

**Minutes of the 56<sup>th</sup> Meeting of the  
Office for Legal Complaints Audit and Risk Committee  
Monday 3 October 2022, via Teams**

**Members Present:**

Harindra Punchihewa, Chair

Alison Sansome

Annette Lovell

Martin Spencer

**Board Secretary**

Kay Kershaw

**In Attendance:**

Elisabeth Davies, OLC Chair – observing (items 10 to 14)

Paul McFadden, Chief Ombudsman

Michael Letters, Head of Finance

Laura Stroppolo, Head of Programme Management and Assurance

David Peckham, Head of Operations, Business Information and Business Transformation

Marie Miranda, Enterprise Risk Manager (item 3)

**External Attendees**

Ella Firman, National Audit Office

Rebecca Palmer, Deloitte

David Winks, MoJ, ALB Centre of Excellence – observing

Matt Ellis, Government Internal Audit Agency

Clare Brown, Regulatory Policy Associate, LSB – observing

**Apologies:**

Jorjie Woodroffe, Government Internal Audit Agency

Matthew Hill, CEO, Legal Services Board

## **Item 1 - Welcome, Apologies and Declarations of Interest**

1. The Chair welcomed attendees to the meeting.
2. Apologies were noted.
3. The meeting was quorate.
4. There were no declarations of interest reported

## **Item 2 - Previous Minutes**

5. The ARAC **approved** the minutes of the ARAC meeting that took place on 30 June 2022 as a true and accurate record of the meeting.

## **Item 3 – Previous Actions and Matters Arising**

6. Action 5, paragraph 27 from the June 2022 ARAC meeting: The Executive had considered the feasibility of bringing forward the implementation date for the two high rating actions from the Payroll Audit and concluded that, because of HR resource constraints and other priority people related activities, it would not be possible to do this. ARAC **agreed** that this action should be closed. The Executive would continue to monitor any associated risks.
7. Action 6 Paragraph 37 from the June 2022 ARAC meeting: The updated Management Letter was submitted by External Auditors and included in the October ARAC pack. ARAC **agreed** that this action should be closed.
8. ARAC **noted** the update on previous actions

## **Item 4 – Risk Assurance**

9. The Head of Programme Management and Assurance (HoPM&A) presented the October Risk Assurance Report, advising that since the report had been issued changes had been made to some of the scores for Strategic Risks and Strategic Issues. The following key points were drawn to ARAC's attention:
  - Strategic Issue One (SI01) – Pre-Assessment Pool: This score had reduced from 16 to 12 to reflect the reduction in the number of cases waiting in the Pre-Assessment Pool (PAP). The PAP continued to be closely monitored as a Strategic Issue due to the number of customers awaiting an investigation. The Executive would maintain a close watching brief on the number of cases in the PAP during Q3 because of the potential impact that seasonal holidays may have.
  - Strategic Risk One (SR01) - Performance: This score had reduced from 16 to 12 to reflect the positive impact of LeO's focus on early resolution and proportionality which had resulted in an increased number of customer

outcomes and reduced customer journey times. Performance tolerance targets continued to be met.

- Strategic Issue Two (SI02) – People: The score for this Strategic Issue remained unchanged. The Executive anticipated that the scoring would reduce towards the end of Q3/Q4 in response to the support being provided to the Head of People Strategy and Services by an external consultant and the re-prioritisation of the People Strategy.
- Strategic Risk Six (SR06) Budget Variance: The likelihood score of 3 remained unchanged pending the outcome of a decision on the pay award by the MoJ.
- Tolerances were now aligned to the new Performance Reporting Dashboard.
- Significant progress had been made on addressing the actions arising from the Budget and Business Plan Audit.
- The review of the Tripartite Protocol, led by the MoJ, was in progress. The updated Tripartite Protocol was expected to be presented to the OLC Board for approval by the end of the calendar year.
- The ARAC Terms of Reference had been updated to reflect the Committee's role in the Budget and Business Planning Process and was pending agreement by the ARAC Chair before being presented to the OLC Board for approval.
- GIAA provided a limited rating in response to the audit of Information Assurance and GDPR. Auditors found the framework and governance of Information Assurance and GDPR to be good but there were weaknesses in the execution of the work. Management responses were being prepared and the final audit report would be presented to ATAC in due course.

**10.** ARAC welcomed the responsiveness to changing risk scores in line with the Executive's regular assessment of risk and was pleased with the approach being taken to closely monitor the impact of seasonal holidays on the PAP.

**11.** ARAC requested that future Risk Assurance Reports included:

- More insight on mitigating actions to help the Committee to understand why some high-risk scores were not reducing and to determine whether the right mitigating actions were being taken and whether more could be done to reduce the risk scores.
- An evaluation of the impact of completed audit actions to help determine whether the action was doing what it was intended to do.

**ACTION: The Head of Performance Management and Assurance to arrange for the Risk Assurance reports to include more insight on why some high- risk scores were not reducing, a list of mitigation actions in place and an evaluation of the impact of the actions that had been completed.**

12. The HoPM&A reported on the Executive's plans to undertake a deep dive of mitigating actions before year end to determine the effectiveness of controls and whether any additional mitigating actions were required. Plans were in place to align risks and associated tolerances to performance output as part of this work and consideration would be given to the mitigating actions linked to the risk to determine their effectiveness.

13. The HoPM&A demonstrated the proposed risk wireframe. The risk wireframe would be developed in two phases, with phase one being completed in time for a visual report in Power BI to be presented at the January ARAC meeting and phase two being completed during Q4.

14. In response to comments on the risk wireframe, ARAC was advised that:

- Work was in hand to align the strategic risks, mitigating actions, risk appetite and tolerances for performance indicators and performance output. More work was to be done on align the controls to the mitigations and outputs. This work would be completed by the end of Q4.
- Further consideration would be given by the Executive to determine the point at which risk appetite statements and positions breached thresholds.

15. ARAC welcomed the development of the risk dashboard, commenting on how it would help to ensure that ARAC worked more effectively and efficiently and the added benefit that Power BI reporting would bring to the Board by providing a common view across Risk and Performance.

16. Following discussion, ARAC **approved** the risk wireframe and **noted** the risk assurance update.

## Item 5 – Internal Audit update

17. GIAA updated ARAC on the progress being made on delivering the 2022/23 Internal Audit Plan, advising that:

- Delivery of 2022/23 Internal Audit plan was on track.
- The audit of Budget and Business Planning had concluded and had received a substantial rating because of the robust and effective Budget planning process in place.
- Resolving the areas of weakness identified by the audit of Information Assurance and GDPR was expected to be straight forward for LeO.
- The Executive had requested a postponement of the audit of Grievances and Staff Complaints until Q1 2023/24 to allow time for the Grievance Policy to be reviewed by an external consultant and to ensure sufficient resource would be available to support the audit.

- The Terms of Reference for the audit of Risk Management would be issued after the planning meeting had taken place on 4 October; the audit would commence in Q3.

**18.** ARAC had been pleased with the outcome of the Budget and Business Planning audit and thanked the Executive and staff involved in this audit for their hard work.

**19.** In response to a question raised, the Executive confirmed that the limited rating received following the audit of Information Assurance and GDPR was fair and they understood the actions required to address the findings and will actively follow them up.

**20.** ARAC **approved** the postponement of the audit of Grievances and Staff Complaints until Q1 2023/24.

**21.** The ARAC Chair thanked GIAA for the ARAC report supplement providing cross-government insights.

**22.** ARAC **noted** the Internal Audit update.

#### **Item 6 – External Audit update**

**23.** External Auditors drew ARAC's attention to three recommendations that had been made following the 2021/22 Financial Statements audit. Two of the recommendations relating to journal listing and the review of fixed assets register for assets no longer in use had been reported in writing to ARAC in June 2022, the third recommendation, relating to the oversight of the Annual Report and Accounts preparation, had been reported verbally at the June ARAC meeting.

**24.** A plan was in place to ensure that the recommendations were addressed to ensure further improvement to the 2022/ 23 Financial Statements audit and Annual Report and Accounts process.

**25.** Reflecting on continued improvement for the Annual Report and Account process, the ARAC Chair asked Auditors and the Executive to consider submitting earlier reports in the future.

**26.** ARAC **noted** the External Audit update.

#### **Item 7 – Financial Governance**

**27.** An update on the financial position at the end of Q1 had been presented to the Board in September. The HoF reported on the August year to date actuals against budget and other key financial reporting, drawing ARAC's attention to the following points:

- An underspend year to date had been reported; this was mainly due to attrition earlier in the year and long-term sick leave. Early mitigating actions to

address attrition had been taken, this included increasing the number of Investigators to be recruited in Q2 and bringing their start dates forward.

- An underspend position would be reported until December 2022. The underspend was then expected to be recovered between December 2022 and March 2023.
- A year-end overspend of £83k was forecast; this was being closely monitored and forecasts were being regularly updated to reflect any change. An overspend of between £50-£70k was expected to be reported at the end of Q2.
- The average payment days for creditors in Q2 was 24 days.
- The aged debt position for case fee debtors was low level and stable.

**28.** The ARAC Chair sought to understand the implications of case fee income being lower than what had been budgeted for. The HoF explained that case fee income was lower because of the increased number of case closures at the front end which did not attract a case fee and advised that the levy would be adjusted to cover any shortfall in income.

**29.** In response to questions raised, the HoF confirmed that:

- The next budget forecast would be presented at the October Board meeting.
- Clarification would be sought from the MoJ on what an acceptable budget variance would be.

**30.** ARAC had been pleased with the level of budgetary control in place and **noted** the update on financial Governance.

## **Item 8 – 2023/24 Budget Setting Assurance Principles**

**31.** The 2023/24 Budget would be prepared in collaboration with Finance, Business Intelligence, HR and Operations and would take account of previous lessons learned and any Government guidance received prior to its submission to the LSB.

**32.** The Executive had worked hard to minimise any additional budgetary pressures and therefore the pre-inflation ask for the 2023/24 budget would be in line with the 2022/23 budget request. However, inflationary pressures would add some complexity, particularly around staff pay awards, and an interactive approach to the 2023/24 budget was likely to be required.

**33.** The absence of any guidance from the MoJ until after the 2023/24 Budget was submitted to the LSB for approval added further complexity and challenge; the CO would be discussing this further with the MoJ at the next Business Assurance Meeting.

**34.** Considering that all Arms Length Bodies adopted their budgets before the start of a new financial year before they received notification of the pay award, and that they

didn't receive retrospective budgetary uplifts if the pay award was higher than the budget they requested, it was suggested that there may be value in LeO collaborating with other Arms Length Bodies to discuss how they were approaching their 2023/24 budget submission to address this problem. The MoJ explained that any intelligence on the 2023/24 pay award would be shared with LeO as soon as it was received.

**35. ARAC noted** the 2023/24 Budget Setting Assurance Principles.

### **Item 9 – Attestations and Single Tenders Report**

**36. ARAC noted** that the Executive had no attestations or single tenders to report.

**37.** The HoF advised that guidance was being sought from the MoJ about a potential attestation which may need reporting at the next ARAC meeting.

### **Item 10 - Information Rights and Security Incidents Report**

**38.** A small increase in the number of security incidents was seen in Q1, however the total number remained low and the themes were consistent with previous quarters.

**39.** Acknowledging that the number of security incidents were low, the ARAC Chair encouraged the Executive to consider whether any additional controls and mitigating actions could be taken to reduce the number further. In response, the Committee was advised that strong processes were already in place for reporting and dealing with security incidents, including the removal of the auto population function in Outlook, disciplinary action being taken for data breaches where appropriate and emails being recalled when sent to the wrong recipient. Considering the low number of incidents, the Executive would not want to implement any additional controls and mitigations that might slow down operational performance.

**40.** Overall, ARAC had been pleased that the number of security incidents had remained low in Q1 and broadly consistent with previous quarters. The Executive was encouraged to continue to learn lessons and respond accordingly to security incidents to ensure that numbers are reduced or at least didn't escalate in the future.

**41. ARAC noted** the Information Rights and Security Incidents Report.

### **Item 11 – Annual Security Policy Framework: Self-Assessment**

**42.** The annual self-assessment of the Security Policy Framework had been undertaken and a small number of vulnerabilities had been identified. Apart from one outstanding mitigating action, which carried minimal risk, all vulnerable areas identified by the assessment had been addressed.

43. ARAC **noted** the report on the Annual Security Policy Framework Self-Assessment.

### **Item 12 – Annual Cyber Security Report**

44. Some vulnerabilities identified as part of the 2021/22 annual self-assessment of the Security Policy Framework related to weaknesses in cyber security. Additional security measures were put in place to address the associated risks, including artificial intelligence monitoring, spam filters and greater controls to protect the cyber security risks associated with home working.

45. Some additional security measures had been implemented during 2022/23, this included improvements to the Birmingham office Wi-Fi, installing the latest version of Microsoft Enterprise for additional security configuration and monitoring, and undertaking various phishing simulation attacks.

46. In discussion, GIAA commented that there would always be a cohort of staff that responded to simulated phishing attacks and therefore it would be important to ensure that specific training was provided to them to mitigate associated risks.

47. In response to questions raised, the HoF:

- **agreed** to report back to ARAC on whether LeO's mobile phones had been included in the Cyber Security Self-Assessment.
- confirmed that the HoF had overall Executive responsibility for IT. LeO was in the process of recruiting an IT Manager and it was hoped that they would be in post by January 2023. In the meantime, the HoF was being supported by the IT Operations Manager and CRM Developer.

**ACTION: The Head of Finance to report back to ARAC on whether LeO's mobile phones had been included in the Cyber Security Self-Assessment.**

48. ARAC had been pleased by LeO's lack of complacency on cyber security, the high level of awareness, attention to detail and the follow up action that was being taken to mitigate associated risks.

49. ARAC **noted** the report on Cyber Security.

### **Item 13 – Update on the ARAC Effectiveness review**

50. The Board Secretary presented the action plan that had been developed in discussion with the OLC Chair and ARAC Chair in line with feedback from the annual ARAC effectiveness review.

51. In discussion, the following key points:

- ARAC would undertake twice-yearly deep dives to scrutinise areas of risk identified by the Board and ARAC. The ARAC Chair suggested that areas for deep dives could include the Critical Incident Policy and the Disaster



Recovery Plan. Members were asked to submit their suggestions for areas of deep dives to the ARAC Chair and Board Secretary.

- An annual root review of risk management would be undertaken and factored into the ARAC forward plan accordingly.
- The risk assurance framework would be widened to balance the focus of risk across finance, quality and performance.
- ARAC attendees were asked to submit suggestions on how ARAC could further improve its effectiveness to the ARAC Chair and Board Secretary.
- An ARAC meeting protocol has been developed. External attendees will be asked to provide feedback on what they had heard at each meeting.
- External attendees confirmed that they were content with the ARAC meeting protocol.

**ACTION: ARAC members to submit their suggestions for areas of deep dives to the ARAC Chair and Board Secretary.**

**ACTION: ARAC attendees to submit suggestions on how ARAC could further improve its effectiveness to the ARAC Chair and Board Secretary.**

**ACTION: The Board Secretary to update the ARAC forward plan to include a standing agenda item for external attendees to provide feedback on the meeting.**

**52. ARAC noted** the update on the annual ARAC effectiveness review.

#### **Item 14 - Any Other Business**

**53.** There was no other business.