

FestivalUK*2022

MINUTES AUDIT AND RISK ASSURANCE COMMITTEE OF FESTIVAL 2022 LTD ("Festival")

*9.00-11.00am, Wednesday 31st March 2021

Held via Microsoft Teams Meeting

Members:

Faraz Tasnim (FT) (Chair) Board Director, Festival 2022 Ltd
Liam Hannaway (LH) Board Director, Festival 2022 Ltd
Roger Lewis (RL) Board Director, Festival 2022 Ltd

Observer:

Alison Breadon (AB) PWC
Adam Richards (AR) PWC
Daniel Coles (DC) DCMS
Greg Wilson (GC) National Audit Office

In Attendance:

David Grady (DG) Group Chief Financial Officer, OC & Festival 2022 Ltd
Caroline McGrory (CMcg) Company Secretary and Group Chief Legal Officer, OC & Festival 2022 Ltd
John Darnbrook (JD) Head of Business Integration, Festival 2022 Ltd
Phil Batty (PBa) Executive Director, Festival 2022 Ltd
Sarab Hair (SH) Corporate Operations Coordinator, Festival UK* 2022 (Secretariat)
Richard Pomfret (RP) Senior Finance Manager, Festival UK* 2022
Lucy Bailey (LB) Senior Legal Counsel, Festival UK*2022

Apologies:

Amali de Alwis (AA) Board Director, Festival 2022 Ltd

ITEM NO	ITEM	ACTION OWNER
	<p>Welcome and Introductions</p> <p>FT opened the meeting, noted apologies, and confirmed VH will continue to be invited throughout the year to any key events. He also informed the committee, Simon Ball, Chair of The OC ARAC has been invited to our next meeting in June.</p>	
I	<p>Approval of Minutes & Matters Arising</p> <p>The ARAC approved the minutes of the last ARAC meeting held on 18 February 2021.</p> <p>FT raised matters arising as follows:</p> <ul style="list-style-type: none">Action 9 – RP to reflect DCMS feedback in counter-fraud policy and circulate final version to ARAC - RP confirmed that he needs to finalise his note by the end of April. Action pending.Action 14 – ARAC to be updated on the process for negotiating Heads of Terms for Commissioning Contracts with the Final 10 Projects (the "10 Full Commissions") - FT confirmed this is on the agenda today for discussion. Action Closed.	<p>RP</p>

2.1	<p>Executive Update</p> <p>PBa provided an update on the following key headlines since the last ARAC meeting:</p> <ul style="list-style-type: none"> • Meetings have taken place with the Prime Minister, Cabinet Secretary in Scotland and the First Minister of Wales • An Internal Audit has taken place • Festival has contracted and announced the 10 Full Commissions to the public • Systems and processes that Festival embedded over the last six months are working and functioning in a more cyclical monthly rhythm • Internal teams now have better structures in place with more hierarchy and management, with the 10 Full Commissions having an allocated Senior Producer, paired with a strategic campaign manager. • Focus on recruitment over the next six months • There is a focus on drafting and completing the full commissioning agreements for the 10 Full Commissions, working with LB and external counsel • Festival’s relationship across the Four Nations is in a very positive place • Creative Wales has taken on an additional person, which provides an extra person in the strategic delivery body • Thanks to LH for securing budget from the Northern Ireland Executive to Belfast City Council <p>A discussion was held regarding the resources in place to manage and navigate the 10 Full Commissions, including the potential draw down of Board Member expertise and specialisms.</p>	
<p>3.1</p> <p>3.2</p>	<p>NAO External Interim Audit Update</p> <p>GW provided an overview of the External Audit of the creative programme procurement process.</p> <p>PWC Internal Audit Update</p> <p>AR provided an overview of the Internal Audit work already undertaken and the plan moving forward.</p> <p>AR to provide a full report of the outcomes of any internal audits completed to ARAC in a timely fashion.</p>	<p style="text-align: center;">AR</p>
4.	<p>Approach: Negotiating Commissioning Contracts</p> <p>LB provided an overview of the approach to negotiating commissioning contracts to date and for the 10 Full Commissions .</p> <p>A discussion was held regarding the commissioning approach for each of the Devolved Nations.</p> <p>The ARAC recorded the final commissioning fees for the extension of the R&D Agreements.</p> <p>ARAC endorsed the overall approach to negotiating the commissioning contracts.</p> <p>ARAC noted the wider contents of the report.</p>	
5.1	<p>Financial Performance Report</p> <p>RP provided an update on the financial performance against both the current financial year (2020/2021) and the Lifetime Budget.</p>	<p style="text-align: center;">DC</p>

<p>5.2</p> <p>5.3</p> <p>5.4</p>	<p>DC to engage with Treasury on timelines for the Final Business Case process.</p> <p>PBa to get an update on the Business Case processes relating to the Devolved Nations.</p> <p>ARAC noted the contents of the paper.</p> <p>Year End Governance</p> <p>RP provided an update on the governance processes that Festival is required to complete as part of its year end procedures.</p> <p>ARAC noted the contents of the paper.</p> <p>Key Financial Judgements and Accounting Policies</p> <p>RP provided an update to ARAC on the key financial judgements and policies for the year ended 31 March 2021.</p> <p>ARAC noted the contents of the paper.</p> <p>Deep Dive: Operational Costs Review</p> <p>RP provided a detailed update on the underlying budget for operational costs for the lifetime of Festival.</p> <p>ARAC noted the contents of the paper.</p>	<p>PBa</p>
<p>6.</p>	<p>Inter-Company Agreement</p> <p>DG provided an update on the inter-company arrangements in place between Festival and the Organising Committee of the Birmingham Commonwealth Games as its parent company.</p> <p>A discussion was held around the content of the agreement and in particular the benchmarking of the percentages being proposed as recharges. Note was taken that these percentages were based on evidence of actual time recorded since incorporation of Festival by the key individuals. AR confirmed that these principles looked sensible.</p> <p>ARAC endorsed the contents of the paper and the key principles contained therein and that the agreement would be presented at the next Board meeting for approval.</p> <p>ACTION: PWC to review the agreement before it goes to Board for sign off.</p>	<p>AR/AB</p> <p>CMcG/LB/AB</p>
<p>7.</p>	<p>Risk Universe and Overview of Key Changes to Risk Profile</p> <p>JD provided an overview of the strategic risk universe.</p> <p>The two covid risks have been downgraded to amber but are still noted as a risk. Key operational risks were also referenced.</p> <p>Risk 27 – Loss of public support - a discussion was held regarding this risk particularly in light of the recent engagements with the creative sector in Wales.</p>	

8.1	ARAC Forward Plan ARAC noted the forward plan.	
8.2	Procurement Pipeline JD provided an update on the procurement pipeline.	
8.3	AOB PBa informed ARAC that it has received formal agreement to spending controls for marketing & communications from DCMS.	

Action Tracker		Owner	Completion Date	Status
Actions from 29/01/21				
1	Continued monitoring of Devolved Administrations / Strategic Delivery Bodies funding to provide an assurance update on cross-programme financial monitoring. A four-nation finance working group to be establish from April 2021 onwards.	RP	May 21	In Progress
2	Tax position to remain under regular review, specific review work to be undertaken once the 10 projects are confirmed.	RP	May 21	Ongoing
3	Workforce Policy training to be tracked and reviewed.	JD	May 21	In Progress
Actions from 18/02/21				
4	RP reflect DCMS feedback in counter-fraud policy and circulate final version to ARAC.	RP	Apr 21	In Progress
5	PWC to complete independent checks on any potential conflicts of interest arising from different internal departments working with any of the ten commissioned teams	AR	May 21	In Progress
Actions from 31/03/21				
6	AR to provide a full report of the outcomes of any internal audits completed to ARAC in a timely fashion	AR	Jun 21	New Action
7	DC to engage with treasury on timelines for the final business case process	DC	Jun 21	New Action
8	PBa to get an update on the business case processes the devolved nations are following	PBa	Jun 21	New Action
9	PWC to review the Inter-Company agreement before it goes to board for sign off.	AR/AB	May 21	New Action