

Minutes of a meeting of Audit and Risk Committee on 13 March 2014

Date: 13 March 2014
Time: 10.30am – 13.30pm

Venue: One Kemble Street, London WC2B 4AN

Present: Steve Green Chairman
(Members) Barbara Saunders
Terry Babbs
Anneliese Day QC

(Adviser) Philip Lindsell

In attendance: Chris Kenny Chief Executive and Accounting Officer
Edwin Josephs Director of Finance and Services
Julie Myers Corporate Director
Michelle Jacobs Business Planning Associate (item 8)
Caroline Mendes DaCosta National Audit Office (NAO) (from item 3-16)
Tim Drew BDO (LLP) UK (from item 3-16)
Andy Sayers KPMG LLP (from item 3-16)
Adewale Kadiri Corporate Governance Manager (minutes)

Item 3 – Welcome and apologies

1. The Chairman welcomed those present and in attendance and in particular Caroline Mendes DaCosta as this was her first meeting.

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

2. There were no declarations of interests.
3. 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.

Item 5 – Minutes: 23 October 2013 and matters arising

4. **The Committee resolved to agree the minutes of the meeting held on 23 October 2013 and to submit them for signing as an authorised record.**

Item 6 – Report of action points

5. The Committee noted the report of action points, and made the following comment:
 - Concern was expressed about the potential risk that colleagues' use of their own devices posed to the organisation. It was explained that the current policy did not allow for such devices to be used in conjunction with LSB systems and that colleagues have access to LSB laptops for home and remote working that allow secure systems access to avoid the need to share confidential documents outside of LSB systems.

6. **The Committee resolved to note the report of action points.**

Item 7 – Paper (14) 02 (ARC) Internal audit update

7. Andy Sayers summarised the two internal audit reports on core financial systems and corporate governance and risk management that had been submitted since the last meeting. Both reviews had led to overall ratings of „good’.

8. The core financial systems review had confirmed that the LSB has a comprehensive suite of policies and procedures in place, and sample testing had not highlighted any concerns - the testing had been skewed to examine the process changes following relocation and bringing financial transactional process in-house. One low priority Performance Improvement Opportunity (PIO) in relation to purchasing card transactions had been issued. This had been accepted by management and has already been implemented. Payroll had not been covered in this report as it was covered in-depth in the 12/13 review of HR and payroll and would be one of the main components of the testing undertaken by external audit. The expectation was that payroll would be reviewed by internal audit over a three-year cycle.

9. In relation to the review of corporate governance and risk management, the LSB's Governance Manual was considered to be comprehensive, and the structures in place appropriate to the size and nature of the organisation. One PIO related to an observation that the Licensing Authority Committee had not met, although its Terms of Reference indicated that it would meet three times a year. The Executive had accepted this PIO and the Board would be asked to stand down this Committee at its April meeting.

10. Three low priority PIOs relating to risk management had been identified:
 - The need to adjust the risk strategy to make clear that risk appetite is reviewed annually rather than every six months
 - A recommendation that the LSB adopts a method of residual risk scoring
 - A recommendation that actions to mitigate risks should be time bound and measurable, although it was accepted that this may be difficult in practice

11. The PIO relating to risk scoring had not been accepted by the Executive. This issue had been discussed by the Committee previously, and the decision had been made not to incorporate considerations of inherent risk into the scoring system, although it was recognised that this is common practice elsewhere. The level of complexity that this would introduce was considered to be unnecessary for an organisation of the LSB's size. The nature of the risks that the organisation faces are concerned more with relationship management, and often require „soft' mitigation actions. The Corporate Risk Register is reviewed at each Gateway Group strategy session, and there is genuine engagement with the process from colleagues.
12. Following discussion, it was agreed that the Executive would consider whether this scoring system would be helpful in exploring the causes of and mitigation for red rated risks from the autumn.
13. Andy Sayers commented on a draft head of internal audit annual opinion and indicated that the final *opinion* would be subject to completion of KPMG's review of the Governance Statement, but they were able to provide reasonable assurance on the basis of the work done so far.
14. **The Committee resolved to note the two internal audit reports as well as the draft head of internal audit annual opinion.**

Item 8 – Paper (14) 03 (ARC) Review of LSB Corporate Risk Register

15. Julie Myers and Michelle Jacobs introduced this item. The following risks were discussed:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

- [REDACTED]

16. The Committee resolved to note the LSB Corporate Risk Register.

Item 9 – Paper (14) 04 (ARC) Policy Review – LSB Publication Scheme

17. Ade Kadiri introduced this item. Most of the changes being proposed were to make items that are already accessible on request more routinely available to the public. The major issues that had been addressed in the review were the consideration whether to add papers of Gateway Group strategy sessions to the Scheme, and a proposal to slightly shorten the amount of time it took to publish Board papers. In the course of discussions, the following points were raised:
- Board papers are not presently disclosed until the minutes have been agreed, as the papers on their own could give a false impression of the Board’s views on the particular issue. This issue might be revisited in due course but not until the new Board Chairman and members are well established. Although some other regulators do publish a proportion of their Board papers at the time of their meetings, often, key papers are withheld indefinitely as they relate to the “private” part of the meeting. The Committee agreed with the view that the LSB should not adopt this model
 - The changes to the Publication Scheme would be more prominent in due course as the website was redeveloped. The Committee took the view that information on contracts that had been awarded should be readily available. The £250k devoted to research represented a significant proportion of the LSB budget, and the organisation ought to be transparent about how it is spent. The Executive agreed to consider how and whether this would be possible noting that significant contractual spend was already published on gov.uk and the need to avoid duplication of effort at a time of scarce resources
18. **The Committee resolved to note the suggested areas of revision of the LSB Publication Scheme, and that the Board would be notified of the changes at their meeting in March.**

Item 10 – Paper (14) 05 (ARC) Policy review – Information assurance and whistleblowing policies

19. Ade Kadiri introduced the paper. The main change to the Internet, email, computer and telecommunications policy is the restructuring of the policy such that advice on data protection and the use of email is the first substantive issue, to be followed by references to personal use of internet and computer security. The Committee were informed that the use of colleagues' own devices for LSB work is to be addressed in due course. The main change that had been made to the whistleblowing policies was to remove reference to Barbara Saunders as one of the Board members to whom disclosures could be made. In the course of the discussion, the following points were made:

- The Committee questioned why the internet, email, computer and telecommunications policy allowed for some personal use of LSB email addresses. It was agreed that the wording of the policy would be strengthened to further discourage such use, although some doubt was expressed as to how this would be monitored or enforced
- On paragraph 20 of the cover paper, the question was whether it would be useful to formalise the way the LSB deals with correspondence that it receives about the approved regulators and LeO, which, taken together could give cause for concern about their performance. There is currently no obvious policy hook for this sort of information, except in respect of allegations of fraud. It was suggested that in relation to LeO, such issues could be addressed through amendments to the Memorandum of Understanding, while in relation to approved regulators, such concerns could justify requests for information being made under section 55. The Committee were not persuaded that such matters fit well within a whistleblowing policy
- It was agreed that all instances of whistleblowing would be reported to this Committee.

20. The Committee resolved to note the changes to the information assurance and whistleblowing policies as presented to them.

Item 11 – Paper (14) 06 (ARC) – NAO external audit - Planning report 2013/14

21. Tim Drew introduced this report, and explained how it differed from previous reports. In course of the discussion it was noted that:

- The interim audit had already been completed as planned
- No particular risks had been identified in respect of the LSB's management of controls

22. [REDACTED]

[REDACTED]

23. The Committee

- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]

24. It was suggested that an update be made at the March Board meeting to reflect the discussion that had taken place at this Committee.

25. The Committee resolved to note the contents of the NAO Planning Report for 2013/14, and that an update be presented to the March meeting of the Board reflecting the discussion that has taken place about the treatment of LSB funding.

Item 12 – Paper (14) 07 (ARC) – Annual Report and Accounts 2013/14 project plan and draft documents for review

26. Ade Kadiri introduced this item, which included the timetable for production of the Annual Report and Accounts for 2013/14 and very early drafts of the sections that make up Parts 1 and 2 of the report.

27. In the course of the discussion, it was noted that:

32. There was no other business.

Item 15 – Date of next meeting

33. The Committee would next meet on Tuesday 13 May 2014, from 10am to 1pm. The venue would be the LSB's offices at One Kemble Street, London WC2B 4AN.

AK 17/03/2014

Signed as an accurate record of the meeting

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Date

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