

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

1:30pm, Monday 19th August 2019

Held at: Board Room (second floor), One Brindley Place, Birmingham, B1 2JB

Attendees:

Members:

Representative Member from Commonwealth Games England (Chair)
 Representative Member from Department for Digital, Culture, Media and Sport Nominee
 Independent Board Member (dial in)
 Representative Member from Birmingham City Council Nominee
 Ex Officio Member

In attendance:

Chief Executive Officer, Birmingham 2022
 Chief Financial Officer, Birmingham 2022
 Head of Financial Planning, Birmingham 2022
 Head of Financial Management, Birmingham 2022
 Chief Information Officer, Birmingham 2022
 Director of Programme Management and Integrated Planning, Birmingham 2022
 Head of Programme Management, Birmingham 2022
 Chief Legal Officer, Birmingham 2022
 Compliance Manager, (Secretariat) Birmingham 2022
 Executive Assistant, Birmingham 2022
 Project Assistant, Birmingham 2022
 Internal Audit Partner, PricewaterhouseCoopers (PwC)
 Internal Audit Partner, PricewaterhouseCoopers (PwC)
 Audit Director, National Audit Office
 Audit Director, National Audit Office

Item No	Item	Action Owner
	<p>Welcome and introductions</p> <p>SB opened the meeting and noted that this was the first meeting attended by CMc as a temporary replacement Member for HJ and CIH as the permanent replacement Member for Ian Ward.</p> <p>SB also welcomed AB and GC from PricewaterhouseCoopers (PwC), CMdC from the National Audit Office (NAO) and HR as the future ARAC secretariat.</p>	
1	<p>Minutes and Actions from The Last Meeting</p> <p>The minutes of the meeting held on 13 May 2019 were formally approved. Outstanding actions were to be considered during the 'Action log' section later in the meeting.</p>	

<p>2-4</p>	<p>Report and Financial Statements for period end 31st March 2019 (covering items 2,3,4)</p> <p>SB commented that this was the first statutory accounts cycle and thanked SH and the Finance Team for their hard work in producing the financial statements.</p> <p>SH confirmed the numbers presented in the accounts largely reflect the numbers presented at the last ARAC meeting, the adjustments total of £68k, was capitalization of IT equipment and discounting of long term liabilities relating to technology costs.</p> <p>The income received in the period was received in the form of grants. Grant in Aid from DCMS of £22.4m and a £2.1m grant from BCC. The OC recorded nil profit in line with expectations.</p> <p>Key balance sheet numbers are a VAT debtor of £4.4m which has been received since the year end. Deferred income of £3.9m to match the income to the expenditure and accrued expenses of £1.7m which mainly related to Transport for West Midlands (TfWM) and Commonwealth Games Foundation Partnerships (CGFP) embedded resource.</p> <p>Cash at the year end was £1.7m which was not received in advance of need. GW confirmed he agreed this was acceptable and cash was not considered high or in advance of need.</p> <p>On deferred income, GW confirmed that he was comfortable with the systematic approach used to recognise revenue.</p> <p>SH stated that the Board have been sent copies of the accounts at the same time as ARAC, and there were no questions received from the Board.</p> <p>SH advised that in June, SB as Chair of ARAC, signed a Governance Assurance letter for DCMS, which covered areas such as risk assessment, policies, internal and external audit processes, and cyber security. The OC will continue to review policies and processes as the organisation grows.</p> <p>GW commented that it was normal practice for the business to be operating as a going concern, and that the OC is tracking in line with its budget.</p> <p>SB questioned SH as to whether there was confirmation from the chair of the Remuneration Committee regarding the Remuneration Report.</p> <p>Action: SH to follow up with the chair of the Remuneration Committee prior to approval.</p> <p>CH questioned whether there were any post balance sheet items - it was confirmed by SH that there were not, other than the one disclosed regarding MPRG.</p> <p>AB queried why there was no comment on risks in the governance statement and questioned whether this is something which will develop over time. GW confirmed that it would.</p>	<p>SH</p>
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<p>5</p>	<p>External Audit Findings and Audit Opinion</p> <p>GW discussed the Audit Completion Report and confirmed that at present there are no concerns with respect to the external audit. He commented on the diligent work which had been undertaken by the Finance Team to build the audit process.</p>	
<p>6-8</p>	<p>Report and Financial Statements for period end 31st March 2019 (covering items 6,7,8)</p> <p>SB commented that as there was no self-certification process for the accounts and to ensure appropriate governance processes were in place, he had requested the executive team (IR, DG, CM, SH) had signed the Audit Letter of Representation.</p> <p>SB questioned whether the accounts explained why there was a 16-month accounting period for the OC. SH confirmed that they did.</p> <p>A discussion ensued as to whether the Hutton fair pay disclosure was an annual disclosure and whether the OC was required to complete a gender pay gap report.</p> <p>Action: SH agreed to amend the accounts to reference the Hutton fair pay disclosure.</p> <p>CM advised the Committee that Lyndsey Jackson had requested that the section relating to disability should be enhanced. CM confirmed that the HR Team would ensure the wording accurately reflected the public sector equality duty as referenced at section 149 of the Equality Act 2010.</p> <p>A minor inconsistency was noted on the last page of the draft accounts with respect to the paragraph relating to Ian Ward.</p> <p>Action: SH to amend the aforementioned paragraph in the accounts.</p> <p>IR stated that the first meeting of the Remuneration Committee had taken place and the Remuneration report had been discussed.</p> <p>Action: SH to share Remuneration Report with Lyndsey Jackson and ask her to confirm as Chair of the Remuneration Committee that she is comfortable with the report.</p> <p>SH detailed the next steps for submission of the accounts. It was noted that CM was sending out the written resolution to the Board for approval accompanied by the letter of representation.</p>	<p>SH</p> <p>SH</p> <p>SH</p>

<p>9</p>	<p>Financial Management</p> <p>EF noted that a key element of the financial management framework was compliance with the Management Agreement held with DCMS. He further commented that the OC is waiting for DCMS to confirm if the OC's budget flexibility applies all the way to year end or is against a period 8 forecast only.</p> <p>CMc commented that the 50% budget flexibility was unique to the OC, and that the OC must not overspend and will need to be as accurate as possible with its financial forecasting.</p> <p>Action: CMc to check with DCMS whether this flexibility can be amended and to procure a copy of the letter from DCMS and provide it to ARAC.</p> <p>Action: SH to ensure the issue of cancellation and abandonment insurance and medical malpractice insurance is raised on the risk log as an issue.</p>	<p>CMc</p> <p>SH</p>
<p>10</p>	<p>Financial Performance Reporting</p> <p>EF proposed that Board level financial reporting should be focused on performance against lifetime budget reflecting the fact that delivery of the Games in line with that budget is the primary financial obligation of the OC whilst the review of performance against annual budgets will be delegated to ARAC.</p> <p>DG commented that his preference was to have variations to the budget approved by the Board.</p> <p>CMC questioned whether internal management reporting of variance would be linked to activity changes.</p> <p>DG replied that the new system allocated budget to relevant activities and so the OC would not be able to overspend without sufficient budget being available.</p> <p>EF confirmed that the OC would adhere to operational planning exercises and that budgets were linked to detailed programmes and so overspend could not occur from one programme to another.</p> <p>SB confirmed that budget variations should not be presented to the Board unless they had first been presented to ARAC.</p>	
<p>11</p>	<p>Financial Reporting to 30 June 2019</p> <p>EF commented that there were no significant issues related to the annual or lifetime budget to report.</p>	

<p>12</p>	<p>Cyber Security</p> <p>AC's paper was taken as read, and commended by the chair.</p> <p>It was noted that cyber security was one of the greatest threats the OC is likely to face and that the risk would increase closer to Games time.</p> <p>AC commented that the following was the general approach taken by the OC with regards to cyber security:</p> <ul style="list-style-type: none"> • security by design would be a key element of all OC IT systems and the OC would be guided by the National Cyber Security Centre's (NCSC) guidelines with respect to cyber security measures. • Systems that were procured by the OC would meet the relevant security standards – either ISO27001, cyber essentials or cyber essentials plus. • Awareness raising amongst staff would be a key priority (including disseminating relevant policies, providing induction and annual training) • In the run up to the Games Time implement enhanced monitoring tools and processes <p>AC stated that the OC reserves the right to undertake its own penetration tests and other risks assessments on supplier systems, and on any Software as a Service (SaaS) systems.</p> <p>Before the website went live, numerous penetration tests were undertaken which revealed some issues related to the content management system that were then rectified.</p> <p>AC noted that he attends a cyber security forum along with West Midlands Police (WMP) and NCSC attendees.</p> <p>The OC is also in the process of procuring an IT service provider and they will be asked to ensure they have a cyber security capability. Six months before Games time a cyber security specialist will be hired to test all of the Games systems and suggest any improvements. They will also implement systems to detect problems, investigate and rectify them.</p> <p>CIH commented that cyber security is a fast moving world and that the OC needs to ensure it is sufficiently future-proofed against cyber security threats. He requested that the Committee be updated about potential risks.</p> <p>AC replied that the Senior Enterprise Architect role at the OC would contain an element of IT security and would also undertake periodic risk assessments. He also commented that the bimonthly cyber security forum he attends would provide the OC with intelligence about risks and so would the NCSC.</p>	
<p>13</p>	<p>Security Governance</p> <p>DG commented that the OC is not responsible for overall Games security and that this role resides with the Chief Constable of WMP. The OC is however responsible for the provision of private contract security and physical security for the Games venues. Discussions with DCMS are ongoing regarding the reimbursement of security related expenditure to the OC.</p>	

	<p>NT praised the paper, in particular with respect to the focus on accountability but questioned the OC's role with respect to security governance and queried whether the OC is in fact relinquishing its responsibility for security.</p> <p>SB confirmed he was comfortable that security risks were picked up by the integrated risk log and that it was not ARAC's responsibility to follow up on these.</p> <p>CH commented that with respect to the safety and security of Games venues the OC will be responsible for issues such as the hiring of private security firms, how security organisations interact with each other, people flow around the venues, but the Board will not be accountable for these issues.</p> <p>SB concluded that the discussion had identified some challenges for the governance structure of the Games in that there was potential for gaps/overlap between organisations' differing responsibilities.</p>	
14	<p>Risk Assurance Update</p> <p>PK commented that this risk assurance update paper was more analytical than previous risk papers. He further commented that the majority of OC risks were in the low to medium range and that 39 new risks had been identified in the last period.</p> <p>One of the risks highlighted was a no deal Brexit, and PK informed the Committee that there had been a refresh of the strategic risks to determine where the OC was aligned with these risks.</p> <p>SB praised the changes in the paper which ensure relevant risks were highlighted.</p> <p>SB was concerned that the possibility of India boycotting the Games was not listed as a potential risk and consequently it might appear as though the OC had overlooked this issue.</p> <p>Action: PK to add the risk of India boycotting the Games to the OC's risk register.</p>	PK
15	<p>Internal Audit Update</p> <p>It was noted that PwC are the new professional services provider and that along with AB and GC, there will additional members of PwC working closely with the OC.</p> <p>AB confirmed PwC would be attending the Executive Board meeting on Tuesday and the Team Talk on Friday. SB commented that he would also arrange 'catch up' sessions with AB.</p> <p>Action: PwC to deliver an internal audit program plan at the next ARAC meeting in October.</p> <p>Action: SB asked PwC and the OC to consider value for money in the Host City Contract in particular the arrangements with CGFP.</p>	AB / DG DG
16	<p>Amended ARAC Terms of Reference</p> <p>SH informed the Committee that the ARAC terms of Reference had been amended to align with HM Treasury's Audit and Risk Assurance Committee handbook, March 2016.</p> <p>SB referred to point 12 of the Terms of Reference, which requires ARAC to present an annual report of its work to the Board. Given that ARAC now has two new Committee Members, SB confirmed that it would be appropriate for this paper to be drafted for the October ARAC meeting and to be presented to the Board shortly thereafter.</p> <p>Action: ARAC annual report to be drafted for the October meeting</p>	DG

	The amended Terms of Reference were approved by the Committee.	
17	<p>ARAC Forward Agenda</p> <p>SH noted that the forward agenda is now aligned to the ARAC Terms of Reference.</p> <p>It was noted that there were entries which did not have any green bars completed during the year.</p> <p>Action: SH to amend the following forward agenda items:</p> <ul style="list-style-type: none"> • item 9 to show that key financial policies will be reviewed in February • item 12, add a green bar to demonstrate that there will at least be a nil assurance provided once a year • item 21, add a green bar to the agenda for at least one future ARAC meeting 	SH
18	<p>Action Log</p> <p>SB praised the work undertaken on ARAC's new action and decision Log and requested that the actions relating to value for money be amended to October.</p> <p>Action: SB requested that the decisions section be removed from the action log.</p>	AJ
19	<p>Any Other Business</p> <p>There being no further business the meeting was closed.</p>	