


Audit Committee Report

For Board approval	
For Board brief	
For Board steer	
For Board information	

Prepared by: Peter Teague
Audit Committee Chair

Date: 13 February 2014

Executive summary

1. This paper informs the Board of the matters covered at the Audit Committee (the Committee) meeting on 22 January 2014. There are no matters requiring decisions by the Board.

Background

2. The Committee covered the following matters at its meeting:

a. Internal Audit Programme

The Internal Audit Programme for 2013-14 is being completed in line with the agreed plan.

Internal Audit (IA) presented reports on the following exercises:

- **Enhanced Compliance**

A review of the Enhanced Compliance Workstream identified a number of areas where controls are operating reliably but identified one significant and one housekeeping improvement. The review concluded that the controls that are in place and the way they operate provide adequate assurance. Appropriate management actions have been agreed and will be completed.

- **HR Core Controls**

This review was originally designed to cover Recruitment, Absence Management and Performance Management. The final element has been postponed as the Performance Management process is being changed.

The review concluded that the controls in place and their operation give only limited assurance with one fundamental improvement and four significant improvements identified. Management will be addressing the fundamental matter with urgency and has agreed other actions with Internal Audit that should bring the level of assurance back to an acceptable level. Management also confirmed that they were ensuring that the necessary, additional resources were made available in HR in the short-medium term to address the range of issues required to bring the function into 'steady state'. Internal Audit will undertake a follow-up review and report their findings to the May 2014 Audit Committee meeting.

The Audit Committee reviewed the first draft Internal Audit Plan for 2014-15 which will be reviewed further with management and a final plan presented for approval at the next meeting.

b. External Audit

The Audit Planning Reports from NAO for both the Commission and The National Lottery Commission (NLC) were both reviewed and noted. In relation to NLC it was agreed that the Committee could provide some support to the Accounting Officer in relation to the annual report and accounts. The NAO will work with the Accounting Officer and the Commission's Head of Finance to determine the extent of this support and the suitable governance statement. This would take into account the shared services provided to NLC by the Commission's staff during the

year and the fact that the Committee had not covered the activities of NLC prior to the point of merger.

c. Governance

An update on the status of completion of IA recommendations was reviewed and good progress noted. It was noted that the IA recommendations in respect of NLC had now all been incorporated in the Commission's tracking document.

The Committee asked that consideration be given to changing the paper submitted to more easily identify areas the Committee should focus on and any management actions that had passed their due date without be completed and those that had been materially delayed.

The Committee reviewed the following policies:

- Fee Collection & Credit Control
- Treasury Management
- Procurement
- Financial & Accounting
- Delegated Authority

It resolved that the first four be recommended to the Accounting Officer for approval and the fifth be recommended to the Board for approval.

d. Risk Management

The Committee reviewed the Corporate Risk Register for the Commission, which had been updated to reflect the outcome of the Board's Omand session, and that for the NLC maintained prior to merger and updated for subsequent actions.

It was agreed that, whilst aiming for a single Corporate Risk Register, a separate register should be maintained for the NL workstream for a period of time, probably around one year. As well as being monitored by the Executive, in line with other workstream risks, the NL register will reviewed both by the Committee and the Commission's National Lottery Committee.

e. Annual Reports

The timetable for preparation of the Commission's Annual Report was discussed and considered sensible.

f. The National Lottery Merger

In the relevant agenda items matters relating to the NLC were covered. The Committee note that a close down report will be produced for the merger project along with an IA review. These should ensure that any relevant lessons are captured.

g. Audit Committee effectiveness

It was noted that the Audit Committee effectiveness questionnaires had been completed and a meeting was taking place after the Committee meeting to review the output and identify any appropriate actions.

h. Standing items

An oral report on developments in the Finance department was presented.

An oral update on litigation was given by the Commission's Legal Counsel.

The Committee reviewed and noted papers on the proposed changes to the Commission's Disaster Recovery procedure and data protection Incidents.

Issues

3. There are no issues the Committee believes need to be raised with the Board.

Recommendations

4. The Board is asked to consider this paper, discuss any items they believe appropriate providing guidance to the Committee where necessary, and note the content of this paper.