

FestivalUK*2022

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

2.30 – 5.30pm, Thursday 17 June 2021

Held in person and via Microsoft Teams Meeting

Members:

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

Observer:

Adam Richards (AR) PricewaterhouseCoopers (PwC)
Daniel Coles (DC) The Department for Digital, Culture, Media and Sport (DCMS)
Greg Wilson (GC) National Audit Office (NAO)
Sonia Coates (SC) NAO
Simon Ball (SB) The Organising Committee for the Birmingham 2022 Commonwealth Games (OC),
ARAC Chair
Sarah Harrod OC, Head of Finance Management

In Attendance:

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

Apologies:

Amali de Alwis (AA) Board Director, Festival

ITEM NO	ITEM	ACTION OWNER
1	<p>Closed session ARAC/NAO</p> <p>The meeting was opened by FT for a closed session with ARAC members and the NAO.</p> <p>Following this closed session, the attendees and remaining observers were asked to the join meeting.</p>	
2	<p>Approval of Minutes & Matters Arising</p> <p>The ARAC approved the minutes of the last ARAC meeting held on 31 March 2021.</p> <p>FT raised matters arising as follows:</p> <ul style="list-style-type: none">Action 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 established from April 2021 onwards. Action Pending/In Progress and to be reviewed in August.Action 2 – Tax position to remain under regular review, specific review work to be undertaken once the 10 projects are confirmed. Action closed.Action 3 - Workforce Policy training to be tracked and reviewed. On Agenda today. Action closed.	RP

	<ul style="list-style-type: none"> Action 4 - RP to reflect DCMS feedback in Counter-fraud Policy and circulate final version to ARAC. Action closed. Action 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. This has been completed and there are no concerns from PWC. Action closed. Action 6 - AR to provide a full report of the outcomes of any internal audits to ARAC in a timely fashion. Action closed. Action 7 - DC to engage with Treasury on timelines for the Final Business Case process. This is on course to get approval separately. Action closed. Action 8 - PBa to get an update on the Full Business Case processes the devolved nations are following. This is progressing. Action closed. Action 9 - PWC to review the Inter-Company Agreement before it goes to Board for sign off. Action closed. 	
<p>3</p>	<p>Executive Update</p> <p>PBa provided an update on the commissioning, key commercial and negotiating principles, and the contract management process.</p> <p>PBa confirmed that a brand agency had been appointed for Festival and the agency will be engaging with The Board on 6 July.</p> <p>Festival continues to recruit for a significant number of roles. A discussion was had around the approach to recruitment and PBa confirmed that Festival is resource mapping and working closely with its recruitment provider to ensure that it is accessing candidates in different industries as well.</p> <p>Festival is also in the process of setting up close relationships with the teams including how to build practical project management tools and expectations to provide assurance on delivery. The Festival team is also planning face to face visits with the teams.</p>	
<p>4.1</p> <p>4.2</p> <p>4.3</p>	<p>Summary of Report & Financial Statements Accompanying Documents</p> <p>RP provided an overview of the various papers being discussed at the meeting to support the Annual Report and Financial Statements for the 11-month period ending 31 March 2021.</p> <p>SH provided an update that Festival is still waiting to hear back from three commissioned teams to confirm their expenditure for March 2021.</p> <p>ARAC noted the contents of the paper.</p> <p>Presentation of Financial Statements and Significant Accounting Policies and Judgements</p> <p>RP referenced page 44 of the pack that was issued to the committee via the virtual board room (VBR) outlining a breakdown of the funding.</p> <p>It was taken as an action to amend the minutes of 10 December 2020 to reflect that LH attended that meeting as this had not been reflected in the minutes for that meeting.</p> <p>ARAC noted the contents of the paper.</p> <p>External Audit Findings & Audit Opinion</p> <p>GW provided an overview of the NAO's report covering the audit of the Annual Report and Financial Statements. It was confirmed that significant risks had been discharged and that there was no evidence that management had overridden any controls in place, so NAO had no concerns.</p>	

	<p>Papers were provided in advance on VBR to the committee which included a draft of the NAO audit opinion which is incorporated in the Annual Report & Financial Statements.</p> <p>ARAC noted the contents of the paper.</p> <p>4.4 Annual Report & Financial Statement – Governance Process</p> <p>RP referenced page 47 of the pack that was issued to the committee via VBR outlining the processes supporting the contents of the Report and Financial Statements for the Period ended 31 March 2021.</p> <p>SB suggested that a statement like what is included in the OC's Report and Financial Statements could be added to Festival's.</p> <p>In line with auditing standards, the Letter of Representation which the Directors are required to approve, and sign has been requested.</p> <p>ARAC noted the contents of the paper.</p> <p>4.5 Going Concern Considerations</p> <p>RP referenced page 64 of the pack that was issued to the committee via VBR outlining the rationale for the Board's adoption of the going concern basis in the preparation of the Report and Financial Statement for the period ended 31 March 2021.</p> <p>ARAC noted the contents of the paper</p> <p>4.6 Review of ARAC</p> <p>RP referenced page 66 of the pack that was issued to the committee via VBR outlining the work undertaken by and conclusions reached by the Audit and Risk Assurance Committee. This paper provided support for the statements contained within the Governance Statement of the Annual Report and Accounts.</p> <p>It was requested that point 6.3 in the papers is amended to say "anticipated" for issuing the modified opinion.</p> <p>ARAC noted the contents of the paper.</p> <p>4.7 Recommendation to the Board of the Annual Report and Financial Statements</p> <p>SH referenced page 68 of the pack that was issued to the committee via VBR to recommend the current Accounts. Due to some amendments to still take place SH, FT and LH will meet next week to finalise the amendments before going to Board, along with the Letter of Representation which is yet to be finalised.</p> <p>It was confirmed that Festival is required under the Companies Act 2006 to re-appoint the auditors on an annual basis. In line with the Grant Agreement the NAO is to be re-appointed.</p> <p>ARAC noted the contents of the paper.</p>	<p>RP</p>
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5.1	<p>Internal Audit</p> <p>AR referenced page 71 of the pack that was issued to the committee via VBR providing a progress update on the Internal Audit activities undertaken along with the Lifetime Internal Audit Plan over the upcoming months.</p> <p>It was suggested that further conversations on risk reporting with PBa, JD, with PWC take place for further insights.</p> <p>ARAC noted the contents of the paper.</p>	
6	<p>Financial Performance Report</p> <p>RP referenced page 74 of the pack that was issued to the committee via VBR outlining the year-to-date Financial Performance Report on 30 April 2021.</p> <p>It was confirmed that there were no matters arising in the lifetime budget that create any significant risk.</p> <p>RP confirmed that Festival is in the process of finalising commission contracts which will then follow with monthly expenditure meetings with the teams that will flow into monthly Forecast Reports. It was further confirmed that no operational contingency will be touched until 2022.</p> <p>This contingency will be used to address issues around workforce delivery operating model and other risks. This will be managed through ARAC in line with the scheme of financial delegation.</p> <p>Scheme of Publication</p> <p>Festival is finalising its scheme of publication for transparency of information to be provided via the company website. FT to see a version before it goes live.</p> <p>ARAC noted the contents of the paper.</p>	
7.	<p>Risk Universe, Overview of Key Changes and Project Risk Profiling</p> <p>JD referenced page 78 of the pack that was issued to the committee via VBR outlining the Strategic Risk Landscape. A risk capture hub has been created by the OC, and FT has seen the Register to ensure that all risks have been captured appropriately.</p> <p>An action was taken for JD to provide a demonstration of the system to other ARAC members.</p> <p>It was identified that risk 56 should be pushed into red zone. JD summarised the remaining three red risks in detail along with the new risks identified.</p> <p>An action was taken to remind all Festival employees of the confidentiality provisions in their employment contracts.</p> <p>ARAC noted the contents of the paper.</p>	<p>JD</p> <p>JD</p>
8.	<p>Final Business Case Update</p> <p>PBa confirmed that Festival and DCMS are collaborating and co-authoring the Full Business Case, but that Festival will not take ownership of the document. DCMS have agreed to the sharing of this document with the Strategic Delivery Bodies (SDBs). It was highlighted that this document needs to get to the DCMS Finance Committee in July 2021.</p>	

9.1	ARAC Forward Plan The forward plan was discussed, and it was agreed to arrange another ARAC meeting in August to discuss risk reporting. ARAC noted the forward plan.	SH
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