

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

Meeting held on 2 June 2020  
10:30 - 13:30 By videoconference

<b>Present:</b> (Members)	Catharine Seddon Catherine Brown Marina Gibbs Michael Smyth	Chair
<b>In attendance:</b>	Matthew Hill Tim Borthwick Steph North Holly Perry Melanie Stewart	Chief Executive and Accounting Officer Corporate Services Manager Corporate Governance Manager (minutes) Director, Enabling Services Head, Finance and IT
	David Eagles Matthew Vosper Ella Firman Richard Evans Bri Luscombe	BDO LLP External Auditor BDO LLP External Auditor National Audit Office (NAO) External Auditor Crowe Internal Auditor Crowe Internal Auditor
<b>Observing:</b>	Paul Nezandonyi David Winks	Head, Communications and Engagement Ministry of Justice
<b>Attendance for items:</b>	Chris Nichols	Director, Policy and Regulation (item 12)

## **AUDIT AND RISK ASSURANCE COMMITTEE MEETING**

### **Item 1 - Private session with auditors**

1. The Members met in a private session with the internal and external auditor.

### **Item 2 - Welcome and apologies**

2. The Chair welcomed everyone present to the meeting.
3. No apologies had been received.

### **Item 3 - Declarations of interests relevant to the business of the Committee**

4. No interests relevant to the business of the Committee were declared.

### **Item 4 - Minutes of the previous meeting**

5. The minutes of the ARAC meeting held on 3 March 2020 were **APPROVED**.

### **Item 5 - Action tracker**

6. The Committee reviewed and **NOTED** the action tracker. The Committee also noted that the MoJ plans to arrange a roundtable with the OLC and the LSB to start the process for the review of the Tripartite Agreement (due in 2020).

### **Item 6 – Oral update on fraud assurance**

7. The Head, Finance and IT provided oral confirmation that no incidents of fraud had occurred since the last Committee meeting. The Committee **NOTED** the update.

### **Item 7 - Crowe Internal Audit update**

8. Crowe presented the internal audit reports. Regarding the performance management report, Crowe outlined that there was 'significant assurance' overall, and that the findings related to streams of activity, including improvements to the process for tracking and monitoring projects, and a suggestion to link individual and organisational performance. Regarding the managing public money report, for which Crowe had considered HMT guidance on *Managing Public Money*, Crowe outlined that there was also 'significant assurance'.
9. The Committee considered the performance management report and raised the following points in discussion:
  - The recommendations were appropriate, and reflected the fact that the LSB had undertaken a lot of work in relation to business planning which properly took into account our statutory responsibilities
  - It was reassuring that colleagues considered their work aligned with the LSB's objectives

- It was noted that not all colleagues had received an appraisal in the past twelve months: this was explained in part by new joiners who were not eligible for appraisal until following the end of their probation
  - There was an opportunity for the LSB to refresh its processes for statute-driven workstreams.
10. The Committee considered the managing public money report and raised the following points in discussion:
- The report focussed on “Managing Public Money” in the relatively narrow sense of the HMT guidance as that was the guidance against which the Accounting Officer was held to account
  - It was agreed it would be important for business cases to be reviewed against outcomes
  - Work was ongoing with the executive to consider incomplete assurance maps. Assurance maps should be consistent across the LSB, and it would be helpful to introduce a central set of descriptors.
  - Internal audit was helpfully testing assurance maps as part of their internal audit of specific areas. Management confirmed that generic lessons learned would be applied to all assurance maps.
11. Regarding the Head of Internal Audit Opinion, Crowe outlined that there was ‘substantial assurance overall’. The paper set out further detail on the internal audit programme for 2019/20, which was considered to be sufficient for the size of the organisation and the degree of assurance required. In relation to a query regarding whether the corporate risks identified were sufficiently strategic, Crowe explained it was appropriate for them to observe rather than audit the process of risk management in the LSB.
12. Crowe introduced the internal audit charter, which set out the core responsibilities of internal audit and which would be periodically refreshed in line with internal audit guidelines. A charter formalised the relationship between Crowe and the LSB. The annual audit plan would be agreed annually by the Committee -in the context of the overall three-year plan agreed in October 2019 - and the charter would next be reviewed in June 2021, thereafter every two years.
13. The Committee **NOTED** the reports, and **AGREED** the internal audit charter and the internal audit plan for 2021/22.

#### **Item 8 – NAO external audit completion report 2019/20**

14. BDO introduced the external audit completion report. The following points were drawn to the Committee’s attention:
- The audit was at an advanced stage – outstanding actions would be completed shortly
  - The unusual circumstances of lockdown had meant the testing of assets had been difficult to complete remotely, and some of the work had taken longer than it would otherwise
  - There would be no unadjusted errors in the final report
  - Changes to the scope of the audit had been made since the planning stage included:

- Reference to any particular impacts of Covid-19 that might affect LSB as a going concern, in particular within the Governance Statement – this was expected to be referenced in all organisations’ governance reports
  - New accounting standard IFRS16 had been delayed to 2021/22 for public sector entities
  - An error in relation to the transfer of data to the new accounting system was due to a manual error rather than an inherent process error
  - There was a query around IT transformation costs and the way they had been classified as either revenue or capital expenditure.
15. External audit colleagues made a particular point of mentioning the LSB Head, Finance and IT for her exemplary efforts, in challenging circumstances, which enabled them to prepare the final Audit report without difficulty and in good time.
16. The Committee **NOTED** the audit completion report.

**Item 9 – Final draft LSB Annual Report and Accounts 2019/20**

17. The Head, Finance and IT presented the final draft of the Annual Report and Accounts (“the ARA”) 2019/20, outlining that the final expenditure figures had been updated in the latest version of the ARA.
18. The Committee reviewed the ARA and the following points were made:
- The Chair’s introduction and wording around the LSB’s role and, in particular, in relation to technology and public legal education could be sharpened
  - More reference could be made to the wide range of ways in which the LSB was working to improve value for money
  - The executive should clarify whether there had been any high-profile ABS failures in the past year and, if so, amend wording accordingly
  - While performance against budget reads very well, it should be supplemented by assessment of LSB value for money
  - The references to Covid-19 should reflect more on the immediate and anticipated impact of it on the LSB as a going concern (and the wider sector).
19. The Committee **APPROVED** the Annual Report and Accounts 2019/20 on behalf of the Board subject to points raised and a final proofread by the executive.

**Item 10 – Annual report on expenses 2019/20**

20. The Head, Finance and IT presented the annual report on expenses, which contained expenses for the LSB Board and senior leadership team, OLC Board and Legal Services Consumer Panel members. As requested in 2018/19, the paper contained reference to material variances.
21. The Committee **NOTED** the report.

**Item 11 – LSB Corporate Risks and Risk Management Strategy**

22. The Corporate Services Manager introduced the Corporate Risk Register, outlining that a consumer-focussed Covid-19 risk was expected to be added to the register shortly.

23. The Committee scrutinised the risk register and raised the following points in discussion:
- Some of the risks appeared to be quite operational. This was in part a product of the way risks were escalated from the operational risk register to strategic level
  - It was considered that one of the strengths of the risk management refresh was that it acted as a dynamic management tool
  - The Committee considered that it would be helpful to introduce an annual workshop-style session for the Board to consider risk in its broadest contextual sense – beyond the risk register itself (action)
  - Risk 03 – Board appointments: It was noted that the issue of quorum was a recurring one at Board and Committee meetings, and that the need for a lay majority was a statutory requirement. The issue of quorum was last looked at by the Board in 2018 to account for vacancies the Board was carrying and it was suggested that it be considered again as part of the 2020 Governance Manual Review (action). The results of that review would be considered by the Committee in October, and the full Board in November
  - Risk 05 – Legal Ombudsman performance: the Office for Legal Complaints (OLC) risk had been in stasis since the appointment of the new Chair of the OLC (who was due to address the LSB Board on 4 June). Management responded that the early signs were positive, that actions were being pursued to improve performance and to mitigate ongoing concerns. A further review of this risk would take place in due course. An outstanding internal audit action to review the tripartite relationship with the OLC and Ministry of Justice would also be picked up in due course.
24. The Committee **NOTED** the corporate risk register.
25. The Corporate Services Manager introduced the risk management strategy which had been significantly revised to reflect the LSB’s revised approach to risk.
26. The Committee considered the strategy and raised the following points:
- This was a positive strategy which linked well to current use of the risk register
  - For the next iteration, it would be helpful to indicate that the risk registers are a dynamic risk management tool; to clarify the process for escalating programme and operational risks to the corporate risk register, along with an illustrative example, as well as to specify how the lines of defence are defined.
27. The Committee **agreed** the risk management strategy and **agreed** that it and the risk register be submitted to Board for approval at the 4 June Board meeting. In addition, the Committee **agreed** the addition of a new category of “operational delivery” to the risk appetite matrix.

## Item 12 – Deep dive - resource planning

28. The Director, Policy and Regulation introduced the paper, noting that it was important to reflect on the journey the LSB had been on in this area. In the past, matrix management had not been as well supported as it might have been: this paper outlined the steps taken by the executive to address that. The executive would continue to review and consolidate the approach, and would be mindful to ensure that the planning tool continued to be used to good effect.
29. The Committee considered the deep dive and raised the following points in discussion:
- The paper provided a helpful breakdown of matrix management and the associated risks
  - The planning tool was especially valuable while remote working and to support ongoing value for money work
  - The addition of Covid-19 contingency planning was sensible
  - Tracking actuals against forecasts would be important, e.g. it would be helpful to track when priorities had changed and therefore if more resource than expected had been required
  - The introduction of an individual planning tool had been enthusiastically adopted by colleagues and was proving useful to Board. An initial review was planned after three months' use, and a wider review after six months
  - It was empowering that the culture of pace had been driven by colleagues
30. The Committee **NOTED** the deep dive paper. The executive would bring an update on the effectiveness on the revised way of working to the March 2021 meeting. (action)

### **Item 13 – Annual Review of ARAC effectiveness**

31. The Chair provided an oral update on the 2020 Review of ARAC effectiveness. An online survey – based on the NAO's effectiveness checklist for audit committees – had been circulated to committee members and regular attendees on 12 May 2020. To date, nine responses had been received and, following analysis of the results, a paper would be circulated out of committee by the end of June.
32. The Committee **NOTED** the update.

### **Item 14 – Freedom of Information (FOI) annual review 2019/20 and review of LSB publication scheme**

33. The Corporate Governance Manager introduced the annual FOI update, outlining that while the volume of requests had remained steady, the overall complexity had increased.
34. The Committee **CONSIDERED** the paper, and the following points were raised in discussion:
- The Committee congratulated the executive team for responding to all requests within the statutory timeframe
  - For the next and future reports, the executive was asked to include explicit reference to whether or not information was held and the FOI exemptions relied on (action)

- The number of phishing requests was perhaps unexpectedly high
- It would be helpful to discuss FOI under the LSB's broader transparency agenda. Since LSB seeks to be as helpful and open as possible, the principle of open government suggests that the majority of information sought should be readily available in the public domain. (Action: an update would be provided at the October meeting, in tandem with the publication scheme review – see para 36)

35. The Committee **NOTED** the paper.

36. The Corporate Governance Manager outlined that, with the support of the Senior Leadership Team, a root and branch review of the Publication Scheme would be carried out over the summer. Such a review had not taken place since the LSB's inception. An update on progress would be presented at the October 2020 meeting.

37. The Committee **NOTED** the update.

**Item 15 – Paper considered outside of committee**

38. The Committee **NOTED** that no papers had been circulated out of committee since the last meeting.

**Item 16 – Forward look**

39. The Committee **NOTED** the forward look agenda.

**Item 17 - AOB**

40. There was no other business and the meeting closed.

SN, 15 June 2020

Signed as an accurate record of the meeting

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Date

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