

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

13.30pm, Monday 29th June 2020

Held at: Teams Meeting Online

Members:

Commonwealth Games England Nominee (Chair)
Ex Officio Member
Ex Officio Member
Independent Board Member

In Attendance:

Head of Procurement, B2022 (Item 6b only)
Internal Audit Partner, PwC
Group Chief Internal Auditor, Government Internal Audit Agency
Internal Audit, Senior Manager, PwC
Head of Financial Planning, B2022
Chief Financial Officer, B2022
Director of Programme Management & Integrated Planning, B2022
Head of Financial Management, B2022
Deputy Director (Finance), Commonwealth Games Delivery Unit, DCMS
Chief Legal Officer/Company Secretary, B2022
Sponsorship Specialist, Sport Five (Item 5 only)
Chief Executive Officer, B2022
Audit Manager, National Audit Office
Audit Director, National Audit Office
Executive Assistant, B2022 (Secretariat)

Apologies:

Department for Digital, Culture, Media and Sport Nominee
Head of Programme Management, B2022

	Item	Action Owner
1.	Closed Session – ARAC/NAO	
2.	<p>Welcome and introductions</p> <p>The Chair opened the meeting and confirmed that it was quorate. Due to current COVID-19 restrictions the meeting was held via Microsoft Teams.</p> <p>Apologies were received from SL in advance of the meeting. CMcl is in attendance as an observer on behalf of DCMS.</p> <p>IR advised an Extraordinary Board meeting had been held this morning (29th June) which was called to discuss one single Agenda item, namely the Athletes Village and accommodation options. There will be a Strategic Board meeting on Thursday 2nd July to further progress these discussions. There will be a further Board meeting currently scheduled for Monday 6th July (subsequently moved to Friday 10th January) to approve the audited Company accounts. IR confirmed that the OC is recommending that it should not continue with the use of Perry Barr as the Athletes Village and alternative accommodation options have been identified. The OC has spent the last 6 weeks in commercial discussions with Senior Leadership of various sites and a</p>	

	<p>3-site solution is proposed. The proposal was endorsed by the OC Board at the Board Meeting this morning.</p>	
<p>3.</p>	<p>Actions and Minutes</p> <p>The minutes and actions of the ARAC meeting held on 22 April 2020 were formally approved.</p> <p>It was agreed that the Actions from meeting on 22nd April be covered at the end of session.</p>	
<p>4.</p>	<p>Risk</p> <p>a. Covid-19 Update including Village & Capital Projects</p> <p>AH presented the Covid-19 Update slides which had been previously distributed and tabled as read.</p> <p>The OC has been monitoring the Covid-19 situation closely and has adopted various mitigating actions which have progressed since the April meeting.</p> <p>The OC has completed a full detailed impact assessment incorporating the findings of the MACE review on all Capital projects since the last ARAC meeting, whilst focussing on the 5 mission statements. Three COVID scenarios; manageable, extended & ongoing have been considered. The OC conducted a risk assessment based on the planned delivery date for the Games of July 2022. Various alternative date options were considered, taking into account the sporting calendar, with a 2022 delivery date being widely supported. Government and Secretary of State support had also been received for a 2022 delivery date. As a result, a recent announcement had been made detailing a 24hr date shift with the new dates agreed for the Games as 28 July 2022 running until 8 August 2022.</p> <p>SB queried the risk of athlete attendance being impacted by the date change. AH confirmed that this was one of the key evaluation criteria as a part of the assessment and from an athletes' perspective the dates in 2022 were preferable due to a very busy calendar including Paris 2024 Qualification & Test events scheduled for 2023.</p> <p>In 2022, the one day shift had taken account of revised scheduling for UEFA Womens Cup, World Athletics & European Championships to optimise dates for athletes that may participate in three events over a six week period.</p> <p>AH highlighted some of the key risks relating to the cultural programme, QBR, recruitment and procurement and the supply chain, in particular, the UK bus market, FFE, accommodation, ticketing service providers and events staff, which have been impacted by the Covid-19 challenges. AH reassured ARAC that this is being closely monitored with monthly review meetings in place and regular reporting. Additional review points exist to review the COVID scenario assumptions prior to any critical programme commitments. It was also highlighted that there is an opportunity to accelerate certain procurements and these options are being utilised where possible.</p> <p>Action: AH to distribute updated Operational Delivery – Athletes Village (All/ part student/ hotel accommodation contingency options) slide with updated figures to EB. EB to append to minutes.</p> <p>b. Risk Assurance Report</p> <p>The Risk Assurance Report had been previously distributed and was tabled as read.</p>	<p>AH</p>

	<p>The OC has successfully moved to a remote working model and has not experienced any significant problems with this. Recruitment has continued with “business as usual” and roles are still being filled with inductions taking place via Teams meeting every Monday morning. There is an “Office Return Working Group” which meets weekly to discuss the process for returning to office, factoring in risks and employee views and opinions and Government guidelines.</p> <p>CH praised the report and the steps the OC has taken to date in response to COVID. CH challenged if there were areas where the OC feels there is a single point of vulnerability, specifically any operational related issues, if Covid-19 is still an ongoing issue in the coming months. It was confirmed that the Programme & Risk Management Team is monitoring the ongoing situation and updating plans as necessary. Opportunity exists to incorporate expertise into the recruitment pipeline with other events being cancelled and postponed.</p> <p>CMcl raised a question regarding the costs of the alternative Athletes Village solutions. The OC confirmed that it had undergone a budget review exercise to ensure that it is feasible to cover the costs of the alternative accommodation; IR confirmed that the OC currently has the budget to cover these costs. The OC is not planning on using the DCMS Games contingency budget for the Village costs and is in the process of writing a letter to DCMS requesting their confirmation of the OC’s proposals to cover the costs from the OC budget.</p>	
<p>5.</p>	<p>Commercial Income</p> <p>PR presented the Commercial Revenue paper which was previously distributed and taken as read.</p> <p>Due to current market conditions, as a result of Covid-19, the Partnerships Team is facing tougher conditions than predicted. As a result, the Partnerships Team identified the key actions and programmes to maximise sponsorship revenue and to help to mitigate the risk of not meeting the revenue target.</p> <p>Work is ongoing with the OC’s Legal and Procurement teams to agree a preferred route to market during procurement exercises. The Partnerships Team are doing all they can to maximise sponsorship opportunities during the procurement process, particularly by 3-games deals.</p> <p>Action: There will be a deep dive exercise into the action areas highlighted by PR at the November ARAC meeting.</p> <p>Action: ARAC members to be invited to review the sales material presentation</p> <p>GB challenged if the Sponsorship team has established milestones to measure what success looks like in the current environment. She asked if the team had these measures in place in good enough time to be able to take action. PR reassured ARAC that the key milestone is the revenue created, which is reported to the OC Board – the Partnership Team is currently ahead of their income target and continue to report periodically to the OC.</p>	<p>EB/PR</p> <p>PR</p>
<p>6.</p>	<p>Internal Audit</p> <p>a. Annual Report</p> <p>AB presented the paper which was previously distributed and taken as read.</p>	

AB pointed out that the internal audit work completed during the period to 31 March 2020, and summarised in the paper, was undertaken prior to the current Covid-19 working conditions, and therefore had not considered the impact of any changes to working practices, processes and controls. Going forward, internal audit work will take this into account.

The annual internal audit opinion on Governance, risk management and control in relation to business-critical areas is “generally satisfactory with some improvements required”. Some improvements are required in framework of governance, risk management and control.

The OC has implemented PwC’s internal audit tracking tool, TRAction, to track and monitor progress made by the OC against the status of agreed management actions.

All ongoing actions are reported on and will be fed back at the next ARAC meeting.

b. Completed Audit Reports

Budgetary Process Review

AB tabled the report previously distributed and tabled as read. The overall rating for the report was Medium Risk.

The OC had clearly defined processes and controls to support the development of the OC’s Version 2 budget. Budget activities and outputs were coordinated across the OC, and the Financial Planning team engaged with other Games partners, such as Transport for West Midlands, to ensure their contribution was challenged.

The OC is in the process of developing further mechanisms and processes to improve budget monitoring and reporting and linkage of budgetary impact of the strategic risks.

Review of Privacy Implications of Procurement of Services

AB tabled the report previously distributed and tabled as read. The overall rating for the report was Medium Risk.

It was noted that PwC has not reviewed the controls in place within relevant third parties or reviewed contracts in detail, and so this review is not a substitute for proper legal review of contracts.

The monitoring of 3rd party information and managing data is a key area to focus with due diligence and processes in place.

CMcG assured the ARAC that extensive work has been carried out to get the OC in a compliant position – all relevant policies are in place and available to all staff via the SharePoint website, which staff are made aware of during their induction. DPIAs have been undertaken on all relevant systems and the risk register has been created and completed but requires a clear process for updating going forwards. Training has been provided to staff, and a refresher session to include more recent starters is to be arranged. The OC has had support from Gowlings Data Protection Team and will commence the process to recruit a cross functional Data Manager.

SB highlighted that personal data collected via the accreditation process is a key issue to

	<p>be focussed on when the time arises.</p> <p><u>Review of Procurement Processes</u></p> <p>AB tabled the report previously distributed and tabled as read. The overall rating for the report was High Risk.</p> <p>It is recognised that a lot of work has gone into the Procurement area, and even during the review the internal audit team were working closely with the OC to review and feed observations into relevant documents as required.</p> <p>FA reassured ARAC that following the review, work is already in place to work on the actions to improve processes. The Procurement team have been working with the Process Improvement Team to convert their tracking spreadsheet into a SmartSheet. The team is expanding and out to market for new resource.</p> <p>GB raised concern for Cabinet Office approvals. The OC has experienced challenges in obtaining the relevant required approvals to date. DG confirmed that the OC is up to date with approvals for all expenditure included within the accounts for the year ended 31 March 2020, however there is a delay in approvals for up-coming expenditure. The OC is not considered a high-risk for approvals and Cabinet Office have confirmed that this means that approvals should be easier to obtain.</p> <p>Action: FA to provide a list of outstanding Cabinet Office Approvals (including their values) to the ARAC. EB to append to Minutes.</p> <p>Action: The OC to review the Assurance Letter (as part of the Annual Accounts) to check if anything needs to be included regarding Cabinet approvals.</p> <p>c. Internal Audit Process Report</p> <p>Plan for 2020/2021 – this year is a critical year to ensure building blocks are in place for the OC activities going forwards. SB noted in particular that it was now time to raise the bar. It is agreed that a more fluid approach is needed for next year and more flexibility built into the plan. PwC recognise that issues will emerge as the year goes on and will be reporting back to the ARAC on any changes required to the plan for 2020/2021 as appropriate.</p> <p>IC is pleased with the progress which the OC has made with PwC and praised the work to date. It is crucial that, although teams will be busy, the audits go ahead and action as appropriate. There is good engagement with the Executive Management Team which is reflected in the positive relationship with PwC and the OC.</p> <p>IC provided an update on the integrated assurance forum. The OC is starting to see benefits from meetings; unfortunately, the IPA has not attended a meeting so far which is challenging to ensure all Auditors are aligned and not duplicating work.</p>	<p>FA/ EB</p> <p>DG/ SH</p>
<p>7.</p>	<p>Annual Report and Financial Statements for year end 31 March 2020</p> <p>a. Summary of Annual Report and Financial Statements</p> <p>DG presented the summary paper which was previously distributed and taken as read.</p> <p>The accounts outcome is as expected – there was a £nil profit in the Statement of</p>	

Financial Position. The OC is still on target for the laying of its accounts before Parliament on 14th July 2020, subject to today's review and subsequent Board approval.

b. Presentation of Financial Statements and significant accounting policies and judgements

SH tabled the paper which was previously distributed and taken as read.

The most significant matter relates to accounting for Value in Kind transactions. The OC has been advised by PwC on the relevant accounting considerations and has determined its accounting policy on the basis of that advice and agreed that policy with the NAO.

There is a large cash balance at the year end as a result of the timing of the funding receipt from BCC for fixed assets and rent payable in advance.

Additionally, the requirements of IFRS16 have been met and the office lease is now on the balance sheet.

Festival 2022 is now its own subsidiary of the OC. Presentation to the ARAC due at next meeting to review how it will feed into the ARAC.

Action: a paper on Festival 2022 to be tabled at the next ARAC meeting including its governance arrangements, its corporate structure and how it will feed into the ARAC.

SH

There has been no significant change in other Accounting policies from the previous period.

c. Reconciliation of Management Accounts to Financial Statements

SH tabled the paper which was previously distributed and taken as read.

5 adjustments from Management Accounts to Statutory Reporting were made for the year 1 April 2019 to 31 March 2020 as detailed in the paper. The main adjustment relating to the removal of the Right-of-use asset adjusted for depreciation in line with IFRS 16 accounting.

d. External Audit Finding and Audit Opinion

GW tabled the paper which was previously distributed and taken as read.

It was noted that the OC Finance team had been helpful during the audit and provided information in a timely manner.

The specific risks identified were as follows: -

- Presumed risk of management override of controls
- New system implementation and data migration
- Presumed risk of fraud in revenue recognition
- Value in kind income

On the basis of the audit work performed, the NAO has no matters of concern to report in respect of these specific risks.

Some recommendations are included in the report – action has already taken place, and none are significant.

The Draft Letter of Representation and the draft Audit Certificate are included in the pack at Appendix 1 & 2.

All members were content with ViK work and agree that Village wording included in the Accounts needs to be updated to reflect the current position (to be picked up under 7e.)

SH confirmed that pre-payment adjustment of £20,000 was a result of IFRS 16 and was a difference in opinion and adjusted as proposed by the NAO.

Action: There was discussion regarding who should sign the Letter of Representation – SH confirmed that John Crabtree signed last year. It was agreed it will go to the Board for approval rather than IR signing this personally.

DG/
SH

e. Annual Report and Financial Statements – governance process including going concern considerations and Annual Governance Assurance Memorandum

SH tabled the paper previously distributed and tabled as read.

There was challenge regarding the wording included in the Accounts regarding COVID-19 and the Athletes Village. As the accounts will be published at the same time as the proposed announcement of the Village changes, it was suggested that the accounts would need to reflect the challenging situation regarding the Village and the decisions recently taken by the OC Board.

IR reassured the ARAC that the OC recognises this information needs to be included in the front end of the Accounts and that the wording needs to be reflective of the current situation. SB also noted that other current challenges such as the sponsorship target and those key risks highlighted by AH earlier on in the meeting might also merit reflection/inclusion in the Accounts.

GB challenged that the accounts do not include reference to diversity initiatives/specific wording regarding the “Black Lives Matter” movement, and suggested that the accounts are updated to reflect this. NT highlighted that the Accounts should reflect the position on EDI generally with an endorsement of the OC’s message on inclusivity and diversity.

CH raised a comment regarding Climate change and asked if the OC needed to make any specific disclosures regarding the position on sustainability at the Games.

In light of the above comments, it was agreed to give delegated authority to IR, DG, SB & 1 other member to review additional wording for the accounts within 48hrs of this ARAC meeting, ahead of going to Board on Monday 6th July.

Action: Additional wording for accounts to be provided to above working group to approve ahead of 6th July Board meeting (subsequently moved to 10th July).

SH

Governance Assurance Memo to DCMS

Response has been submitted (Annex 1 & 2 to papers). Following the meeting, the OC should confirm that nothing has changed since that submission.

Action: The OC should consider whether wording needs to be included to cover the position regarding Cabinet approvals based on the earlier discussion.

DG/SH

	<p>f. Going Concern</p> <p>SH presented the paper previously distributed and taken as read.</p> <p>CMCl confirmed that DCMS is comfortable with the proposals submitted by the OC.</p> <p>It was noted that a letter has been drafted by the OC (to be signed by JC and IR) to send to DCMS following the Strategic Board meeting which recognises that the OC has agreed to step up to provide an alternative Village solution and cover the costs of the alternative solution.</p> <p>SL confirmed via email that he was happy with the undertaking outlined in the paper.</p> <p>g. Recommendation to the Board on the Annual Report and Financial Statements</p> <p>SH presented the paper previously distributed by CMcG and taken as read.</p> <p>Subject to the inclusion of revised wording in the Accounts relating to the updated Athletes Village challenges (as approved by the sub-committee referred to above), the ARAC:-</p> <ul style="list-style-type: none"> • Recommended the Annual Report and Financial Statements in the form set out in Annex 1 to Paper 7b for approval by the Board; • Recommended the Representation Letter in the form set out in Annex 1 to paper 7d for approval by the Board; • Recommended the re-appointment of the NAO as auditor for the 2020/21 financial year; • Recommended the OC confirm to DCMS there are no changes made from the assurances provided in the letter dated 12 June 2020. 	
<p>8.</p>	<p>a. Financial Management</p> <p>SH presented the paper previously distributed and taken as read.</p> <p>The OC is continually reviewing where it is as an organisation in relation to the recent Covid-19 risks. The OC are working very closely with Cabinet Office and ensuring all relevant updated Fraud materials have been shared with the relevant teams in the OC.</p> <p>The OC has introduced a monthly controls meeting with all key control owners. The Group reviews the key controls and assesses the appropriateness of control design, as well as the effectiveness of their implementation within the business, and confirms whether or not they are operating effectively.</p> <p>The OC has all relevant insurance cover in place (through DCMS or otherwise) (employers' liability and clock insurance) and also has cover in place in respect of death in service and colleague travel insurance. The OC is working with an insurance broker to secure Cancellation and Abandonment insurance – update to be given at the next meeting.</p> <p>Action: Update on Cancellation and Abandonment insurance to be provided at the August ARAC meeting.</p> <p>The ARAC noted the contents of this paper.</p>	<p>SH</p>

	<p>b. Financial Performance to May 2020</p> <p>EF presented the paper previously distributed and taken as read.</p> <p>The impact of the Covid-19 outbreak on the capital projects and economic outlook has introduced risks to the OC lifetime budget related to contingency venue requirements and commercial income</p> <p>Value-in-kind sponsorship income has been recognised in the year-to-date for management accounting purposes.</p> <p>The OC is yet to perform an in-year reforecasting exercise and work will commence on this later in the financial year to support the Supplementary Estimate process.</p> <p>The OC has commenced a budget update exercise involving further refinement of the quantification of the financial risks arising from Covid-19, including an evaluation of alternative Village scenarios.</p> <p>Annual budget – a re-forecast will take place in October.</p> <p>The ARAC noted the contents of this update paper.</p>	
<p>9.</p>	<p>Whistleblowing Annual Report</p> <p>CMcG updated the ARAC on the current whistleblowing process within the OC.</p> <p>There is a Whistleblowing policy in place which is available to all staff on our internal SharePoint website.</p> <p>No official Whistleblowing complaints have been received to date.</p> <p>No formal complaints have been received via. the formal complaints policy which is on the Website and internal SharePoint.</p> <p>Action: A link to all policies to be sent to all staff as a reminder they are in place.</p> <p>The ARAC suggested that it may be a good time to consider carrying out a staff survey now that the OC has a higher number of staff; this could cover what the staff's views are regarding transparency and how comfortable they feel to talk or whistleblowing if faced with such a situation. CMcG noted this recommendation and highlighted that staff surveys had been carried out in relation the health and well-being of staff whilst working away from the office during lockdown.</p>	<p>EB</p>
<p>10.</p>	<p>AOB</p> <p><u>FOI Request</u></p> <p>CMcG updated the ARAC on a recent FOI request the OC received.</p> <p><u>Review of Forward Agenda</u></p> <p>The date of the next meeting is 18th August 2020. The meeting is to cover all standard agenda items plus:-</p> <ul style="list-style-type: none"> - Internal audit revised plans - Blue sky risk review (SB) - Festival 2022 Update (SH/CMcG) 	

Accounts Meeting 3 July 2020

Subsequent to the ARAC meeting a revised version of the Annual Report and Financial Statements was shared with ARAC Members. The revised document was approved to Board by CH via e-mail on 2 July 2020 and during a meeting on 3 July 2020 attended by SB and GB.

APPROVED