

The Law Society of Scotland
Annual General Meeting – 30 May 2019

Audit Committee report from Liam McCabe

Governance and membership

The Committee's membership changed over the course of the financial year with the resignation of solicitor Council member Amanda Millar, solicitor member Eileen Sumpter and chartered accountant Richard Spilsbury. There were two new solicitor Council members who joined the committee at the beginning of 2018 who are Deborah Wilson-McCuish and Susan Murray.

The Committee's reporting procedure remained the same as in previous years. The full committee minute is reported to the Society's Board, with a one page summary report of each committee meeting being presented to the Society's Council. The committee convener also formally reports on the committee's work at the annual general meeting of the Society. The Secretary to the Committee is the Society's Registrar.

Responsibilities

The work of the Committee is to review and report on the effectiveness of the Society's arrangements for audit, internal control and risk management. The Committee oversees the appointment of and monitors the work carried out by the Society's internal and external auditors. Informed by its consideration of the work of the auditors, the Committee comments and makes recommendations on the appropriateness, practical application and effectiveness of the Society's financial policies and procedures, management controls and its arrangements to identify and manage risk.

The Committee reviews the following at each of its meetings:

- progress by the Society against its corporate plan objectives especially in relation to their financial impact on the Society; and
- the Society's risk register with emphasis on changes in the risk profile and actions taken to mitigate key strategic risks

Through that regular review the Committee will question the actions and judgements of the Society's senior leadership team, the Board and the office bearers in relation to the Society's financial stewardship, safeguarding of the Society's assets and the extent to which the Society achieves best value in the acquisition and use of resources. The Committee oversees the Society's relations with the external auditors. To this end it receives and comments on the Society's annual financial statements prior to their approval by Council and receives the report from the external auditors in forming their opinion on the financial statement.

The Committee also commissions and oversees the delivery of an agreed programme of work from its appointed internal auditors. It will also follow up to ensure that recommendations contained in internal audit reports are implemented appropriately and within a reasonable timeframe.

The Committee will from time to time carry out reviews into or report on ad hoc matters as it may consider appropriate or as it is requested to do by Council or the Society's office bearers in accordance with the Society's protocols on such matters.

Overview

The Committee met on five occasions this year. The work of the Committee should be seen within the context of the Society's overall approach to good governance as the Committee plays a key role in holding the Society's office bearers, Council and senior leadership team to account for the management of risk and the effective operation of all risk management systems.

A key governance project for the Committee was to conduct the tender for the external auditors. Henderson Loggie having been in place as external auditors for 10 years. A period of 10 years is considered the optimum length of appointment for term of appointment. The result of the tender was that BDO was appointed for an initial five year period as the new external auditors. This appointment was made by the Society's members at the Annual General Meeting on 31 May 2019. I sincerely thank Henderson Loggie for their work as external auditors over the course of the last 10 years.

The Committee received five reports from the internal auditors (Wylie and Bisset an external firm of accountants) who completed their fourth full year of operation. These reports were in the following areas :

- Anti-money laundering regime
- Complaints against the Society
- General Data Protection Regulations (GDPR)
- Information Technology systems
- Procurement processes

The Committee was satisfied with the overall conclusion of the internal auditors which was that the Society does have adequate and effective risk management controls and governance processes in place to help achieve and in support of the Society's long term objectives.

A considerable proportion of the Committee's time in the final quarter of the year was spent reviewing the Society's response in terms of risk management to the Robertson Review on the future regulation of Scottish solicitors. This Review and the Society's response will continue to be a top priority for the Committee next year.

I conclude my report by thanking all committee members for their contributions over the course of this year.

Liam McCabe
Convener
1 May 2019