared at a working level – AH advised the slides will be shared with the minutes.  **Action:** EB to share slides with distribution of minutes  AH confirmed that the OC is in contact with the DCMS Chief Scientific Officer, Public Health England and Dir of Public Health at BCC. RH offered support from BCC wherever possible. | **EB** |
| **5.** | **Internal Audit**   1. **Internal Audit Update**   AB presented the paper previously distributed and this was tabled as read.  AB updated the ARAC on progress in the reporting period. There are currently various reports ongoing and these are nearing finalisation.  The Workforce and Volunteering report is now signed off and will be shared with the ARAC following the meeting.  The Commercial Risk report is in the process of being finalised.  Fieldwork for the review of core financial, HR and IT general controls is progressing with all reports to be finished by end of financial year.  AB highlighted that there have been extensions on actions and asked the ARAC to note these. DG confirmed to the ARAC that there is a good culture within the OC and where extensions have been granted DG confirms that this is appropriate and acknowledges that these are extraordinary circumstances. SB is pleased with the progress made.   1. **Completed Audit Reports**   AB had previously distributed the Third-Party Contractor Management and Transport Operations reports, and these were tabled as read. SB asked for any questions to be taken offline.   1. **Audit plan for 21/22**   AB presented the paper previously distributed and this was tabled as read.  AB thanked the ARAC for the input received to date. PwC has had a further review of the plan and recognises that the OC FA’s will be focussed on operational work and as the Games time approaches, does not want IA to be a distraction. PwC are working on an agile approach for reporting for the OC & ARAC in a dashboard style which satisfies the need for timely feedback and suggestions – this will be refined as time progresses.  PwC confirmed it has a dedicated team of Risk & Quality to manage risk and reputation and challenge interactions with the OC regarding discussions of any future conflicts in independence. |  |

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|  | SB invited GW to give opinion on plan – GW reassured the ARAC that there are ongoing communications between NAO and PwC and there is nothing currently causing concern. |  |
| SB questioned both the embedded nature of work going forward and the protocols for independence and challenged if conversations need to be had with GIAA – AB reassured that this is scheduled for next week. |  |
| **Action:** AB to follow up with feedback from GIAA at next ARAC meeting. | **AB** |
| **Action:** It was agreed that AH would follow up with PWC following the meeting regarding the work being undertaken by PWC and the internal audits planned for those areas to ensure there is no conflict of interest. | **AH** |
| SB invited AH to provide feedback on the plan. AH reassured SB that the flexibility and the scope of embedded resources, allows the OC to ensure they have the approach right. The timelines (especially post Covid-19) are up to date and plans are regularly shared. Key areas (Legacy & Sustainability) have had changes recently so this is timely in the plan. |  |
| IR praised the plan and suggested that the plan could be further developed. There will be big deliverable/public facing events in the next 4-5 months – e.g. volunteer application process, launch of QBR, that the OC have embedded in the plan. IR suggested the plan could focus on these events and have input from IA to support it. AB confirmed that this can be captured in the plan – GC confirmed that in conversations with FA’s these will be picked up in more detail. |  |
| **The Audit and Risk Assurance Committee formally approved the plan in principle.** |  |
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| **Action:** PwC to attend May OC Board meeting to present the plan. | **EB** |
| **Action**: It was agreed that the approach on value for money would be addressed at the next ARAC meeting. | **EB** |
| **6.** | **EDI Update**  IR provided a verbal update on EDI to the ARAC.  An appointment had been made to Head of EDI which was due to start on 1st February 2020 however unfortunately the candidate withdrew the week before the start day. The role is back out to advert with a closing date of early March, the OC is hoping to have a candidate in place by May/June however in the interim, the OC has sourced a consultant to work with the OC and to provide ongoing support in this area.  The OC has appointed 2 new Board members, who were formally inducted today. These appointments have been positively received. The OC has now received formal accreditation in Leaders in Diversity.  HD suggested that the OC should keep in contact with previous appointed Head of EDI to see if any collaborative work can still be undertaken given the nature of his new role. IR agreed and confirmed that there is still a positive relationship with the previous candidate. It was noted that the Board had agreed and endorsed five key principle objectives for the OC.  **Action**: The OC to bring back to the ARAC details of the matrix setting out how the OC plans to | **IR** |

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|  | achieve each of these objectives at the next meeting following the next Board meeting in May.  *There was a 10 minute break at 14.35 and the meeting reconvened at 14.45.* |  |
| **7.** | **Financial Planning Update**  EF presented the paper which was previously distributed and this was tabled as read.  In terms of annual budget, the OC is content the supplementary estimate remains the OC’s best estimate of its outturn position for the 20/21 financial year and will continue to monitor closely against this position as the year-end approaches.  The risks and sensitivities reported are in line with what was presented at OC Board meeting in January 2021.  Specific risks have been identified regarding commercial revenue and the impact of Covid-19 under different scenarios. The referenced covid-19 risk assumes any decision to reduce spectator capacity was taken at any early enough point to allow associated operational savings to be realised  It was agreed that at a meeting before the summer break, the ARAC will have an agenda item that will look at the status of the contingency and how this sits in the context of the ongoing Covid work.  **Action**: Agenda item in upcoming ARAC meeting to cover contingency of ongoing Covid-19 work  **The Audit and Risk Assurance Committee noted the contents of the paper**. | **EB** |
| **8.** | **Budget and Forecast 21/22**  EF presented the paper which was previously distributed and this was tabled as read.  The OC has forecast net expenditure of £105.2m for the 2021/22 financial year, consisting of  £10.9m income and £116.2m expenditure. This presents a threefold increase in OC expenditure  – this is consistent with expectations established at the time of phasing of the OC Lifetime budget into financial years as part of the MPRG process.  Development of the forecast has involved looking closely at the procurement timeline and estimated costs to be recognised under major contracts in the 2021/22 financial year in line with relevant accounting standards. Due to the number of moving parts and dynamic nature of the OC, particularly near the year-end cut-off which is just 4 months prior to the Games, there is a significant degree of uncertainty inherent in the forecast and it will likely require revision during the financial year, including review against the ever-changing covid-19 position. This uncertainty relates to the position regarding the timing of income and expenditure within the particular financial year, as  opposed to the lifetime costs of the OC.  The forecast expenditure is higher than the official DCMS budget for the year established as part of the MRPG process and adjusted for carry-forwards from earlier financial years. DCMS has confirmed that the OC will have the opportunity to reprofile its budget during the year which it intends to do as part of the 21/22 Supplementary Estimate process. Such a reprofiling has the advantage that it can potentially bring forward expenditure if required (such acceleration being subject to HMT approval). Consequently, given the low level of projected underspend and the opportunity to reprofile, the OC is comfortable that the forecast is appropriate at this stage.  CH advised that given the current uncertainties and the shorter timeframes the budget and forecast are exactly in line with what she would expect and praised the work the team has done.  DG highlighted the inherent uncertainty in the forecast but confirmed that the forecast represents the OCs best estimate at this point in time.  **The Audit and Risk Assurance Committee formally approved the 2021/22 forecast.** |  |
| **9.** | **Financial Accounts for 31st March 2021**   1. **NAO Audit Plan**   GW presented the paper which was previously distributed and this was tabled as read.  GW highlighted that materiality has been set based on expenditure and it is recognised that the OC is not an organisation funded to make profit. Festival 2022 will be audited to a lower materiality level which will provide the necessary coverage from a Group perspective.  NAO has identified the following risks having the most significant impact on the audit undertaken:-   * + Presumed risk of management override of controls   + Recognition of expenditure   + Value in Kind Accounting   NAO will leverage its Audit Completion Report to conclude on the Group Financial Statements. NAO has identified 2 new areas of audit focus:-   * + New auditing standards   + Covid-19   SB asked for a risk to be added around disclosure; the OC has become a more complex organisation in the last year and SB wants to ensure that NAO are the backstop on disclosure. GW noted this.  The Committee approved the plan as set out in the paper.   1. **Year-End Governance**   SH presented the paper previously distributed and this was tabled as read.  The OC has several reporting requirements for the year-end reporting. The reporting is split between DCMS Group reporting requirements and external statutory reporting.  The key reporting requirements for DCMS include:   * Consolidation Pack * Intercompany return * Annual Governance Assurance Memorandum * Sustainability Return * Other disclosures template * Off payroll return * Any other submission as part of DCMS year end procedures   An update on the status of DCMS reporting will be provided at the ARAC meeting on 22 June 2021.  To meet with external reporting requirements, the OC plans to present an Annual Governance Assurance letter at the June 2021 ARAC and a supporting memorandum for the assurances to be provided.  The OC plans to finalise and lay its Consolidated Report and Financial Statements before the Parliamentary recess with a date to be confirmed. The statutory deadline for filing at Companies House is 31 December 2021.  Festival 2022 Limited has its own Board and Audit Committee who are responsible for their view and approval of its standalone Report and Financial Statements. The OC Consolidated Accounts will only include information in respect of Festival drawn directly from the Festival 2022 Limited Report and Financial Statements.  SH confirmed that the C pack will cover the OC only and Festival 2022 Limited will submit its own C Pack detailing its results.  SB raised KPIs and the need to demonstrate that the Board and Exec Team have been aligning to the KPI’s s and have been a part of the dashboard. SB asked the ARAC to note that the Festival ARAC Chair will attend the OC ARAC meeting when the consolidated accounts are signed off.  **Action**: EB to invite Faraz Tasnim to June ARAC meeting.  **The Audit and Risk Assurance Committee noted the contents of this paper.**   1. **Key Financial Judgements and Policies**   SH presented the paper previously distributed and this was tabled as read. Key accounting policies in the period ended 31 March 2021 include:   * Grant Recognition * Cultural Programme Funding * Value in Kind (Policy approved at June 2020 ARAC) * Provisions and Accruals * Enhanced Severance Provision * Prepayments * Dilapidations Provision * Festival 2022 Ltd   GB raised the risk to cash spend and challenged how are the OC is managing the risk. SH reassured the ARAC that additional due diligence was undertaken to obtain reassurance before payments were made in relation to the two prepayments referenced. DG assured the ARAC that the OC does try to avoid any monies being paid before the work is undertaken but recognised that this is not always possible within commercial negotiations. When an exception is made additional financial due diligence is undertaken before the payments are released.  SB asked the team to think about Credit Risk and what mitigations it has in place. DG confirmed the team will document its position and bring back to the ARAC.  **Action**: DG to report back to ARAC regarding credit risk mitigations/protocol (to include prepayments, cashflow considerations and possibility of sums being paid into escrow).  **The Audit and Risk Assurance Committee noted the contents of this paper.** | **EB**  **DG** |
| **10** | **Financial Management**  **a) Financial Management Update**  SH presented the paper previously distributed and this was tabled as read.  SH confirmed that during the last reporting period the OC has complied with the requirements of the Management Agreement.  The OC is not aware of any fraud during the reporting period and has quarterly fraud review meetings to ensure the OC has considered any emerging risks and follow up and issued identified. All staff counter fraud training was delivered to all colleagues in Q4 of 2020 and will be updated annually.  The OC is not aware of any control failures during the period. The OC continues to monitor controls on a monthly basis to ensure they are sufficient for the transactions being entered into.  Cancellation and abandonment insurance is in the final stages of the procurement and is progressing through internal governance to obtain formal sign off. SB asked for a note to go out to ARAC once the insurance is in place.  The OC has commenced work to see what 2021/22 year end planning will look like for Games Time. The OC is proposing to extend the year end date for statutory reporting purposes to 30 September 2022, extending the period to an 18 month reporting period. Work is being undertaken with DCMS & NAO to ensure all requirements are met. This change will require OC Board approval and is likely to be submitted for approval in Q3 this year. SH advised the ARAC it would be helpful to confirm any queries or questions – no concerns were raised.  CMcG confirmed to the ARAC that there is a Games Act Reporting requirement which is due for the period from 25 June 2020 to 31 March 2021. This will be a good opportunity for the OC to show all the good work undertaken during that period on sustainability, accessibility, legacy planning and social values. SH/CMcG confirmed that this initial report will not form part of the annual report but will stand alone as a separate report outside of Finance.  **The Audit and Risk Assurance Committee noted the contents of this paper and confirmed its support for the proposed change in the year end reporting date for the period commencing 1 April 2021 to 30 September 2022. It was noted that such change is subject to the approvals required from DCMS as set out in the tabled report and the OC Board.**  **b) Annual Fraud Update**  SH presented the paper previously distributed and this was tabled as read.  During the year to 31 December 2020 the OC did not identify any incidents of fraud or potential fraud.  A significant quantity of additional work has been undertaken by the TEC team following the audit report and is in the process of putting as much mitigation as possible in place due to current Covid-19 restrictions.  The annual plan has been updated to include the internal changes being made and to address the operational challenges the OC will face towards Games time. A further update will be provided to the ARAC in June 2021.  CH advised that she was suspicious of the low quantity of phishing emails received by the OC and highlighted the importance of internal testing and training as employees may not necessarily know to identify and report a phishing email. CH highlighted that there is a risk that threats can come from smaller suppliers who do not have the same high level of security in place as the OC.  SB asked if the Festival 2022 will have an independent Fraud Action Plan, SH confirmed this is correct. SB asked that the OC provide support to the Festival 2022, SH assured this is the case already and the Festival team join the monthly meetings.  **The Audit and Risk Assurance Committee noted the contents of the paper and approved the 2021/22 Fraud Action Plan (Annex 1).** |  |
| **11.** | **Scheme of Financial Delegation & Updated ARAC Terms of Reference**  CMcG presented the paper previously distributed and this was tabled as read.  It was noted that the OC Board had approved updates to Scheme of Financial Delegation (SoFD) in November 2020 to cover some additional areas that the OC had identified due to the evolving nature of the business. In summary, changes to the approval process for purchases of <£25,000 have been made to provide more delegated authority to the procurement team to reflect the increased level of purchasing activity. It was also highlighted that there is a higher level of call- off contracts being entered into and a gap had been identified in the governance approvals required to address these types of contracts which is now included in the updated document. A new schedule has also been added to clarify this process. References to the required Cabinet Office approvals and the Management Agreement commitments have also been added, together with the associated changes to the required signatories for call offs.  The ARAC Terms of Reference have also been updated to provide for the financial delegation levels to be reviewed by the ARAC on an annual basis.  **Action:** The ARAC Terms of Reference to be reviewed by the ARAC on an annual basis - EB to ensure this is an annual agenda item.  HD confirmed that this is in line with the Management Agreement and with what had previously been approved at the OC Board in November 2020.  CH questioned when this would be updated to reflect games times SoFD – SH confirmed this is being developed and will be presented at the Autumn ARAC.  SB questioned the audit of the SoFD – GC confirmed this is picked up with current Internal Audit plan proposed.  **The ARAC endorsed the updated Scheme of Financial Delegation and approved the proposed change to the Terms of Reference.** | **EB** |
| **12.** | **Annual Report of ARAC**  SH advised the ARAC than an Annual Report of ARAC will be presented at an interim ARAC meeting and circulated in advance. |  |
| **13.** | **AOB**  **a) Rolling Forward Agenda**  SH presented the forward look agenda. All is on track with the forward agenda and it was noted that the “ARAC on Tour” initiative previously discussed per Covid would be bought back to the schedule with the hopeful easing of lockdown restrictions.  SB highlighted that additional Board updates have been put in the diary to update the Board in between official Board meetings – EB to follow up with additional ARAC updates to cover ad hoc topics and issues and works hops as necessary.  The ARAC is due for its the Annual Effectiveness Review – it was noted that SB would think about the structure of the effectiveness review and feedback to the ARAC.  **Action:** EB & Simon to follow up and discuss.  A read only report for Commercial Income was circulated with the papers and DG encouraged any feedback or comments to be sent directly to DG and picked up offline.  GB praised the Lunch and Learn sessions that the OC had presented previously and asked if these are ongoing. EB advised these are still in the diary and will ensure the invites are shared with ARAC members going forward.  The ARAC revisited the Matters Arising and these were updated. | **SB/EB** |