

To: Nigel Reeder

Date: 24 April 2014

cc: Members of the Audit and Risk Committee

From: Valerie Strachan



Subject: Report of the Audit and Risk Committee 2013/14

1. This report summarises the Committee's work during the year and gives my opinion on JAC's risk management, internal control and governance arrangements and forms part of the Assurance process.

Membership

2. Membership of the Audit and Risk Committee (ARC) during the year has been:

Valerie Strachan (ARC Chair) (throughout)
David Hertzell, Independent Member (throughout)

Malcolm Birchall (until 31 January 2014)
John Thornhill (until 31 January 2014)

Noel Lloyd (from 1 February 2014)
Christopher Simmonds (from 1 February 2014)

3. There are regular attendees from the MoJ's Internal Audit and the National Audit Office (NAO). The Committee met in normal session four times in the year, and in June 2013 to consider the 2012/13 Annual Report and Accounts before recommending that they be signed by you as the Accounting Officer.

Role and function

4. Our formal role is to advise you as the Accounting Officer and the Commission on:
 - the strategic process for risk management, control and governance arrangements which support the Governance Statement, published in the annual report;
 - the accounting policies, the accounts, and the annual report of the JAC, including the process to review the accounts prior to submission for audit, levels of errors identified, and management's Letter of Representation to the NAO;
 - the planned activity and results of both internal and external audit;
 - the adequacy of management's response to issues identified by audit activity, including NAO's *Internal Standards on Auditing 260* and Management Report;
 - assurances relating to the corporate governance and risk management requirements for the JAC;
 - recommendations regarding risk and governance issues; and
 - Anti-fraud Policy, Anti-Fraud Response Plan and Whistleblowing procedure (all of which the Committee will review on an annual basis).

5. There is an annual cycle of matters to consider, with the regular business focussing on assurance and risk management processes, as well as matters arising from internal and external audit work. At each meeting, the Committee received progress reports on all these areas.

Review of Committee effectiveness

6. A formal review of the Committee's effectiveness was not carried out during the year, as the previous one was undertaken in January 2013. A further review will be undertaken once the new members of the Committee are established in their roles.

Performance Report and Business Plan

7. A narrative assessment of performance against the Business Plan objectives is presented to the ARC in the Management Information Pack. At the end of Quarter 4 all milestones had been met with the exception of B3.3 and B3.4 relating to the build of JARS, and resulting organisational impact.
8. In January, the Committee reviewed the draft 2014-15 JAC Business Plan. The Committee were content with the plan and endorsed it to the Board in February.

Risk Management

9. The success of risk management continues to rely on staff at all levels ensuring there is effective management of risks. This requires the ongoing commitment and support of Directors and managers to encourage the further embedding of a risk management culture.
10. The Change Programme (containing registers for each strand); Selection Exercise Programme Board; individual selection exercise; Health & Safety; and Information risk registers are reviewed regularly by teams in the JAC and appropriate risks are escalated to the Corporate Risk Register. The JAC also reviews and updates the Judicial Appointments Programme Board Risk Register, which it owns jointly with Judicial Office, HMCTS and the MoJ. Each quarter, the Senior Leadership team reviews the Corporate Risk Register, which is then reviewed at each ARC meeting before a final review by the Commission Board.
11. All staff in the Courts and Senior Appointments team have attended a Risk Register Workshop held by the Risk Improvement Manager. Most staff in the Tribunals team have also attended a workshop. These courses provide a strong focus on risk registers as they apply to selection exercises and give staff a more practical understanding of how risk applies to their roles. In addition, new guidance on risk registers in Selection Exercise Project Records (documents which provide an overview of an individual selection exercise) has been provided and implemented into the template.
12. The Committee considered the following main issues during the year:
 - The draft 2013/14 Business Plan
 - New formats for JAC Assurance Statements
 - Changes to the Selection Exercise Programme
 - Organisational robustness

Information and Data Security

13. The JAC Records Management Policy and Guidance contain the arrangements for the storing and retention of JAC paper and electronic records, which follows MoJ advice and Cabinet Office guidelines. The JAC Security Policy and Procedures further detail the agreed JAC security procedures including the handling of sensitive information. New staff are

required to undertake security training and all staff received refresher training. All staff have been provided with guidance on Civil Service-wide changes to the system of security classification due to come into use from 1 April 2014.

14. A requirement of the HMG Security Policy Framework (SPF) is for Management Boards to appoint a Senior Information Risk Owner (SIRO). The role fell to the Director of Corporate Services who had been trained in this role, until his departure in July 2013. SIRO responsibility was then delegated to the Assistant Director, responsible for Complaints and Security. The SIRO is obliged to provide an assessment of information risk management to the Accounting Officer annually. This report from the SIRO underpins what is included within the JAC's Governance Statement and is also a key reporting and audit tool to ensure compliance with the SPF. The Committee agreed the SIRO's Annual Assessment of information Risk Management for 2013/14.
15. The Committee was given regular updates on the risks to Equitas, the Web Based Application System and development of the new IT system (the Judicial Appointments Recruitment System (JARS)), and the actions being taken to mitigate these risks.
16. The concerns expressed in previous years concerning the IT security of the web-based applications system remain. However, this is a MoJ wide issue and local handling arrangements are in place to minimise an already low risk of compromise at the server interface. Support arrangements for Equitas have worked very well and its reaccreditation beyond the implementation of JARS in September 2014 will ensure that the arrangements shall remain in place during the transition between the two systems.

Internal Audit

18. Internal Audit is provided through a shared service agreement with the MoJ. The Committee endorsed the internal audit strategy and plans for the year, and monitored work progress. The reports issued in the financial year were
 - Change Programme Delivery
 - Information Assurance
 - Corporate Risk Management.
 - A report is due to be issued relating to the Financial Control Framework and work is ongoing in relation to the Assurance Framework.
19. In addition to these reports, Internal Audit also issued Management Letters in respect of Change Programme Governance and Oversight. It was agreed that such letters would allow the JAC to be more quickly, provided with effective feedback on the Change Programme, rather than having to wait for the publication of a full report (which may be too late to take effective action). Letters issued in the financial year were:
 - *New IT System Project Management and Governance*
 - *IT/JARS – Readiness for Agile*
20. The Internal Audit Report opinion for this year was of Amber/Green, providing a reasonable assurance that the risk, control and governance arrangements are adequate to enable objectives to be achieved.
21. During the year we were pleased with the quality of the work, and the willingness of Internal Audit to work flexibly, especially in relation to the Change Programme. We hope that this continues into 2014/15.

External Audit

22. Officials from the NAO attend all Committee meetings and continue to make a valuable contribution to its discussions. The NAO also work well with JAC Finance and Performance to consider and adopt appropriate accounting treatments on novel items.

Assurance processes

23. The Assurance process is used to support the Governance Statement. The process requires the signing of statements outlining Senior Managers' responsibilities for risk management and internal control at the beginning of the year (or on appointment). At the mid-year, the Chief Executive and Director of Operations signed off on overall assurance. The departing Director of Corporate Services signed a statement on leaving the JAC, in line with JAC process.

24. From the 2013/14 year-end, Assistant Directors are now required to complete annexes to the statements where they identify exceptions resulting in failures of internal control, with resulting preventative actions, and actions taken within the control systems they are responsible for. This change was approved at the January 2014 meeting.

Governance Statement

25. As Chief Executive and Accounting Officer, you are personally responsible for the Governance Statement, which outlines how you have overall responsibility for ensuring the JAC applies high standards of corporate governance – including effective support for the Board's performance, management of risks, to ensure it is well placed to deliver its objectives and is sufficiently robust to face challenges that it encounters. This report, supported by the detailed Assurance reports shows the progress in governance that has been made during the year to further embed risk management within the JAC. There are no material issues to be brought to the attention of the Accounting Officer.

Summary

26. As outlined in this document, I am satisfied with the arrangements for risk management and the Assurance processes.



Valerie Strachan
Chair, Audit and Risk Committee
24 April 2014