AUDIT AND RISK ASSURANCE COMMITTEE
(“the Committee”)
MINUTES
Meeting held on 8 March 2022
13:30 – 16:30 | by video-conference

Present:	Catharine Seddon	Chair
(Members)	Catherine Brown	(to item 6)
	Gary Kildare	
	Michael Smyth	
In attendance:	Matthew Hill	Chief Executive and Accounting Officer
	Stuart Hamill	Head, Finance and IT
	Holly Perry	Director, Enabling Services
	Danielle Viall	General Counsel
	Ethan Fleming	Corporate Governance Manager (minutes)
	Donella Williams	Corporate Projects Manager
	Tim Borthwick	Corporate Services Manager
	Juan Garzon	Ministry of Justice (to item 6)
	Ella Firman	National Audit Office (NAO) - External Auditor
	Bri Luscombe	Crowe - Internal Auditor
	Richard Evans	Crowe - Internal Auditor
	Rebecca Palmer	Deloitte - External Auditor
Apologies	Venu Srinivasan	Deloitte - External Auditor

Item 1 – Welcome | Apologies

1. There were no apologies to record.

2. The Chair welcomed the Corporate Projects Manager to their first meeting and the Head, Communications and Engagement who was the SLT member observing the meeting.

3. The Chair thanked Crowe for an informative training session held before the meeting on the lessons learnt from the RICS governance review and Climate Change.

Item 2 - Declarations of Interest Relevant to the Business of the Committee

4. Catherine Brown had been appointed as Chair of the Enforcement Conduct Board.

Item 3 - Internal Audit Update

Head of Internal Audit Opinion

5. Crowe presented the item and reported that the draft overall opinion was *substantial assurance*. A theme that had arisen during the course of the year under report was the

need to balance expectations with resources available and take a proportionate approach.

6. The final overall opinion would be adjusted to accommodate the findings of the payroll audit, which was due to commence on 14 March.

7. The Committee **noted** the Head of Internal Audit opinion.

Communications

8. Crowe presented the item and reported that the audit opinion was *substantial assurance*. The Head, Communications and Engagement confirmed that all the actions had been completed.

9. The Committee **noted** the communications audit.

Procurement

10. Crowe presented the item and reported that overall, the audit opinion was *substantial assurance*. The Head, Finance and IT confirmed that the actions were on track to be completed by the end of April.

11. The Committee **noted** the procurement audit.

Payroll

12. Crowe reported that the audit was due to begin the following week and would be reported at the June ARAC.

13. The Committee **noted** the payroll audit update.

Item 4 - External Audit

14. Deloitte introduced the item, and the following points were raised in discussion:
    - IFS16 was not expected to be a significant risk as there was only one lease and therefore the judgements were not significant. The other new accounting standards were being examined to identify any areas of increased specific risk and would be applied proportionately to the LSB.
    - Materiality had been calculated at £81,000 with an error reporting threshold of £1,500.
    - The Committee confirmed that it had no knowledge of any other risks or actual or expected non-compliance with statutes.
    - Audit fees were set to increase but it had been agreed that the increase would be spread over two years and Deloitte were working closely with NAO to avoid duplication of activity.

15. The Committee **noted** the report.

Item 5 - LSB Corporate Risk Register and Horizon Scanning

16. The Corporate Governance Manager introduced the item, and the following points were raised in discussion:

- Risk 05 (Legal Ombudsman) – the risk had increased despite the improvements in performance and relationships owing to uncertainty around Ministerial policy positions.
- Risk 11 (capability/capacity of regulators) - the upcoming mitigations should include the new LSB Performance Framework leading regulators to be more consumer-led and working in the public interest.
- Risk 12 (diversity) - the sector risk and the Board diversity risk contained in this risk had been separated and combined multiple times and on reflection it was agreed that they should remained combined. It should be made clear that the LSB was monitoring diversity initiatives by regulators and required evidence of progress. The likelihood score would be re-assessed, as the current score implied that little could be done to progress change.
- Risk 17 (Board turnover) - a monitoring control was needed to assess any emerging impacts of instability arising from turnover.
- Risk 18 (Conference) - this new risk would remain on the risk register until the mitigations took effect and until sufficient assurance was in place. By placing the risk on the CRR it helped to engage all members of SLT and provide assurance to ARAC and the Board as to how the risks were being managed.
- In terms of horizon-scanning, there were a number of items that were developing but were not yet at a level to include on the CRR such as threats to rule of law and anti-money laundering concerns.

17. The Committee **noted** the Corporate Risk Register.

Item 6 - Deep Dive Project Management

18. The Corporate Services Manager introduced the item, and the following points were raised in discussion:
    - There appeared to be a good discipline around resource allocation and monitoring delivery.
    - It might be useful to include possible evaluation measures at the business case stage.
    - Project management was covered currently in the assurance mapping of both programmes and governance areas. This would be considered in the next review of assurance mapping more generally.
    - The usefulness of a lessons learnt database had been trialled with policy colleagues and had received positive feedback. Ongoing monitoring of its use would take place via PIDs and close-down reports, which were considered by SLT.
    - Overall, the report was able to provide a high level of assurance.

19. The Committee **noted** the Project Management deep dive and congratulated the Corporate Services Manager on a very high-quality piece of work.

Item 7 - Draft Annual Governance Statement

20. The Corporate Governance Manager introduced the item, and the following points were raised in discussion, for reflection in the next draft of the statement (**action**):
    - When approving the OLC 2021/22 budget the Board had made clear it expected significantly improved performance.
    - 360 feedback was included as part of Board Members' annual appraisals.

21. The Committee **agreed** the Draft Annual Governance Statement.

Item 8 - Draft Annual ARAC Report

22. The Corporate Governance Manager presented the item, and the following points were raised in discussion:
    - ARAC had given a helpful early steer on the Annual Governance Statement, and this would be referenced in the report.
    - There were a number of ways for staff to raise issues, grievances or whistle-blowing concerns. While it was agreed that it was not necessary to reference these in the ARAC terms of reference, the executive should issue a communication to staff on the different routes (**action**)
    - Any LSB staff member was welcome to observe an ARAC meeting.
    - Paragraph 31 on how often the CEO had bilateral meetings with SLT members should be redrafted next year.

23. The Committee **agreed** the Draft Annual ARAC Report for submission to the Board on 22 March.

Item 9 - Update on LSB Annual Report and Accounts

24. The Corporate Projects Manager presented the item, and the following points were raised in discussion:
    - The large print version of the ARA would be provided by the same design team as the regular version to de-risk the process.
    - The ARA was expected to be laid electronically this year, as in the previous two years.

25. The Committee **noted** the updated on the LSB Annual Report and Accounts

Item 10 - Cyber Security and Counter Fraud

26. The Head, Finance and IT reported that MoJ had requested assurance on cyber security arrangements in light of international developments. The LSB's outsourced IT provider was undertaking additional patching work and an IT security project was taking place in March.

27. The National Centre for Cyber Security had issued a toolkit for boards which also related to the NAO recent report on good practice.

Item 11 - Minutes of the previous meeting – 5 November 2021

28. The Committee **agreed** the minutes as drafted.

Item 12 - Noting of Items considered out of committee

29. The Committee **noted** the items circulated out of committee.

Item 13 - Action Tracker

30. The Committee **noted** the action tracker.

Item 14 - Data Management Update

31. The Committee **noted** the Data Management update.

Item 15 - Value for Money Update

32. The Committee **noted** the Value for Money update.

Item 16 - AOB

33. The Director, Enabling Services had met with Crowe to begin planning for the next round of internal audits. Crowe would produce a long list of options for consideration. This would inform the deep dive programme. The planned communications deep dive would be moved to March 2023 to allow a review of the annual conference to be included.

34. The Chair wished to record their thanks on behalf of the whole Committee to Michael Smyth for his contributions to ARAC.