

THE NATIONAL LOTTERY COMMUNITY FUND

MINUTES

AUDIT AND RISK COMMITTEE SEPTEMBER 5TH 2023

10:00 - 13:00

TNLCF Birmingham Office/Teams

PRESENT

Richard Collier- Keywood	Audit and Risk Committee Chair
Emma Boggis	Member
Ruth Marchington	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
Nick Blake - Head of Internal Audit
Emma Kavanagh - Deputy Director, Finance
Kate Still - Board Member/People Sub-Committee Chair (*Items 3 & 4*)
Austin Ruane - Head of Risk (*Items 5 & 6*)
Claire Parkes - Audit & Investigations Manager (*Items 5 & 6*)
Catherine Lindsey - Senior Governance Officer
Lucy Taylor - Governance Officer (*minutes*)
Catherine Roberts - Head of Governance (*minutes*)

EXTERNAL

Philip Lewis - DCMS
Gurpreet Dulay - BDO
Aphiwe Dudeni - EY
Simon Mathers - EY

APOLOGIES

Sajid Rafiq - NAO)
Paul Holland- NAO

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 Paul Holland and Sajid Rafiq.

Declarations of Interest

- 1.3 Charlotte Moar made a declaration of interest, noting that she recently joined the Audit and Risk Committee of The Law Society as an Independent Committee Member.

- 1.4 Emma Boggis declared an interest, noting that she recently joined the Armed Forces Pay Review Body as a Member. The interest had already been submitted to the declaration of interest register.

Approval of June 2023 ARC Minutes

- 1.5 The Committee advised that “conflict of interest” should be corrected to “declaration of interest”. They also deliberated on the phrasing of 5.2, wherein they opted to replace 'challenged' with 'questioned' in reference to the limited assurance rating on EDI. Consequently, the Committee and Executive also agreed to have a separate follow-up discussion regarding what limited assurance meant in the context of an internal audit report rating.

ACTION: Nick Blake

- 1.6 The minutes were approved by the Committee as amended by the corrections that were raised.

Action Log

- 1.7 The action log was reviewed and taken as read.

2. CHIEF EXECUTIVE HEADLINES & HORIZON SCANNING

- 2.1 The CEO reported that the former Chair has stepped down, resulting in the appointment of an interim Chair. A campaign for the recruitment of a permanent Chair is set to launch shortly.
- 2.2 The CEO informed the Committee that the governance review had been completed. The Board was briefed on this matter in July, based on the draft report from Deloitte. A future discussion on the final report is anticipated. Notable points include a dedicated chapter on Board composition and role and responsibilities, aspects related to Board dynamics, and matters pertaining to Board enablers.
- 2.3 The CEO highlighted the establishment of two third-party programmes: a programme overseeing the delivery of a £76 million cost of living programme on behalf of DCMS, as well as the Million Hours fund which is a youth-focused programme.
- 2.4 Stuart Fisher is currently collaborating with Allwyn on revenue forecasting. Preliminary insights suggest strong growth ambitions for the National Lottery.
- 2.5 In response to a query from the Committee regarding the cost of living, the CEO explained that the Fund has adopted its own approach. The focus remains on serving communities and being responsive to economic changes. Teams are encouraged to consider grant variations as part of this approach, with flexibility to make necessary adjustments.

3. INTERNAL AUDIT

Kate Still joined the meeting.

- 3.1 Nick Blake reported that there had been three audits that had been completed since the last meeting. These were on HR Data, Business Planning, and IT Service Migration. Gurpreet Dulay provided a context on each of the three audits and the Committee discussed each in turn.
- 3.2 The Committee welcomed the substantial assurance provided by the IT Service Migration report.
- 3.3 The Committee discussed the HR Data Audit at length. Members recognised the need for a more strategic approach in framing the language used in the data reports and discussed the importance of outlining the practical implications of the data.
- 3.4 There was a focus on examining how HR data is utilised at the directorate level, with a consensus that data should not solely dictate planning but should inform a broader context. The recent approval of the People dashboard was highlighted, leading to a discussion and review about the effective use of data and the role of targets in decision-making.
- 3.5 The Committee discussed the high standard required to avoid receiving limited assurance in internal audit report ratings. Members discussed the need for clarity in language and guidelines for utilising the data effectively. Additionally, there were questions about the specificity of ownership for certain recommendations in the report, prompting a suggestion to revisit the definitions for clarity. Therefore, the Committee agreed to hold a separate meeting ideally before the November ARC to discuss assurances levels.

ACTION: Chair/Governance

- 3.6 During the discussion regarding the delays in the progress of certain IA reports, the Committee queried the performance metrics employed to establish completion dates for various stages of the IA process. It was conveyed that while key dates are initially agreed upon and managed for each audit, they are subject to change. As a follow-up, it was agreed that the Head of Internal Audit would include the disclosure of forthcoming dates for upcoming IA's, as well as an outline of historical performance against target dates in future IA progress reports.

ACTION: Nick Blake

- 3.7 Furthermore, the Committee recognised the need to enhance the usage of dashboards. The discussion also touched upon the challenges related to controls and the concept of assessing elements that are not legally mandated, but still impact the level of assurance.
- 3.8 Nick reported that the team is currently tracking twenty open recommendations, with two outstanding - one of which has since been implemented and one where a revised implementation date has been agreed.

- 3.9** The Chair observed that there were a significant number of audit reports scheduled for November and advised holding an ARC meeting in January 2024 to help manage the workload.

ACTION: Governance

- 3.10** It was also agreed that Nick would schedule the timings of all remaining IA reviews for the year.

ACTION: Nick Blake

4. PEOPLE/PEOPLE RISKS UPDATE

- 4.1** Neil Harris began the discussion by signposting the forthcoming Annual People Report which will be presented to Board in December, which will start to surface the Fund's medium to long-term People and Culture strategy. In line with the governance review, efforts are underway to redefine the Terms of Reference for a standing People Committee of the Board, aiming for more regular opportunity to explore and assure progress on the Fund's People strategy.
- 4.2** Furthermore, the process of mobilising the strategy delivery programme is in progress, featuring ten improvement workstreams. Within this programme mobilisation, programme risks have been identified.
- 4.3** Neil Harris then outlined some examples of strategic 'macro' risks that we are starting to explore and mitigate. Expectations as both an employer and a purpose-driven entity were discussed, including shifts in generational expectations and conversations around employee benefits, pensions, and technological considerations.
- 4.4** As the Chair of the People Sub-committee, Kate Still provided an overview of the aspirations of the Sub-Committee, emphasising the importance of enhancing clarity in the relationship between the Board and the Executive.
- 4.5** The Committee expressed positive views regarding the establishment of the People Sub-Committee, recognising its potential value. The need to establish a strong and productive relationship between the People Sub-Committee and ARC was recommended to enable effective oversight. Furthermore, the Committee agreed that in time the People Sub-committee would have ownership of the 'path to green' for people related risks.
- 4.6** Members queried the current risk status, with the paper indicating that the Fund is operating beyond its risk appetite in the People risk category. The question of whether there is oversight in place to realign this risk within acceptable bounds was discussed. Kate explained that such oversight mechanisms are not yet fully in place, noting that the People Sub-Committee is still in its early stages of development. The Chair acknowledged the need to grant the Sub-Committee time to mature and develop these oversight functions.

Kate Still left the meeting.

5. RISK

Austin Ruane and Claire Parkes joined the meeting.

- 5.1 Austin Ruane provided an overview of the ORR and highlighted key points from the Risk Management report.

- 5.2 The Committee engaged in an extensive discussion regarding the Risk Management report. Members queried the status of the Risk Management Policy, and whether their feedback had been incorporated since the last meeting. It was noted that the Policy Register indicated approval by SMT; however, a discrepancy was identified regarding the need for Board approval, and further clarification was requested. Stuart Fisher and Governance were tasked with reviewing this matter to ensure clarity and alignment.

ACTION: Stuart Fisher, Governance

- 5.3 The Committee addressed the issue of a risk related to data archive and retention that had not yet been added to the ORR. Stuart explained that the risk is being managed by colleagues at a directorate risk register level and that it had not been deemed necessary to include it in the ORR. However, it was noted that the Committee believed it should be included. Stuart added that a recommendation had been made to the August SMT Meeting that a data risk should be added to the ORR. SMT accepted this recommendation and it would be added to the ORR for the next round of risk reviews.

ACTION: Austin Ruane

- 5.4 The Committee requested that due dates be added to the out-of-tolerance risks tracker to enhance clarity and accountability, as well as reflect the progress on the path to green.

ACTION: Austin Ruane

- 5.5 Members also sought clarity on the approval forum for a number of policies, namely whistle-blowing and risk management.

ACTION: Governance, Stuart Fisher

6. FRAUD

- 6.1 Claire Parkes provided a comprehensive overview of the current state of fraud, highlighting that proven fraud cases remain high.

- 6.2 Austin provided an update on the recent Fraud Risk Management Group (FRMG) meeting. He outlined the topics discussed during the meeting, which included a review of the counter-fraud work plan and an assessment of various fraud risks being managed by the Fund.

- 6.3 The Committee engaged in a discussion regarding the investigations into 4Elementz CIC. The Committee enquired about the necessity of revising processes in response to this matter, and Nick Blake advised that this was an active issue requiring the Fund's attention. As a result, it was collectively agreed to address this matter at an SMT meeting to explore potential solutions and adjustments.

ACTION: Nick Blake, Stuart Fisher

- 6.4 The Committee discussed the 12-month fraud caseload and enquired about potential measures, such as acquiring additional capacity to address it. Members highlighted the importance of the team's efforts to reduce the backlog and it was agreed that Stuart would discuss this matter with Claire, Nick, and consult with SMT. It was agreed that there would be an update on this topic at the next ARC meeting.

ACTION: Stuart Fisher

Austin Ruane and Claire Parkes left the meeting.

7. GOVERNMENT FUNCTIONAL STANDARDS ASSESSMENT

- 7.1 The paper was reviewed by the Committee, who acknowledged it and accepted the recommendations included therein but expressed there might be an opportunity to be more critical in the Fund's self-assessment in future self-assessment exercises.

8. EXTERNAL AUDIT

- 8.1 Emma Kavanagh presented a summary of the post-year-end review of external audit, which included feedback from Finance, Engagement, and the External Auditors. This presentation was aimed at fulfilling the Committee's responsibility to evaluate the effectiveness of external audit services.
- 8.2 Members expressed appreciation for the report and highlighted the significance of incorporating lessons learned into the external audit process.

9. FUNDING POLICIES UPDATE

- 9.1 The paper on Funding Policies was taken as read. The Committee commended the paper, noting it was a milestone, and praised its helpfulness.
- 9.2 The CEO highlighted the challenges faced, particularly in the realm of campaigning and lobbying, which was deemed to be a complex issue this year. Verity Prime added that they are actively considering and seeking feedback on this matter.

10. UPDATES FOR INFORMATION AND NOTING

- 10.1** The papers on the following were taken as read, and the Committee were asked to raise any pertinent queries.
- i. Health & Safety Dashboard Report
 - ii. GDPR, Write-offs, serious incidents, spec. payment
 - iii. Committee Workplan Review
 - iv. Policy Register
 - v. IT Security Assurance Update
- 10.2** The Committee discussed the Health & Safety Dashboard Report, noting its annual presentation at ARC meetings. The Committee suggested that additional time be allocated for discussion when the report is next scheduled for review.

11. ANY OTHER BUSINESS

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

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

MINUTES AGREED

DATE: 13th NOVEMBER 2023

R Collier-Keywood
R Collier-Keywood (Dec 28, 2023 14:17 GMT)

RICHARD COLLIER-KEYWOOD

AUDIT & RISK COMMITTEE CHAIR








AR(23)M04 Audit Risk Committee Minutes Sep 2023 - Final

Final Audit Report

2023-12-28

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