

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

Meeting held on **13 March 2018**  
 10 am to 1:15 pm | One Kemble Street, London WC2B 4AN

<b>Present:</b> (Members)	Terry Babbs Marina Gibbs Michael Smyth Catharine Seddon	Chair
(Adviser)	John Ward	
<b>In attendance:</b>	Neil Buckley Edwin Josephs Holly Perry Rusere Shoniwa Ali Morgan  Michael Asare Bediako Andy Sayers Steph North	Chief Executive and Accounting Officer Director of Finance and Services Head of Corporate Services Interim Director of Finance National Audit Office (NAO) External Auditor (from item 9) BDO LLP External Auditor KPMG LLP Internal Auditor Corporate Governance Manager (minutes)
<b>Apologies:</b>	Zoe Thompson (BDO), Andy Sayers (KPMG)	
<b>Observers:</b>	Gary Ashton, OE Cam Ltd; Ed Bowie, Ministry of Justice ALB division (on behalf of Alison Wedge)	
<b>Attendance for items:</b>	Ian Wilson, Business Planning Associate (Items 9-12)	

**Item 1**

**AUDIT AND RISK ASSURANCE FINANCE COMMITTEE MEETING**

Members of the Committee, with the Advisor John Ward in attendance, met with Executives Neil Buckley, Holly Perry, Rusere Shoniwa and Edwin Josephs as a Board budget sub-group to consider the LSB’s budget for 2018/19.

**Item 2**

**PRIVATE SESSION**

**10:20 – 10:30 am**

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

**AUDIT AND RISK ASSURANCE COMMITTEE MEETING**

**10:30 am**

**Item 3 Welcome and apologies**

The Chair welcomed Gary Ashton, of OE Cam Ltd who had been contracted following a competitive tender to undertake the external Board evaluation work, and also Ed Bowie from the MoJ’s ALB division, as observers. Apologies for absence were noted from Zoe Thompson and Paul Cuttle.

**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 meetings held on 2 October 2017 were **APPROVED**. The Committee Chair would now sign these as a true record.

**Item 6            Action tracker**

The Committee reviewed the action tracker and noted:

- its disappointment that in respect of the work on assurance mapping, John Ward had not been involved on an ongoing basis during the development of the work – he had been involved in the initial stage of the work only;
- FOI report 2017/18, attached at the appendix to the action tracker - the wording to be clarified to reflect what the legal timeframe is, rather than the LSB internal timeframe; Michael Smyth to be a lead on FOI work on the Committee’s behalf; more detail to be added to the content of the report (including who the requests had come from, the timeframe for responding to each, the subject matter, escalation). **ACTION: A further, more detailed FOI report to be presented to ARAC’s 21 May meeting.**

**Item 7            Deep dive – cyber security risk**

Edwin Josephs delivered a presentation on the key issues to consider in relation to cyber security risk, and provided an overview of the LSB’s systems and controls in place. The key points noted were as follows:

- [Redacted]
  - [Redacted]
  - [Redacted]
  - [Redacted]
  - [Redacted]
  - [Redacted]
- [Redacted] [FOIA exempt S36 (2)(c)]

The Committee noted that Rusere Shoniwa would take on responsibility for IT assurance (as SIRO) on Edwin Josephs’ departure.

[Redacted]  
[Redacted]  
[Redacted] [FOIA exempt S36 (2)(c)]

Holly Perry provided an oral update on preparations for GDPR:

- A thorough audit of all the LSB's data processing had been undertaken in the second half of 2017;
- Additional resource had been drawn upon in order to undertake a separate review of HR and governance manual policies, which was progressing well;
- External training for staff would be provided by Kingsley Napier in March / April;
- The Data Protection Officer (DPO) for the LSB would be the Head of Corporate Services;
- Day to day work on GDPR, DPA and FOI Act would be the responsibility of the Corporate Governance Manager – ensuring a separation of duties between the Corporate Governance Manager, SIRO and DPO.

The Committee noted that the contract for IT support services was due for renewal shortly – **ACTION – the Committee suggested that it would be helpful to test the market before renewing the contract for IT support services.**

Having **REVIEWED** the paper, the Committee agreed that ARAC should undertake a review of cyber security arrangements every two years in the long term, with a review after one year in the context of the introduction of GDPR. **ACTION: next cyber security review to be undertaken and reported to ARAC in March 2019, then every two years thereafter.**

#### **Item 8 KPMG internal audit update**

Paul Cuttle of KPMG provided an overview of the content of the internal audit plan for 2017/18:

- Assurance mapping (noting the two areas chosen by LSB for the pilot programme);
- Succession planning, including staff retention and leaver policies;
- Strategic planning and performance, including how performance is captured and reported within the LSB in line with the aims identified in the annual Business Plan.

Subject to some comments about the relative allocation of days across assurance mapping and performance management, the Committee **APPROVED** the internal audit plan.

*Ali Morgan was welcomed to the meeting*

#### **Item 9 Corporate risk register**

*Ian Wilson attended the meeting.*

Since the Committee had met in October 2017, the Corporate risk register had been reviewed and updated a number of times by the Senior Leadership Team (SLT). The Corporate risk register had last been considered by the Board at their November 2017 meeting. The Committee reviewed the risk register by scrutinised the risks in turn, noting the changes reported in the cover paper.

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[FOIA exempt S36 (2)(c)]

The Committee **NOTED** the Corporate Risk Register. The Board would undertake its next six monthly review of the register in May 2018.

**Item 10 Update on LSB assurance mapping pilot**

Ian Wilson presented the paper outlining LSB assurance mapping in two areas: performance management and fraud and corruption. Initial conclusions following the work were that it was beneficial when looking at a larger area – providing a good opportunity for considering the work undertaken. It was possibly less useful for smaller areas of work, owing to resourcing

issues and the cost/benefit of undertaking the work. The Committee **DISCUSSED** and **NOTED** the pilots, which had been worked up on a sensible and proportionate basis.

HR policy and business planning timetable were suggested as the next two areas to map. After that, recommendations would be proposed for 2019.

John Ward recommended a light-touch approach for smaller areas and supported that recommendation that the work continue on a proportionate basis. He would meet with Ian Wilson following the ARAC meeting to discuss further (action – complete).

The Committee **AGREED** that future areas of work should be decided on a risk basis – informed by the corporate risk register.

#### **Item 11          NAO external audit – planning report 2017/18**

NAO outlined the financial statement audit approach to be adopted for the financial year 2017/18. The Committee **NOTED** and **CONSIDERED**:

- the timetable;
- that materiality would be set at £76,000;
- the audit risk;
- the review of fraud risk and assurance;
- the appointment of an interim Finance Director would not impact on activity and assurance in this area.

Ali Morgan confirmed that one set of feedback would be taken to ARAC's 21 May meeting, following the concerns raised in relation to the 2016/17 audit.

The Committee **NOTED** the external audit planning report.

**ACTION: it was agreed that fraud assurance should be a standing item at future ARAC meetings – as a minimum, oral confirmation that no incidents had occurred.**

#### **Item 12          Draft LSB Annual Report and Accounts 2017/18**

The Committee reviewed the schedule for the LSB's Annual Report and Accounts for 2017/18. A final version would be circulated to all Board members ahead of the 24 April Board meeting. A final draft will come to ARAC for scrutiny on 21 May. John Ward would provide detailed comments in advance of this date as he had sent apologies for the May meeting. The Committee **NOTED** the key dates outlined.

The Committee **NOTED** the draft Annual Report and Accounts.

#### **Item 13          Draft Annual Report of ARAC 2017/18**

Each of the Board's committees were required to provide assurance to the Board within an annual report setting out the activities undertaken during the financial year. Holly Perry presented the draft ARAC annual report for 2017/18 for the Committee's comment ahead of the Board's 22 March meeting.

Neil Buckley shared a suggestion from the executive that a deep dive review of appointments be undertaken at the 21 May meeting, including giving assurance as to what

LSB did for internal appointments and the use of interims. The next review of cyber security in March 2019 would also be added to the workplan.

Subject to the points raised in discussion, the ARAC annual report covering the period 2017/18 was **APPROVED**.

**Item 14      Review of the effectiveness of ARAC**

Holly Perry presented the paper which contained an annual update against actions previously agreed, with a recommendation to returning to the action plan at the Committee's 21 May meeting to take account of actions arising from the external Board evaluation. Gary Ashton confirmed OE Cam would present their finding to the 24 April Board meeting, which would allow the executive time to prepare a paper for the May ARAC. The action relating to joint working on the part of internal and external audit would be closed, on the basis that the options had been limited.

The Committee **NOTED** the review of the effectiveness of ARAC paper, mindful of further consideration to follow at the May meeting.

**Item 15      Forward look**

The Committee **NOTED** future items for consideration by the Committee.

**Item 16      Any other business**

Holly Perry presented the revised draft scheme of delegations to the Committee. Detail would be added to reflect leave of absence arrangements, Board leads where appropriate – in an advisory capacity, and that expenses go first to line managers, then to the Interim Finance Director for sign off. With these changes, the Committee **ENDORSED** the paper.

This was Edwin Josephs' last meeting of the Committee. Terry Babbs thanked Edwin on behalf of the Committee for all his support over his years of service, and wished him well for the future.

There was no further business and so the meeting closed at 13:00.

The Committee would next meet on 21 May 2018 at LSB's offices.

Signed as an accurate record of the meeting

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Date

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