

AUDIT AND RISK ASSURANCE COMMITTEE
(“the Committee”)
FINAL MINUTES

Meeting held on **2 October 2017**
9.30 am to 12.30 pm | One Kemble Street, London WC2B 4AN

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| Present: | Terry Babbs | Chair |
| (Members) | Marina Gibbs Catharine Seddon Michael Smyth | |
| (Adviser) | John Ward | |
| In attendance: | Neil Buckley | Chief Executive and Accounting Officer |
| | Julie Myers | Corporate Director |
| | Edwin Josephs | Director of Finance and Services |
| | Ali Morgan | National Audit Office (NAO) External Auditor |
| | Courtney | |
| | Ip Tat Kuen | National Audit Office (NAO) External Auditor |
| | Paul Cuttle | KPMG LLP Internal Auditor |
| | Alison Wedge | Ministry of Justice, Head of ALB Governance |
| | Jenny Prior | Business Planning Associate (minutes) |
| Apologies: | Zoe Thompson (BDO), Andy Sayers (KPMG) | |

Item 1

AUDIT AND RISK ASSURANCE FINANCE COMMITTEE MEETING 9 – 9.30 am

Members of the Committee, with the Advisor John Ward in attendance, met with Executives Neil Buckley, Julie Myers, Jenny Prior and Edwin Josephs as a Board budget sub-group to consider the LSB’s budget for 2017/18.

Item 2

PRIVATE SESSION

9.30 – 9.40 am

Members met in private session with the internal and external auditors.

AUDIT AND RISK ASSURANCE COMMITTEE MEETING

9.40 am

Item 3 Welcome and apologies

The Chairman welcomed Alison Wedge, Head of the ALB Governance and Claims Management Regulation Division at the Ministry of Justice (MoJ) as an observer.

The Committee noted that Terry Babbs has received his reappointment as a member of the LSB Board and as such would continue to chair the Audit and Risk Assurance Committee.

Apologies for absence were noted from Zoe Thompson, BDO and Andy Sayers, KPMG.

Item 4 Declarations of interests relevant to the business of the Committee

There were no declarations of interests.

Item 5 Minutes of the previous meeting

The minutes of the previous meeting held on 9 May 2017 were **APPROVED**.

The minutes of the single issue ARAC meeting held on 15 September 2017 were **APPROVED**.

Item 6 Action tracker

The Committee considered the action tracker and noted:

- Figures for the percentage of annual budget spent on research had been received from CILEX Regulation. The Committee noted that ICAEW had responded indicating that they have not conducted legal sector specific research. The Master of Faculties had not replied but it was noted that it does not have any research spend.

ACTION: EJ to add additional figures to research spend chart and recirculate to ARAC members.

Item 7 KPMG internal audit update

Paul Cuttle of KPMG confirmed that he would be discussing the internal audit plan for 2017/18 with LSB colleagues and that the internal audit plan, once agreed with the Accounting Officer, will be produced and provided to the Committee by its meeting in March 2018.

The areas of focus for the internal audit will be circulated to the Committee in December or January.

The Committee considered the possibility of using internal audit days to focus on Board effectiveness as the LSB's business case for external work in this area had been rejected by MoJ. The Committee noted that best practice in corporate governance was to have independent input into Board effectiveness reviews, every three years and agreed that, as this would be the first time independent involvement had been sought, using an external resource other than internal audit would be more prudent. The Committee noted that the executive would be resubmitting the business case to MoJ in light of information received.

The Committee **NOTED** the internal audit update.

Item 8 NAO external audit update

Ali Morgan of NAO provided an overview of lessons learnt from the 2016/17 audit. He confirmed the statutory audit for 2016/17 had gone smoothly and that there was a productive relationship with LSB colleagues. The executive expressed frustration at having to clear both NAO and BDO hurdles. NAO took this comment on board.

The planning meeting for the 2017/18 external audit will take place in the next two weeks and NAO will circulate the audit plan outside of the Committee meeting cycle but well before the March 2018 meeting.

NAO reported that two new pieces of relevant guidance had been produced recently: a round-up for Audit Committees and guidance on cyber security and information risk guidance for Audit Committees.

The Committee **NOTED** the external audit update.

ACTION: NAO resources to be circulated to Committee members.

Item 9 Risk management strategy annual review

The Committee discussed the amendments that were proposed for the LSB's risk management strategy to reflect recommendations made by internal audit and the Committee in previous meetings.

The Committee agreed:

- To the addition of enhanced references to training for colleagues, with the proviso that the nature of the training was explained
- To the addition of content explaining how to describe mitigating controls in a SMART manner.
- That the strategy should be clear that it was part of the role of SLT to rank mitigating actions
- that the prevailing risk tolerance of 'low' for operational risk and 'relatively high' for strategic risk remained appropriate to endorse to the Board.
- That routine reporting of risk trend should not take place but that such a review would form a useful part of the biannual zero based review of the register and may assist in 'deep dives'.

The Committee discussed the definitions used for 'impact' scoring and agreed that discussion would continue out of Committee to see if there was scope for improved clarity.

The Committee endorsed the amended Risk management Strategy, subject to the points noted above, and agreed that it should be presented to the Board in October 2017.

Item 10 Corporate risk register

The Committee noted the results of the executive's biannual zero based review of the corporate risk register. This had been informed by an SLT workshop, a PESTLE exercise and a mapping exercise, to cross-check where risks on the pre-existing risk register were captured on the new register. The Committee welcomed the clarity of the paper, which demonstrated the rigour with which the exercise had been undertaken and enabled the Committee to take assurance from the process. It was noted that work needed to continue to make mitigating actions SMART across the piece.

The Committee reviewed each risk in detail and asked the executive to consider a number of points including:

- The scope for escalating the timetable for the delivery of the pilot from six months to three months in light of the available resources.
- A proposal that the executive consider using any spare internal audit capacity to audit the assurance mapping work as it progressed.

The Committee agreed the approach proposed in the paper and the areas for the pilot. The executive was asked to use best endeavours to deliver the pilot more quickly.

ACTION: The assistance of the Committee's advisor to be sought as the pilot progresses.

Item 12 Publication scheme update

The ARAC reviewed proposals to update the LSB's Publication Scheme at its meeting in May. This paper provided a progress report on the implementation of the agreed proposals.

The Committee noted that the disclosure of FOI requests was now up to date and operating on a rolling basis.

The Committee **NOTED** the progress made in implementing the updates to the LSB's Publication Scheme.

ACTION: The Committee requested that the Board receive assurance every two years on the LSB's Publication Scheme.

Item 13 LSB Governance Manual

The LSB Governance Manual was last reviewed by the Committee in October 2016 and commended to the Board for approval at its meeting on 26 November 2016.

The Committee noted in particular:

- Under Rules of Procedure, option 2 had been presented to the Board as an out of Board decision and the drafting of Rules 3.7.1 and 3.7.3. would be amended as per paragraphs 20 and 21 respectively.
- That members were invited to submit expenses claims after every meeting and that the annual claims review goes to ARAC each May.

ACTION: The executive to make sure that previously agreed updates have been included in all versions of the ARAC terms of reference.

The Committee **ENDORSED** the proposed changes to the LSB Governance Manual which would go to the Board for approval in November 2017.

Item 14 Implementation of General Data Protection Regulation including report on DPA compliance

The Committee noted that preparation for implementation of the General Data Protection Regulation is underway and the executive is cautiously confident that, unless something unexpected occurs, the LSB (including the LSCP) will be compliant by May 2018. The

executive are also reporting progress to the Ministry of Justice and the LSB is in a similar position of readiness to other ALBs.

The Committee noted the report on DPA compliance and the two reported data handling incidents.

The Committee **NOTED** the report.

Item 15 Q1 Performance report assurance

The Committee **NOTED** the Q1 performance report.

Item 16 Finance report (matters to bring to the Committees attention)

The Committee noted that HMRC inspectors will be coming into the office in a month's time for routine checks.

Item 17 Forward look

The Committee requested a deep dive session at the next meeting on cyber security and the LSB's position on this.

ACTION: Report of cyber security to be presented at the next Committee meeting.

Item 18 Any other business

There was no further business and so the meeting closed at 12.30 pm.

The Committee would next meet on 13 March 2018 at LSB's offices.

Signed as an accurate record of the meeting

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Date

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