

# THE NATIONAL LOTTERY COMMUNITY FUND

## MINUTES

### AUDIT AND RISK COMMITTEE

MARCH 14<sup>H</sup> 2024

09:30-13:00

NLCF London Office/ Teams

#### PRESENT

Richard Collier- Keywood	Audit and Risk Committee Chair
Emma Boggis	Member
Charlotte Moar	External Member
Simone Lowthe- Thomas	Member

#### IN ATTENDANCE

##### INTERNAL

David Knott - CEO  
 Stuart Fisher - Finance Director  
 Laura Lucking - Funding Strategy, Communications and Impact Director  
 Fiona Morley - Head of Internal Audit  
 Emma Kavanagh - Deputy Director, Finance  
 Austin Ruane - Head of Risk (*Items 6-8*)  
 Sarah Rossiter- Head of Controls Assurance (*Item 8*)  
 Kate Begs - Northern Ireland Director (*Item 8*)  
 Emma Corrigan - England Director (*Item 8*)  
 John Rose - Wales Director (*Item 8*)  
 Mel Eaglesfield - Deputy Director UK Portfolio (*Item 8*)  
 Patrick George - Senior Governance Officer (*Minutes*)  
 Catherine Roberts - Head of Governance (*Minutes*)

##### EXTERNAL

Andrew Brittain - EY  
 Ntombifuthi Mhlongo - EY  
 Sajid Rafiq - NAO  
 Gurpreet Dulay - BDO  
 Robert Bailey - NAO

#### APOLOGIES

Neil Harris - Corporate Services Director  
 Phillip Lewis - DCMS

*The meeting was preceded with a closed session.*

#### 1. INTRODUCTORY REMARKS

- 1.1 Richard Collier-Keywood welcomed all Committee members and attendees to the meeting.
- 1.2 Apologies were received from Neil Harris (Corporate Services Director) and Phillip Lewis from DCMS.

#### Declarations of Interest

- 1.3 There were no declarations of interest.

### Approval of January 2024 ARC Minutes

- 1.4 Emma Boggis suggested changes to the minutes in section 5.2 and 8.4.

**ACTION: Governance**

### Action Log

- 1.5 The action log was taken as read.
- 1.6 Stuart Fisher advised there was an action to have a further Contract Management update provided, this was included in the paper pack and a further update memorandum from Stuart provided more updates on the Actions.

## 2. CHIEF EXECUTIVE HEADLINES & HORIZON SCANNING

- 2.1 The CEO reflected the end of a busy financial year and advised that the Fund was in a strong place with the KPIs and the Corporate plan. The Corporate Plan would form the first half of the new strategy and it was to be signed off by the Board in March 2024. There was more to come on Governance assurance and a cycle of learning and growing as the Fund moved into the new strategy period
- 2.2 There was a strong transition from Camelot to Allwyn as the new operator for National Lottery and regular updates were to be received from DCMS and the Gambling Commission. Due to finance projections for growth, there would be a focus on planning for this. There had also been a strong level of colleague engagement in a recent survey with a much improved score from the previous survey.
- 2.3 There were questions raised from the Committee regarding the new Framework agreement and whether this had been signed. The CEO confirmed the document had been through the treasury process and would hopefully be signed off before the start of the financial year.

## 3. INTERNAL AUDIT

### Proposed Internal Audit Plan 2024/25

- 3.1 Fiona Morley presented the Audit Plan papers, taking on board feedback from the January Audit and Risk Committee audit planning workshop. For future plans the committee suggested there should be a focus on colleague retention (specifically technology services and cyber security) and skills mapping for leadership team and succession planning. The 2024/25 plan included a focus on the more front office areas of grant making and funding activities.

**3.2** The Committee members **AGREED** the Audit Plan and welcomed the focus on funding, points were made about looking at the Audit Universe for the next three years to form the next plan in terms of topics in conjunction with the new strategy and corporate plan. Questions were raised around the reasoning for a focus on technology services retention and the split between 2024/25 and 2025/26 in terms of balance of workload and priorities. It was agreed that the reason for this would be looked into further and an update report would be given at the next Committee meeting.

**3.3** There was also a question about the focus on Leadership and whether succession planning was plausible at a Senior Management Team Level, the CEO advised that the focus was to be on Leadership structures across the Fund and at all levels. It was also noted that the British Library had published its report into the recent security breach, this report would be circulated after the meeting. A Cyber Deep-Dive session would be provided at the next Audit and Risk Committee session in June 2024.

**ACTION: Fiona Morley**

**3.4** John Mothersole would be invited to the June meeting of ARC to discuss progress on governance reforms.

**ACTION: Governance**

### **Progress Report**

**3.5** The Committee moved onto the Progress Report and Fiona Morley advised that good progress was being made on the audit plan for the rest of the year. Engagement with the audits had been positive and sponsor comments were good. The last four audits had been returned within the timings of the KPIs. Members were pleased to see the improvements. It was noted that there wasn't an update on the potential annual opinion from the Head of Internal Audit included in the paper. It was noted that the provisional assurance opinion was given as moderate by the previous HIA and currently Fiona sees no reason for this opinion to change. This would be kept under review and the committee notified if there was a likely change.

### **Outstanding Recommendations**

**3.6** Fiona Morley ran through the outstanding recommendations. Ten that management proposed for completion had been sent to BDO for additional checks, seventeen were currently ongoing, in date and had actions against them and two that had missed deadlines but also had actions against them. The first was the Employment Framework Audit, the recommendation owner had confirmed a proposal had been approved by the Performance and Programmes Sub-Committee and would be launched in April. The second, Counter Fraud Audit, was presented at the Fraud Management Group and an update would be shared in

April/ May. The Committee was satisfied with the progress made on implementing the outstanding points.

#### **4. EXTERNAL AUDIT**

- 4.1** Andrew Brittain presented the audit plan and advised that not much had changed from the version previously presented to ARC. The majority of audit risks would be consistent with prior years. There were additional items to highlight with the first being a potential change in the structure of the Fund and the requirement to meet new carbon and climate related reporting requirements. The aim was to complete the audit before the parliamentary recess and a full report would be presented to the June Committee.
- 4.2** Discussion was held around the implementation of the new finance system and general ledger and whether there were any areas of concern. Stuart Fisher advised that this was currently in the early stages of pre-procurement and implementation was scheduled for March 2025. This was being monitored by the Performance and Programmes Sub-Committee with the ability to escalate to the Senior Management Team if needed. A request was made for regular updates to be provided to the Committee.

**ACTION: Emma Kavanagh**

#### **5. ANNUAL REPORT AND ACCOUNTS**

- 5.1** Stuart Fisher presented the paper and advised that presenting an exception-based reporting model held more value rather than providing a full draft report as it provided a more concise way of focussing attention on the key issues. The Committee members were happy with this approach.

*Austin Ruane joined the meeting.*

#### **6. RISK**

- 6.1** Stuart Fisher introduced the paper by advising that risk reporting was in a stable position, and the changes had been made to report on the current operating environment based on previous feedback received from the Committee. Austin Ruane presented the papers, noting two new risks added to the Organisational Risk Register relating to EDI. He noted that thirty-six risks were open across all directorate risk register which underpin the ORR, with five currently rated as high and one ORR risk remained out of tolerance as reported at Annex D. As a result of approved risk appetites changing some risks were moving back in to tolerance, whereas other risks may move out of tolerance.

- 6.2 The Committee wanted to look in more detail at ORR7 and have a deep dive on cyber risks particularly considering the issues that emerged from the British Library incident at a future meeting.
- 6.3 Annex A was considered and it was remarked that this contained both first line and second line assurance actions. These would be reviewed and it would be separately noted which were first and second line defence issues back to the Committee in the June meeting.
- 6.4 There was also a suggestion that we should have a discussion in June bringing back environmental risk as a combined area.

**ACTION: Austin Ruane**

*Sarah Rossiter joined the meeting.*

## **7. FRAUD**

- 7.1 Sarah Rossiter ran through the Quarterly update report, and noted three fraud focus areas were being looked at across the Fund. The investigation caseload was down to nine months in terms of backlog. Historic cases were being processed with a view to getting this down to six months with a target date of September. Information requested for PFSA had been submitted looking at how much resource was being invested into Fraud investigation compared to how much was being prevented. There were also talks ongoing with DCMS to look at an overall target for 2024/25. Sarah also noted that the CIFAs and PV fails looked different to previous reports, the reason for this was due to two big third party funding programmes (the cost of living fund and the million hours fund) running which involved a higher level of counter fraud checks.
- 7.2 Presenting the 2024/25 Counter Fraud Work plan, Sarah explained that this was a new approach to developing the plan, which focussed on providing greater levels of focus and assurance on fraud risk. Regular case studies were being received by the Fraud and Risk Management Group and shared with front line officers, and intelligence sharing around counter fraud standards was being completed.
- 7.3 Committee members welcomed the update and congratulated Sarah and the team on the progress made. The Committee wanted further clarification as it was felt the Audit Recommendation was too small and didn't incorporate the wider picture around Fraud risk, particularly around Standard Grants. Sarah Rossiter explained that the Risk and Control matrix was under review for Simple Grants, the likely recommendation would be that it would be the same as for Standard Grants. It was noted that this wasn't 'owned' by the Fraud Investigation Team, rather it would sit within FSCI as the product owners. It was agreed that Sarah Rossiter and Laura Lucking would take this away for further discussion.

**ACTION: Sarah Rossiter and Laura Lucking**

- 7.4 It was also noted that the Whistle Blowing paper showed six cases resulting in £4.1million being referred to the Fraud team and questions were raised as to whether that money was still at risk. Sarah Rossiter would provide an update on this question. There was also a request for clearer reporting to enable the spotting of trends.

**ACTION: Sarah Rossiter**

*Sarah Rossiter and Austin Ruane left the meeting.*

*The Committee held a ten minute break at 11.55*

*Emma Corrigan, John Rose, Melissa Eaglesfield and Kate Beggs joined the meeting.*

## **8. PORTFOLIO DEEP DIVES**

- 8.1 Kate Beggs presented the Portfolio Deep Dive slides and discussed funding risk categories (internal and external) and the consequences tied to these, key risk themes and controls and mitigations. These were informed by discussion around relationship-based grant making, regular portfolio reviews and risk identification and monitoring. Next steps were to review Simple Products, understanding risk projects better and a review of directorate registers.
- 8.2 Committee members thanked the team for the presentation. Points were raised around the Fund's risk metrics and preparedness for high profile challenges that may arise when entering into grant making in potentially sensitive subject areas. The Committee were assured that metrics were in place in these instances, risk levels were registered in the system and this could trigger extra controls. There can be different reasons to class something as high risk and there are different methods used dependent on the situation, financial stability of an organisation was an example given. A robust policy was in place for this and had recently been reviewed. The discussion also focussed on the benefits of local levels of knowledge and the key was relationships being developed. There was also acknowledgement that sometimes there should be an element of elevated risk in grant making in order for it to be successful. It was noted that the Board had recently indicated that it had reduced appetite for risk across the grant portfolio and this is something that may need to be reviewed again.

**9. UPDATES FOR INFORMATION AND NOTING**

**9.1** Items 10.1, 10.2 and 10.4 were noted without further comment from the Committee

**9.2** It is noted that the Whistle Blowing policy has the wrong contact details for the Internal Head of Audit and this needed to be updated immediately. A good practice guide for Whistleblowing from the National Audit Office would also be circulated after the meeting.

**ACTION: Fiona Morley**

**10. ANY OTHER BUSINESS**

**10.1** A point was made regarding a Cyber Deep Dive needing to be added to the Workplan for the June 2024 session. There was no further business discussed. The Chair brought the meeting to a close.

**ACTION: Governance**

**THE MEETING CONCLUDED AT 13:00 AND WAS FOLLOWED BY A CLOSED SESSION WITH THE COMMITTEE.**