

THE NATIONAL LOTTERY COMMUNITY FUND

MINUTES

AUDIT AND RISK COMMITTEE
JUNE 12TH 2023
10:00 - 13:30
TEAMS

PRESENT

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

IN ATTENDANCE

INTERNAL

David Knott - CEO
Stuart Fisher - Finance Director
Neil Harris - Corporate Services Director
Verity Prime - Funding Strategy, Communications and Impact Director
Austin Ruane - Head of Risk (*Items 11 & 12*)
Michelle Everitt - Deputy Director, People (*Items 3, 4 & 5*)
Janette Coughlan - Deputy Director, Technology (*Item 18*)
Kate Beggs - Director, Northern Ireland (*Item 14*)
Lucy Taylor - Governance Officer (*minutes*)
Catherine Roberts - Head of Governance (*minutes*)

EXTERNAL

Greg Rubins - BDO
Gurpreet Dulay - BDO
Simon Mathers - EY
Andrew Brittain - EY
Paul Holland - NAO

APOLOGIES

Ruth Marchington - Member
Nick Blake - Head of Internal Audit
Neil Harris - Corporate Services Director
Matt Miller - DCMS
Claire Parkes - Audit & Investigations Manager

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 Ruth Marchington, Nick Blake, Neil Harris, Claire Parkes and Matt Miller.
- 1.3 Charlotte Moar declared a declaration of interest, noting that she recently joined The Law Society as an Independent Member. The interest had already been submitted to the conflict of interest register.

1.4 Richard Collier-Keywood declared a declaration of interest, noting that he was joining the Welsh Rugby Union as Chair

1.5 The Committee raised one correction at 12.5 to change “The Committee *suggested* that the 2023 [Counter-Fraud Workplan] Plan include every aspect of the team’s aspirations and plans for the year” to “The Committee *requested...*”. Members also asked if the Workplan could be added to the action log, as well as an update on it at every meeting. Stuart Fisher advised that the Counter-Fraud Workplan had been completed and that it would be circulated after the meeting.

ACTION: Austin Ruane

1.6 The minutes were approved by the Committee subject to the corrections that were raised.

2. ACTIONS ARISING

2.1 The Committee reviewed the open actions, which were presented by Stuart. Stuart advised the following:

- i. Actions 7/2021, 11/2021, 46 - work was in progress and the Committee would be presented with an update in September.
- ii. Actions 4, 5, 6, 7, 8 - these actions were either included in the paper pack, or would be presented at the meeting; rendering them as complete.
- iii. Action 31 - Stuart clarified that there had been a hold-up with DCMS due to recent political changes; but they continue to chase up DCMS to get the draft framework.

2.2 In the interest of time, the Committee requested that going forward the action log be updated and taken as read.

3. PEOPLE MATTERS FURTHER ASSURANCE UPDATE

Michelle Everitt joined the meeting.

3.1 In Neil Harris’s absence, Michelle Everitt presented the data on People matters. The Committee queried the declaration rates concerning EDI. Michelle clarified that efforts were underway to make more staff comfortable with declaring this information.

3.2 Members expressed the need for clearer takeaways from the data, asking about the significance and impact. The CEO clarified that these matters would be further discussed at the People Sub-committee. Members requested that the People Subcommittee provide an update at a future ARC meeting.

ACTION: Neil Harris

3.3 Gurpreet Dulay advised that an HR data Internal Audit report would be presented at the next Committee meeting, offering additional assurance.

4. CHIEF EXECUTIVE HEADLINES & HORIZON SCANNING

- 4.1 Since the last meeting, the CEO reported that the published strategy has been developed, extending the Fund's vision until 2030. The strategy has received positive engagement, and there has been cross-sector and cross-party collaborations. The strategy comprises of four missions, balancing responsiveness and strategic approaches. The main focus currently is on operationalising this new strategy.
- 4.2 The CEO reported that a new National Lottery operator - Allwyn - will take over from February. Stuart is working on budget planning to ensure optimal utilisation of funds. Other opportunities are expected to arise in England, as well as with dormant assets.
- 4.3 Regarding the governance review, Deloitte conducted a session with the Board, gathering feedback, which they will compile into a report.
- 4.4 There have been three new Board Sub-committees established on People, Strategy Renewal, and Stakeholder Engagement. The focus now is on planning and sequencing the Sub-committees' activities. The SMT now have clear levels of accountability, with each member sponsoring one of the staff networks. Additionally, two new SMT committees, Policy & Practice, and Performance & Programmes, have been formed, and their Terms of Reference will be presented at the next meeting.
- 4.5 The Committee raised a question about the transition period during the strategy renewal. The CEO explained that there is a comprehensive programme in place, with Country committee chairs collaborating with Directors on their respective programmes. A cross-fund initiative will address issues and timing.
- 4.6 Members highlighted the need for a plan outlining the framework, policies, oversight, monitoring, and training processes. Verity mentioned that the new Policy & Practice Sub-committee will oversee this area and advised that they would develop a plan.

ACTION: Verity Prime

5. INTERNAL AUDIT

- 5.1 In the Head of Internal Audit's absence, Greg Rubins was asked to provide an overview of the Internal Audit reports and highlighted key points. He mentioned that four audits are currently underway. Greg acknowledged that there are still some issues to be addressed on the EDI report, but the setup has been well-established.
- 5.2 The Committee questioned the limited assurance rating on EDI, stating that the progress made should warrant a higher level of assurance. Greg explained that, at the time of the audit, there was a lack of clarity about senior ownership.

However, he assured the Committee that this issue has since been resolved.

- 5.3 The Committee reviewed the outstanding recommendations, and advised that should the team fall behind the deadlines, they should seek support from the Committee. The Committee requested to be informed if any recommendations were not progressing as expected.

- 5.4 The Committee queried the outstanding recommendation related to recruitment. As Neil Harris was absent from the meeting, the CEO advised there would be an update on this recommendation via email after the meeting.

ACTION: Neil Harris/Michelle Everitt

- 5.5 Greg presented the BDO 'We said, we did' report. He requested input from the Committee regarding training and how it should be conducted. The Chair mentioned plans to use an effectiveness tool for the Committee, (standard one recommended for Audit Committees) which would help identify necessary skills and training requirements. The Chair committed to sending an email with further details on this to Greg outside of the meeting.

ACTION: Richard Collier-Keywood

- 5.6 Greg informed the Committee about the intention to conduct a deep dive reflective session with an independent partner. The selected individual would engage with the Finance Director and Head of Internal Audit. Input was requested on how this engagement should extend to the rest of the Committee. The Chair requested that individual meetings be arranged with Committee members, and the Chair would participate in the sessions with the Finance Director and Head of Internal Audit.

ACTION: Greg Rubins (via Nick Blake)

- 5.7 The Chair proposed conducting an annual check-in on BDO's commitments. This suggestion will be included in the Committee work plan.

ACTION: Governance

Michelle Everitt left the meeting.

6. ANNUAL ASSURANCE STATEMENT

- 6.1 Greg Rubins was asked to provide an update regarding the Head of Internal Audit's annual opinion, which has improved since last year from limited to moderate assurance. He explained the factors contributing to this change.

- 6.2 The Chair shared that he had a discussion with Nick Blake and emphasised that their recent conversation was more positive than previously, and no concerns were raised during the discussion regarding the moderate opinion which Nick thought was justified. Nick expressed confidence that management is effectively addressing current issues and following up on them.

- 6.3** The Committee accepted and welcomed the new opinion while acknowledging that there were a number of areas where there was still a limited assurance opinion. It was noted that some of these seemed to be on the margins of limited and moderate. They expressed the hope that the Executive team would prioritise addressing the causes of these limited opinion throughout the remainder of the year. The Committee also emphasised the importance of maintaining a continual focus on improvement more generally.

7. EXTERNAL AUDIT

- 7.1** Andrew Brittain presented the External Audit completion report, and mentioned that the audit process had proceeded smoothly. The audit of the financial statements is largely complete, with a few areas requiring finalisation, as specified in the report.
- 7.2** Simon Mathers provided an overview of the risks identified by EY and highlighted key audit findings. In particular, he highlighted that there had been significant improvement of turnaround time in interim responses.
- 7.3** The Committee were informed that there were issues with the Fund's general ledger, which will necessitate manual adjustments off the ledger to generate the statements. However, reasonable progress has been made in implementing the recommendations, and there was agreement of a March 2025 timescale for the implementation of the remainder of the recommendation, being the delivery of a new general ledger structure.
- 7.4** The Committee commended the report and the team and expressed satisfaction with the audit process.

8. GOING CONCERN UPDATE

- 8.1** Emma Kavanagh presented a paper on the going concern assessment, as requested by the Chair. The purpose of this assessment was to ensure that management had considered and evaluated the Fund's position as a going concern in preparation for the financial statements for the fiscal year 2022/23. The SMT had previously discussed the assumptions, risks, and mitigations associated with the assessment, and their conclusion was that the Fund should be presented as a going concern in the financial statements for 2022/23.
- 8.2** The Committee noted the paper and expressed their appreciation for the update. They requested to be informed if there were any changes in the going concern status.

9. ANNUAL REPORT & ACCOUNTS

- 9.1** The Committee received the Annual Reports & Accounts for the purpose for the Committee to review and recommend them for signing at the Board. Members

provided feedback on the annual report, primarily focusing on cosmetic issues and language.

- 9.2** The Committee engaged in a discussion regarding the 'government functional standards' section on page 85 of the annual report. Members sought clarification on when these standards were last reviewed, the self-assessment process, and queried compliance in relation to counter-fraud.
- 9.3** In response, Stuart explained that the discussion on functional standards had been deferred to September. In the previous year, a self-assessment against the applicable standards had been conducted, and the Committee was presented with a position of full compliance except for estates, which has since been addressed. The self-assessment process is currently ongoing, and the results of the upcoming assessment will be presented at the September Committee meeting.
- 9.4** Members also requested a list of all government functional standards that need to be complied with. The Chair also requested that the functional standards be circulated after the meeting to allow for comments and discussion before the next Board meeting. Stuart assured the Committee that the position on functional standards would be clarified in the wording of the governance statement. They agreed to provide the current position and proposed wording after the meeting. It was also agreed that an update would be brought to the September meeting of the Committee.

ACTION: Stuart Fisher

- 9.5** Overall, it was approved that the Annual Reports & Accounts would go to the Board pending the changes discussed with the Committee.

10. ANNUAL REPORT FROM THE AUDIT AND RISK COMMITTEE TO THE BOARD 2022/23

- 10.1** The Chair presented the ARC Annual Report to Board. The Committee carefully reviewed the report and suggested several amendments. During the discussion, the Committee acknowledged the moderate opinion presented in the report. However, they noted a significant number of limited assurance internal audit reports.
- 10.2** As an action item, the Chair committed to incorporating the Committee's feedback into the report and developing a draft. The revised draft would be circulated among the members for their review and finalisation before the June Board meeting.

ACTION: Richard Collier-Keywood

11. RISK

Austin Ruane joined the meeting.

- 11.1 Austin Ruane provided an overview of the ORR and explained the Risk Management Policy formation process. Austin advised that the Committee's approval is required for both the policy and the ORR to be submitted to the Board.
- 11.2 The Committee proceeded to review the Risk Management Policy. During the discussion, members requested that it was made clear in the policy that it was the Board that had ultimate responsibility for this and it was the role of this committee to support the Board in discharging this function plus to make recommendations to the Board. Members advised it was important to clearly define and communicate the Board's responsibilities within the policy.
- 11.3 Members also queried how the Risk Management Policy is being implemented within the Fund and how it is being understood and followed by relevant stakeholders.
- 11.4 Members also expressed interest in knowing the level of confidence regarding the three strategic risks that are currently out of tolerance. They sought information on the progress made to bring these risks back to a green status.
- 11.5 Austin acknowledged the feedback and explained the evolution of mapping out responsibilities in different areas. He offered to review and ensure compliance with the framework, taking into account the need to clearly define the Board's responsibilities. These areas would be the subject of the conversation next time at this committee.

ACTION: Austin Ruane

Regarding the risks that are out of tolerance, Austin explained that the control environment plays a crucial role in bringing them back to tolerance. While a robust funding control framework exists, there is a need to establish a non-funding control framework. Currently, risk owners provide assurance for risks outside the funding area, and controls are developed on an as-needed basis. However, the aim is to establish a comprehensive control framework.

Paul Holland left the meeting.

- 11.6 Members observed that section 4.1 of the policy incorrectly implies that ARC drives action, and clarified this responsibility lies variously with the SMT and the Board and not the Committee. Austin agreed to review this section.
ACTION: Austin Ruane
- 11.7 Overall, the Committee approved for the Risk Management Policy and ORR to be presented to Board subject to the amendments that were discussed.

12. FRAUD

- 12.1** In Claire Parke's absence, Stuart presented the fraud papers, providing a comprehensive summary of the Fund's fraud status.
- 12.2** Members queried the fraud backlog and enquired about the actions being taken to address it. Stuart responded that the target for the backlog is 12 months, and they are currently on track to meet that target. There was a concern that this was too long a backlog when learnings from the backlog may need to be included in our the Fund's controls. The Executive would consider this and come back to the next Committee with a view on whether more resource was required.

ACTION: Nick Blake

- 12.3** The Committee highlighted the need for an updated Counter-fraud workplan, that would incorporate additional actions mentioned in the Fraud report into the plan. They requested that the workplan be comprehensive, including all actions, and that updates be provided at every meeting. Austin acknowledged the Committee's request and agreed to provide a comprehensive work plan and ensure regular updates are provided at each meeting.

ACTION: Austin Ruane

- 12.4** The Committee praised the team for the improvements in fraud and risk in the past year.

Austin Ruane left the meeting.

13. GOVERNANCE REVIEW/ARC ADDITIONAL REVIEW

- 13.1** The Chair reported that ARC will undertake a governance effectiveness review. Deloitte had socialised early findings of the Governance review with the Board and a more fulsome report would be available later in June that the Board would discuss in July.

Emma Boggis, Andrew Brittain, Gurpreet Dulay, and Simon Mathers left the meeting.

14. DEEP DIVE: SAFEGUARDING

Kate Beggs joined the meeting.

- 14.1** With the slides taken as read, Kate Beggs emphasised the organisation has a duty to promote a safeguarding culture and ensure that allegations of harm are thoroughly investigated. Failing to do so poses a reputational risk. Due to the organisation's local grant-making approach, frontline staff play a critical role in managing the risk. It is essential to ensure that frontline staff receive adequate support. Peter Stewart serves as the Board sponsor for safeguarding matters, and Kate Beggs is the SMT sponsor. The Fund also has a designated safeguarding lead.

- 14.2 The Committee queried how the organisation would handle safeguarding issues involving senior levels of staff or allegations related to grant holders. Kate advised that the organisation is currently reviewing its policies, with a specific focus on addressing such situations. The updated policies will provide clearer guidance on how to handle safeguarding issues at all levels.

Kate Beggs left the meeting.

15. GDPR, WRITE-OFFS, SERIOUS INCIDENTS, SPEC. PAYMENT

- 15.1 The paper was taken as read and there were no further questions.

16. COMMITTEE WORK PLAN REVIEW

- 16.1 The Committee were presented the updated Committee Workplan, which now included a refreshed list of deadlines for the deep dives. The Committee requested for an annual update on the Government functional standard, as well as an annual update on sharing lessons learned from the accounts. Depending on the feedback from the People Sub-committee, there may be a need for periodic People updates as well.

ACTION: Governance

- 16.2 The CEO advised that he aims to agree a list of prioritised issues and who is accountable for them at the next Board meeting. To facilitate this, the CEO advised that he would meet with the Chairs of the Board Sub-committees on their role and what assurances they need to provide to the Committee.

ACTION: David Knott

17. POLICY REGISTER

- 17.1 The Policy Register was taken as read. Catherine Roberts highlighted that some policies were currently under review and informed members that an updated list would be provided in September.

- 17.2 The Committee pointed out that the funding policies were three years out of date. As such, Verity Prime/Laura Lucking were tasked with updating these policies.

ACTION: Verity Prime/Laura Lucking

- 17.3 The CEO advised that a schedule of funding policy updates for the upcoming year would be presented at the next ARC.

ACTION: David Knott

- 17.4 The Chair suggested conducting a thorough review of policies in light of the Strategy Renewal and governance review. They emphasised the need for a comprehensive list outlining the necessary changes in relation to these reviews.

ACTION: Governance

18. IT SECURITY ASSURANCE UPDATE

Janette Coughlan joined the meeting.

- 18.1** Janette Coughlan provided an overview of the IT security model and highlighted the improvements that had been made during the 2022/23 period. She also drew attention to some key issues.
- 18.2** The Committee thanked Janette for her assurance, and queried the measures in place to ensure staff handle data sensitively and sought assurance regarding data security practices. Janette responded that she was confident in the existing measures but advised the need for continued vigilance.
- 18.3** The Chair highlighted that approximately 30% of emails were being quarantined and requested clarification on the process. Janette explained that information was categorised to determine which emails were quarantined and provided additional clarification on the matter. Most were only quarantined for a very short period of time and staff were told when this had happened to an incoming email so they could support its resolution.

Janette Coughlan left the meeting.

19. ANY OTHER BUSINESS

- 19.1** The Committee thanked the team for their work and concluded the meeting.

THE MEETING CONCLUDED AT 13:30 AND WAS FOLLOWED BY A CLOSED SESSION WITH THE COMMITTEE.

MINUTES AGREED

DATE: 5th SEPTEMBER 2023

Richard Collier-Keywood
Richard Collier-Keywood (Sep 26, 2023 09:51 GMT+1)

RICHARD COLLIER-KEYWOOD

AUDIT & RISK COMMITTEE CHAIR