

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

**2pm, Monday 13th May 2019**

**Held at: 10 Woodcock Street, Birmingham, B7 4BL**

**Attendees:**

Members:

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

In Attendance:

Chief Executive Officer, Birmingham 2022  
Project Manager, Birmingham 2022  
Head of Financial Planning, Birmingham 2022  
Chief Financial Officer, Birmingham 2022  
Head of Financial Management, Birmingham 2022  
Head of Programme Management, Birmingham 2022  
Chief Legal Officer, Birmingham 2022  
Secretariat, Birmingham 2022  
Director of Programme Management and Integrated Planning, Birmingham 2022  
Group Chief Internal Auditor, Government Internal Audit Agency  
Audit Director, National Audit Office

Item No	Item	Action Owner
	<p><b>Welcome and introductions</b></p> <p>The Chair formally opened the meeting. The Chair noted that this was the first meeting attended by CH (ex officio member), NT, DG and CM and invited them to introduce themselves. He also welcomed IC (Group Chief Internal Auditor at GIAA)</p>	
1	<p><b>Minutes and actions from the last meeting</b></p> <p>The minutes of the meetings held on 19 November 2018 and 18 February 2019 were formally approved. The following outstanding key actions were identified from both meetings;</p> <p>19 November 2018 - Value for Money (VfM) audits were not addressed in the last action log.</p> <p>18 February 2019 - The risk appetite was presented at the March OC Board but was not approved by the Board; an exit interview process has now been developed by HR</p>	
2	<p><b>Key financial controls – final internal audit report</b></p> <p>An introduction was provided by IC. IC commented that the focus of this first internal audit visit was to ensure that the OC was setting up appropriate control and governance arrangements with suitable assurances in place in a proportionate and robust manner and with no obvious control weaknesses at the outset. The report was graded as Green - 'Substantial Assurance'. IC noted that this is unusual for an initial report and reflects well on the OC, the Head of Financial Management and the wider Finance Team.</p>	

	<p>It was noted that the OC is still a new organisation and the current financial year has fewer than average number of transactions. The OC needs to ensure that the control framework remains proportionate and effective as transactional demands increase through the lifecycle of the Games. The Committee congratulated the Executive Team on their progress to date.</p> <p>A discussion ensued in respect of the provision of future Internal Audit work. IR updated the Committee on the current position of the tender for professional services (including Internal Audit), with the closure date for submission of tenders being Friday 17 May. Responses are still being awaited.</p> <p><b>Action:</b> –The OC to keep SB updated about the Professional Services tender via email in advance of the next meeting.</p>	<b>DG</b>
<b>3</b>	<p><b>External audit update</b></p> <p>GW reported that NAO work to date has included developing an in depth understanding of finance processes and key risk areas in respect of OC Financial Statements. GW requested that the Committee highlight any other areas that were not already identified in the paper.</p> <p>A risk was identified around timely filing of the Financial Statements which has been discussed with members of the OC to agree a consistent management approach.</p> <p>GW stated that the current OC policies demonstrate good evidence of keeping activities simple whilst discharging relevant duties.</p> <p>Work has begun to agree materiality thresholds. The Committee was made aware that the findings identified below the ‘error reporting threshold’ would not be presented to them as a matter of course, unless it is symptomatic of a wider systemic issue. No materiality threshold for balance sheet analysis has yet been agreed.</p> <p>A discussion was had regarding the OC’s requirement to demonstrate effective management of public monies as well as presenting true and fair statements.</p> <p>A discussion was had relating to value for money (VfM) and the OC’s obligations in this regard. The following points were addressed;</p> <ul style="list-style-type: none"> <li>• The NAO said they would be happy to bring along a VfM specialist to a subsequent ARAC meeting. The OC could also consider bringing in a specialist VfM colleague with previous Games experience.</li> <li>• Currently there is no indication from the Government that a VfM assessment is imminent, but it is expected that this will become more likely over the next couple of years. There is currently no statutory requirement to complete VfM reviews, however this could become the case in the future.</li> <li>• A strong control framework would support future work conducted in respect of VfM.</li> <li>• IR informed the Committee that a VfM specialist conducted work annually during the Glasgow 2014 Games.</li> </ul> <p><b>Action:</b> GW to send letter to OC Management setting out the types of question the OC could be asked on VfM and what the OC should be considering.</p> <p><b>Action:</b> IR to circulate VfM learning from Glasgow to the Committee</p> <p><b>Action:</b> Update on VfM to be included in the August Committee meeting</p>	<b>GW</b>  <b>IR</b>  <b>GW</b>

	<p><b>Action:</b> GW to circulate a paper setting out learnings on VfM requirement including procurement processes</p> <p><b>Action:</b> GW to appoint VfM expert as part of his group.</p> <p>The Committee approved the NAO Letter of Engagement in advance of the OC Board scheduled for 14 May 2019.</p>	<p><b>GW</b></p> <p><b>GW</b></p>
4	<p><b>Period ended 31 March 2019 - matters for approval and review</b></p> <p>A discussion was held regarding the timing of the filing of accounts at Companies House. SH advised the Committee that as the OC had been informed that, prior to filing, the accounts are required to be laid before Parliament and Parliament may not sit before the proposed filing deadline, the accounts may be at risk of not being filed on time.</p> <p><b>Action:</b> HJ to support in getting clarity on whether laying the accounts in Parliament is mandatory prior to filing, and if so, the legal justification for doing so. Subsequently, HJ confirmed that unless there was an exception every arms-length body is required to lay their accounts before Parliament.</p> <p>The finance year-end process is currently anticipated for July. This runs in parallel with the DCMS review of accounts. The Committee confirmed it was happy with this approach at present.</p> <p><b>Action:</b> The accounts will need ARAC sign off / approval before the next Board meeting. SH to confirm how this will work in practice.</p> <p>The option of moving the next Committee meeting forward to accommodate the planned extraordinary OC Board meeting was discussed. SB indicated that he would like to avoid moving the Committee meeting. SB will review the draft accounts before they are circulated to the Committee. The Committee confirmed it was happy with this approach. Subject to a few minor reservations, the proposed accounting policies were approved for year-end reporting purposes.</p>	<p><b>HJ</b></p> <p><b>SH</b></p>

5	<p><b>Review of counter fraud strategy and policies</b></p> <p>IR confirmed that DG had been appointed as the Board Lead for fraud awareness.</p> <p>The fraud policies presented for approval were discussed, with particular emphasis on the following:</p> <ul style="list-style-type: none"> <li>• Counter Fraud Policy – this policy was prepared by the OC in response to GovStandard 013. A Cabinet Office team member has supported its preparation; and</li> <li>• Anti-Bribery and Corruption – this was identified as a key policy. SH confirmed that the OC intends to share it with all new OC recruits.</li> </ul> <p>SB commented that the policies need to address the ‘unusual’ nature of the Games environment – i.e. awarding high value contracts in a very short time period.</p> <p><b>Action</b> – CM to review and stress test the Anti-Bribery and Corruption Policy in respect of ‘real life’ scenarios and validate whether the policies are ‘fit for our purpose’ e.g. where an employee leaves to set up as an independent consultant or a previous supplier becomes a client</p> <p><b>Action:</b> SH to check that the Terms of Reference of the Committee correctly refer to the responsibilities included within the fraud policies.</p> <p>The Committee approved the fraud policies.</p>	<p>CM</p> <p>SH</p>
6	<p><b>Controls Matrix update</b></p> <p>The contents of the paper were noted, and no issues were raised.</p>	
7	<p><b>MPRG and OC budget update</b></p> <p>The budget update paper was discussed, including a reflection on the current position and a summary of the key activities since escalation to MPRG. SB congratulated the OC Team on the good work in the MPRG preparation. IR commented that he was attending the MPRG meeting on 14 May 2019 where further clarity would be obtained however it could take until the end of June to receive budget confirmation.</p> <p><b>Action</b> – OC to upload final MPRG submission / store somewhere and attached to ARAC minutes when circulated.</p>	<p>IR/ EF</p>
8	<p><b>Risk appetite discussion</b></p> <p>IR provided a verbal report on risk appetite from the last Board meeting. IR commented that the OC would do more work on service levels over the next couple of months (e.g. athlete end to end experience and spectator journey) – following which this would be reported to the Board and revisited. It was noted that the report on risk appetite as a result had not been formally approved and would need to be revisited in a different context.</p> <p><b>Action:</b> SB to propose that ‘risk’ be put forward as a Board agenda item at the Board meeting due to be held on 14/05/2019 as well as the July / September meeting.</p>	<p>SB</p>
9	<p><b>Integrated partner risks</b></p> <p>SB noted that there are no impact scores on the strategic risk register.</p>	

	<p><b>Action:</b> NS to ensure that probability and impact scoring of strategic risks is included prior to the next Strategic Board meeting</p> <p>The 'new' and 'high' rated risks were discussed in more detail;</p> <p><b>Action:</b> Cyber security should be included as a separate agenda item at the next ARAC meeting in August. The Committee would like to understand what the OC and its partners are doing to mitigate the risk.</p> <p><b>Action</b> – The OC should prepare a paper to be presented at the next Committee meeting to clarify the governance structure, budget, ongoing risk management and the OC/other bodies' roles in security.</p> <p>NT suggested looking at lessons learned from previous Games that were not considered as successful as well as those that were (e.g. Delhi), as well as the effect on spectator experience, sustainability and legacy.</p> <p><b>Action:</b> CH asked that sustainability risks be considered and captured within the risk register.</p>	<p>NS</p> <p>IR</p> <p>PK</p> <p>PK</p>
10	<p><b>Risk Assurance Map</b></p> <p><b>Action:</b> The Risk Assurance Map should be included as a standing agenda item for this Committee and be included twice a year on the Board's agenda.</p> <p><b>Action:</b> The Programme Management and Integrated Planning Team must ensure that the identified lead group/meeting were aware that they were being identified as an assurance control as part of the strategic risk mitigations.</p> <p>It was noted that all 'yellow' stakeholders are aware of their responsibilities under the plan and take ownership accordingly.</p> <p>The format of the Risk Assurance Map was approved by the Committee.</p>	<p>AJ / IR</p> <p>PK</p>
11	<p><b>Any other business</b></p> <p><b>Action:</b> The ARAC work plan should be included as a standing agenda item.</p> <p><b>Action:</b> SB requested that Financial Management be added as a standing agenda item. SB stated that he expects the Internal Audit function to present at every Committee meeting once appointed.</p> <p>SB confirmed that the requirement under the Committee Terms of Reference to hold 'closed committee meetings' without the OC executive team present has been met.</p> <p><b>Action:</b> SB requested that meeting actions are presented in a separate log for each meeting and shared with Committee Members.</p> <p>There being no further business the meeting was closed.</p>	<p>AJ</p> <p>AJ</p> <p>AJ</p>