



CREATIVITY IN THE UK

**MINUTES OF THE AUDIT, RISK AND ASSURANCE COMMITTEE (ARAC)
MEETING OF FESTIVAL 2022 LTD VIA VIDEO CONFERENCE ON WEDNESDAY 02
FEBRUARY 2022, 14:00 – 16:00**

(the “Company” and “Festival 2022 Ltd”)
(the “Programme” and “UNBOXED: Creativity in the UK”)

Present:

Faraz Tasnim	ARAC Chair, Non-Executive Director
Amali de Alwis MBE	Non-Executive Director
Roger Lewis	Non-Executive Director, representing Wales
Liam Hannaway	Non-Executive Director, representing Northern Ireland

Observers Present:

Greg Wilson	National Audit Office
Sonia Coates	National Audit Office
Daniel Coles	Department for Digital Culture Media and Sport (“DCMS”)
Alison Breadon	Price Waterhouse Cooper (“PWC”)
Adam Richards	PWC

In attendance:

Phil Batty	Executive Director
David Grady	Chief Financial Officer
Caroline McGrory	Chief Legal Officer & Company Secretary
Laura O’Flynn	Governance Manager (Note-taker)
Sarah Tromans	Head of Financial Management
Gabriella Butler	Senior Finance Manager
John Darnbrook	Head of Business Integration
Lucy Bailey	Senior Legal Counsel
Sarb Hair	Corporate Operations Coordinator

09/22 Welcome and purpose of the meeting

The Chair welcomed all present and outlined the agenda with particular focus on the Finance Performance Report and affordability assessment following the strategic direction Board provided at the extraordinary meeting on 28 January.

10/22 Approval of minutes and matters arising

Several actions were closed and the ARAC minutes from November 2021 were approved by the Committee. The extraordinary ARAC meeting on 21 January 2022 meeting overview as presented at the extraordinary Board meeting on 28 January 2022 in the form of a briefing note. ARAC confirmed this was an accurate reflection and shall form the factual basis for the formal minutes and gave approval to close them via the Executive Director (ED).

The Chair re-capped for the Committee the extraordinary Board meeting discussion and presented the key question and challenge for this meeting as the affordability assessment of the proposed contingency drawdown.

ARAC agreed to look holistically at the overall portfolio of commissions and not just at individual projects, particularly in respect of financial judgements.

Roger Lewis reminded the Committee that he is the UNBOXED Board Representative for Wales and therefore more connected to the Wales project, and it

was acknowledged that this interest did not impact the discussions being had at ARAC in this meeting.

11/22 Executive Update

Amali de Alwis has been approved as the non-executive project lead on sustainability. It was noted that the Board were supportive about the red-rated projects and it was confirmed that the Board have provided a project champion for each, who will meet with the Executive to discuss each red-rated project.

12/22 Finance Performance Report Update

The Chief Financial Officer (CFO) informed the focus of the paper was on the current Financial Performance and Contingency Planning, in line with the risks and costs that the commissioned organisations are incurring.

The CFO reminded the Committee that the Annual Accounts this year would be prepared in September 2022 based on an extended accounting year, as approved by DCMS.

ARAC discussed the assessment of the current contingency position. The ARAC Chair agreed to communicate the endorsed Contingency position to the Board for formal ratification.

The CFO confirmed the current position of the Lifetime Budget 2.0, noting the residual contingency position following the drawdown endorsed.

The ED confirmed that this would be taken through the formal approval process, including protocols agreed with DCMS, which Dan Coles confirmed in the meeting.

Roger noted that surplus could be invested in activity that would leave a legacy.

ACTION: The Chair and ED to include the current contingency position within the ARAC Report to Board for 2 March 2022.

ARAC discussed that there may be further unidentified risks in corporate functions, and the Board would want sight of these at the earliest opportunity. The CFO agreed that this would be challenged at EMT before a future ARAC meeting.

13/22 Procurement Pipeline Update

The Head of Business Integration (HoBI) framed the item under the ARAC's terms of reference to review procurements over £1m in the pipeline and be informed of spend over £175K. This was discussed by the Committee who agreed this activity reflects where the programme is currently sat in development.

A discussion was held about the amber statuses of specific procurements.

14/22 Internal Audit

It was confirmed that only one recommendation from the previous Internal Audits was not complete, the mobilisation of health and safety incident reporting software. The Executive confirmed this will be in place by end of February 2022. There is an UNBOXED action tracker and an update on progress will be presented at the next ARAC meeting. The auditors are keeping pace with UNBOXED to ensure plans can be delivered in the timeframes.

AR framed the rest of the item and informed that the paper reflected three finalised reports, noting key areas.

1) Report on the OC key controls – The audit results for the OC showed an issue affecting the company group. The audit identified no exceptions on IT and HR specific to UNBOXED. The OC Audit Committee is due to meet on 3 February 2022 and the CFO will update the ARAC Chair on the outcome of this meeting.

2) Report on the project management framework to support the 10 commissions – The audit identified some recommendations around the reporting timetable, roles and responsibilities of senior producers and the content and structure of the portfolio report. It was noted that the HofBI had implemented a number of the improvements identified to the report.

3) Report on capacity and resource management – The committee was informed the key focus is to ensure that resourcing requirements during the dissolution phase are transparent, and colleagues are clear on communications in relation to redundancy policy and any outplacement support.

ACTION: CFO to provide a response to ARAC Chair on the key controls audit action.

ACTION: AR to produce a short paper/presentation to Board that outlines the internal audit approach and progress.

15/22 Audit Planning Report

GW framed the paper and ran through key highlights, reminding the Committee that this would not be a standard audit due to the 18-month year end. Commissioning expenditure will be a key area of focus, and audit will be consider payments being booked in the right timeframes, in accordance with public money, and meeting expectations set out in the contract. Fraud risk will be considered as part of the audit.

The team will sample key data, assess if it was in line with policy and delegation, and ensure management judgement decisions have not been biased.

The ARAC Chair requested the Director of Financial Control and Contract Management review the projected audit fees in line with the overall Lifetime Budget 2.0 and confirm a final fee with NAO.

ARAC all supported the approach and approved the External Audit Scope.

16/22 Risk Management: Portfolio Report Update and follow up to Board Discussion 28 January 2022)

The HoBI framed the paper and reminded the Committee that 95 strategic risks had been identified over the last 18 months, now reduced to 63, which demonstrated that 32 risks had been mitigated and closed, showing the approach to continuous risk management that has been embedded.

A discussion was held on the evaluation work and the impact metrics KPMG are determining. ARAC felt this will be a useful mechanism and a reminder was made that a project parameters document is what UNBOXED will hold each project to deliver. Evaluation and legacy remain an area for future review for ARAC and a request for more information was made to be tabled at a future meeting.

ACTION: The Executive Team to invite KPMG to the next ARAC meeting on 6 April 2022 to provide an update. The invite to be extended to all Board members.

ARAC also questioned how UNBOXED are developing wider stakeholder relationships including cross-party support to mitigate risks of the current political landscape. The Executive agreed to consider if more can be done in respect of public affairs and to include regular updates to the Board.

ACTION: The HoBI to split the roadmap across a few pages so it is easier to read in preparation for the next update.

17/22 AOB

There was no 'any other business' raised.

Reflections and closing marks

ARAC was informed that the Board has recently completed an effectiveness review and within this, the ARAC was discussed positively. The Chair took a moment to thank all involved in the Committee for their work.

Close of meeting

The meeting closed at 16:00. The date of the next formal meeting was confirmed as 06 April 2022, virtually.

Distribution by email unless stated otherwise:

ARAC Directors

ARAC Observers

Executive Management Team

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