

<b>To:</b>	Legal Services Board
<b>Date of Meeting:</b>	26 October 2016
<b>Item:</b>	Paper (16) 63

<b>Title:</b>	Report of the 5 October 2016 meeting of the Audit and Risk Assurance Committee
<b>Author/introduced by:</b>	Terry Babbs, Chair, Audit and Risk Assurance Committee Toni Whitby, Corporate Governance Manager <a href="mailto:toni.whitby@legalservicesboard.org.uk">toni.whitby@legalservicesboard.org.uk</a>
<b>Status:</b>	Official

<b>Summary:</b>
The Audit and Risk Assurance Committee (ARAC) met on 5 October 2016. A summary of key issues considered including draft minutes of ARAC is attached.

<b>Recommendation(s)</b>
The Board is invited to note and comment on the key points arising from the ARAC Meeting.

<b>Risks and mitigations</b>
<b>Financial:</b> N/A
<b>Legal:</b> N/A
<b>Reputational:</b> N/A
<b>Resource:</b> N/A

Consultation	Yes	No	Who / why?
<b>Board Members:</b>	✓		ARAC Chair
<b>Consumer Panel:</b>		✓	N/A
<b>Others:</b>	N/A		

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annex 1: Item 7	Section 43: information likely to prejudice the commercial interests of any person	
Annex 1: Item 8	Section 36(2)(b)(ii): information likely to inhibit the exchange of views for the purposes of deliberation	

## LEGAL SERVICES BOARD

To:	Legal Services Board	
Date of Meeting:	26 October 2016	Item: Paper (16) 63
<b>Report of the 5 October 2016 meeting of the Audit and Risk Assurance Committee</b>		

1. The Audit and Risk Assurance Committee (ARAC) met on 5 October 2016. The draft minutes are attached at Annex 1. The minutes have been considered by Committee members but they will not be approved formally until the next meeting.

### SUMMARY

2. The ARAC:
  - a) Considered, in private session for Board Members and the professional advisor only, proposals for the LSB budget for 2017/18 (Note: these will be presented to the Board in November).
  - b) Held a brief private meeting with the auditors.
  - c) Noted the external auditors (NAO and BDO) confirmation that the statutory audit for 2015/16 had gone smoothly.
  - d) Noted that the internal audit contracted with KPMG was due to end next year. Options for future resourcing, including rolling over the contract for one to three years, would be considered by the Members. The internal audit programme for 2016/17 was currently under consideration by the CEO.
  - e) Reviewed the Corporate Risk Register, and noted changes that had been made following reviews by the Senior Leadership Team (SLT) since the Committee's May meeting. The Committee noted the work being done to mitigate reputational risks, and encouraged early completion of the three way operating protocol between the LSB, Office for Legal Complaints (OLC) and Ministry of Justice (MoJ).
  - f) Reviewed proposed amendments to the LSB Governance Manual and **endorsed and recommended** to the Board for approval.
  - g) Noted an update from the Senior Information Risk Owner (SIRO) Julie Myers on the work underway to review LSB's approaches to information assurance and governance. There had been no data breaches or near misses to report.

- h) Noted the action plan and matrix to review the effectiveness of the committee.

The draft minutes are attached.

## Annex 1 | Draft Minutes of the Audit and Risk Assurance Committee

### AUDIT AND RISK ASSURANCE COMMITTEE (“the Committee”)

#### **DRAFT** MINUTES

5 October 2016 at 10 am

One Kemble Street, London WC2B 4AN

**Present:** Terry Babbs Chairman  
(Members) Marina Gibbs  
David Eveleigh

(Adviser) John Ward

**In attendance:** Neil Buckley Chief Executive and Accounting Officer  
Julie Myers Corporate Director  
Edwin Josephs Director of Finance and Services  
Caroline Mendes  
Da Costa National Audit Office (NAO) External Auditor  
Nick Buxton BDO LLP External Auditor *Attending via conf.call*  
Paul Cuttle KPMG LLP Internal Auditor  
Toni Whitby Corporate Governance Manager (minutes)

**Apologies:** None

**Observer:** Caroline Wallace LSB Strategy Director

**Attendance for Items:** Jenny Prior, Business Planning Associate (Item 8)

#### Item 1

**AUDIT AND RISK ASSURANCE FINANCE COMMITTEE MEETING 10 – 10.30 am**  
Members of the Committee, with the Advisor John Ward in attendance, met with Executives Neil Buckley, Julie Myers and Edwin Josephs to consider the proposed LSB budget for 2017-18.

Under the Terms of Reference the Committee considers and scrutinises the draft annual budget for LSB. A separate note of the Finance Committee Session would be circulated to Committee Members and Executive.

The Committee **ENDORSED AND RECOMMENDED** the proposed Budget to go to the Board for approval.

**PRIVATE SESSION 10.30 – 10.40 am**

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

**Item 2 Welcome and apologies**

The Chairman welcomed those present and in attendance via conference call. The Committee welcomed Toni Whitby, Corporate Governance Manager, to her first meeting. There were no apologies for absence.

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

There were no declarations of interests.

Members were reminded to notify the Corporate Governance Manager about hospitality extended and/or received in the course of their LSB work and to submit expenses claims to the Corporate Governance Manager in a timely manner.

**Item 4 Minutes of the previous meeting**

The minutes of the previous meeting held on 12 May 2016 were APPROVED.

**Item 5 Action points**

The Committee reviewed the action points and noted:

- Two actions from the 12 May meeting would be included in the action tracker:
  - The draft version of the three way protocol, where it was noted that OLC had taken on responsibility for drafting; and
  - Senior Leadership Team's (SLT) Terms of Reference review where it was noted that this had recently been completed. CLOSED.
- OLC and Consumer Panel Members had been notified of changes to the subsistence rates. CLOSED.
- A cost/benefit analysis of storing back up disks off site had been undertaken. The cost to store off site had been considered prohibitive. The Committee felt the risk of having back up disk storage in the same building as the office premises was mitigated when taking into account that all research undertaken by the LSB is stored off-site and available via the LSB website. CLOSED.
- There had been no changes between the Annual Report and Accounts for 2015/16 being submitted to the Comptroller and Auditor General for certification and subsequently being laid before Parliament. CLOSED.

**Item 6 NAO update**

Caroline Mendes Da Costa (NAO) and Nick Buxton (BDO) confirmed the statutory audit for 2015/16 had gone smoothly. There was a productive relationship with LSB colleagues. The Management Letter for the previous financial year had highlighted related party transactions and Caroline would send examples of good and best practice for information to EJ. There were some audit methodology changes and any if there were any direct effect on the LSB these would be considered by BDO and discussed with EJ.

There were no known external developments which could affect audit reporting for next year but a major change in a few years' time would be the need to analyse operating leases and to include new entries in the Statement of Financial Position.

**Item 7**

[Redacted]

[Redacted]

**Item 8 LSB Corporate Risk Register Review**

*Jenny Prior attended the meeting.*

Since the Committee had met in May, the Risk Register had been reviewed and updated monthly by the SLT, and had been reviewed by the Board in May.

[Redacted]

- [Redacted]

- [Redacted]

[Redacted]

- [Redacted]

The Committee NOTED the Corporate Risk Register and that the Board would undertake its six monthly review at its meeting in November.

*Jenny Prior left the meeting.*

#### **Item 9 Policy review: LSB Governance Manual**

The LSB Governance Manual was last reviewed by the Committee in October 2015 and commended to the Board for approval at its meeting on 26 November 2015.

The Committee noted:

- That the drafting of paragraph 6. of the paper would be reviewed to establish whether it should refer to gifts and hospitality policy or the Bribery Act; and
- All documents that made up the Governance Manual would be checked for consistency of wording.

The Committee **ENDORSED AND RECOMMENDED** the LSB Governance Manual which would go to the Board for approval.

#### **Item 10 Update on LSB approach to information assurance**

JM, the Senior Information Risk Owner (SIRO) updated the Committee on work underway to review the LSB's approaches to information assurance and governance. Work undertaken by the previous Corporate Governance Manager had confirmed good understanding and compliance by colleagues of the principles of information assurance but that some work was required to ensure that expectations around data retention were delivered. Further work would be required to the disposing of and clearing out of outdated data.

There had been no data breaches nor near misses to report. LSB did not hold a lot of sensitive data: someone may send details of their court case which contained personal information but typically this was immediately returned and deleted.

The Committee NOTED the update.

#### **Item 11 Review of the effectiveness of the Committee**

The Committee had received an action plan for further enhancing its effectiveness in meetings its Terms of Reference meeting in May 2016. An updated action plan and matrix was considered by the Committee.

The Committee noted:

- LSB does not proactive seek feedback on the LSB's annual report and accounts although feedback was welcomed.
- The Committee reviewed the corporate risk register at each of its meetings.
- There had been no matters arising or recommendations made by the external auditors.
- There had been no matters arising or recommendations made by the internal auditors.

- There were different methods which could be used to enhance the questionnaires used every three years to evaluate effectiveness. John Ward and Paul Cuttle would share examples with the Corporate Governance Manager.

**Item 12      Any other business**

There was no further business the meeting closed at 12 noon.

The Committee will next meet on 10 March 2017 at LSB's offices at One Kemble Street, London WC2B 4AN.