

**Minutes of the Forty-Fourth Meeting of the  
Office for Legal Complaints Audit and Risk Committee  
Monday 2 March 2020  
Edward House, Birmingham**

**Present:**

Shrinivas Honap, Chair

Rebecca Hilsenrath

Annette Lovell

Brendan Arnold, Director of Corporate Services (DCS) and SIRO

David Winks, Ministry of Justice (MoJ)

Chris Davis, Government Internal Audit Agency (GIAA)

David Eagles, BDO, External Audit, by telephone

Nuwan Indika, BDO, External Audit

Matthew Hill, CEO, Legal Services Board (LSB)

Ella Firman, National Audit Office (NAO)

Laura Stroppolo, Business Performance Manager (items 4,9 and 10)

David Anderson, Head of ICT and Information Governance (item 5)

Mariette Hughes, Head Ombudsman (item 9)

Rakhi Patel, Interim Head of Finance (item 11)

Siobhan Fennell, Head Ombudsman, (item 12)

**Apologies:**

Rebecca Marsh, Chief Ombudsman

Alison Wedge, Ministry of Justice (MoJ)

Steven Corbishley, National Audit Office (NAO)

Mark Andrews, Government Internal Audit Agency (GIAA)

**Board Secretary:**

Kay Kershaw

**Item 1 – Welcome, apologies and preliminary matters**

1. The Chair welcomed those in attendance and introductions took place.
2. Apologies were noted.
3. The meeting was quorate.

4. Shrinivas Honap reported that he had been appointed as Chair of the Driver Vehicle Standards Agency with effect from 1 April 2020.

**Action: Board Secretary to update the Board Member Register of Interests.**

5. There were no other conflicts or declarations of interest.
6. The ARAC forward plan that had been circulated for information prior to the meeting.

### **Item 2 – Previous minutes**

7. The Committee **approved** the minutes of the meeting held on 7 October 2019 as an accurate record of the meeting.

### **Item 3 - Outstanding actions from previous meetings**

8. The DCS provided an update on action 4 paragraph 13 of the previous minutes advising that a review of risks and risk appetite had been undertaken. The draft top 10 risks had been identified and were to be discussed at the Board meeting on 4 March 2020.
9. The Committee **noted** the update on actions arising from previous meetings.

### **Item 4 – Risk Assurance Review**

10. The DCS presented the Risk Assurance Review paper, reporting that since the last meeting, a comprehensive review of the risk assurance framework had been undertaken. This included:

- A review of business unit and strategic risks - the risk register had subsequently been updated in order to reflect the latest position.
- A review of the assurance map – this had been updated to reflect the latest review dates.
- A full consolidation of internal audit actions – the actions tracker had been updated to include the status and progress made against the actions.

The Chair noted the progress made but stated that further detailed work was required to clearly delineate the cause, mitigation, dates for mitigation and ownership.

11. Work was underway to review the integration of the Information Commissioner's Office (ICO) audit actions into the risk assurance framework.
12. The Casework Compliance audit received a substantial assurance rating.
13. The Cyber Security Audit received a moderate assurance rating. There were a small number of low complexity actions arising from this audit, but the Chair commented that this was a critical area and predictive monitoring was vital.
14. The payroll audit received an unsatisfactory rating. This was due to matters arising since payroll had been outsourced and the subsequent reliance on several manual checking procedures that, if not completed accurately, had the potential to result in loss to the organisation. The audit team have found no evidence of loss during their audit work. Chris

Davis confirmed that he was comfortable with the timescales agreed for the completion of actions arising from this audit.

15. In discussion, it was agreed that the internal audit actions tracker should be further updated to provide more clarity on the status of actions, timescales for completion, and what was required to address each of the actions.

**ACTION: Business Performance Manager to update the Internal Audit Actions Tracker.**

16. The DCS advised that the follow up ICO audit would take place on 9 March as a desktop review. All evidence requested by the ICO for this review had been submitted. Approximately 80% of actions arising from the audit had now been completed.

17. The Chair acknowledged the progress made on developing the risk assurance framework but advised that more work was required to improve the risk register. He had provided specific feedback directly to the DCS.

18. In discussion, the Committee provided the following additional feedback on further improvements required:

- Risk BU01 – more clarity required around the root causes of the risk.
- Risks BU02 and BU03 - more precise thinking is required around these risks.
- Risk BU06 - reporting to ARAC' is not a suitable control for this risk – consider adding segregation of duties as the control.
- Risk BU07 - The current controls stated are not suitable. Reconsider the controls for this risk as 'leadership' and 'strategy' are not controls.
- Risk SO2 – the mitigations are more to do with business as usual and so there is a need to look more holistically at mitigating this risk.
- The need to stop repeating 'reputation' as a risk throughout the registers.
- The need for more defined timescales to be included against the risks – this should include both the timescales regarding mitigations and the timescales regarding delivery.
- The need for clarity around the cause and effect of some of the risks – in places this is muddled.
- The need to include a risk around business continuity to address risks associated with Corona virus and other similar eventualities – ARAC requested an update on what is being done to address this risk as a matter of priority.

**ACTION: Business Performance Manager to provide update to ARAC on risks associated with business continuity as soon as possible.**

**ACTION: Business Performance Manager to add the risk of Corona virus to the risk register.**

- Update the Risk Register to include more information about monitoring and controls – this update is required for the ARAC meeting on 1 July 2020.

**ACTION: Business Performance Manager to update the Risk Register to include more information about monitoring and controls by the 1 July ARAC meeting.**

19. There were no specific matters either novel or contentious reported to the Committee and there were no matters that fell outside the risk scores assigned under the last period of the previous risk management framework reported.
20. The Committee **noted** the information set out in the risk assurance review paper.

**Item 5 – Information Rights and Security Update**

21. The number of security incidents reported for Q3 and Q2 were similar; both were less than the number reported in Q1. The highest number of incidents reported related to unauthorised disclosures.
22. The security team continues to work with staff to minimise the number of security incidents and to ensure that incidents are reported within the required timescales.
23. The backlog of Subject Access Requests (SAR), Freedom of Information (Fol) requests and Regulatory Disclosure requests have been cleared and responses are being issued within statutory deadlines.
24. Inconsistent practices around record management are to be addressed through the Better Records Management (BRIM) Project. The Committee requested an update on the progress being on this project including details of the project ownership / leadership at the ARAC meeting on 1 July 2020.

**ACTION: Head of ICT and Information Governance to provide an update on the progress made on BRIM project at the ARAC meeting on 1 July 2020.**

25. The ICO is defending its decision to uphold LeO's decision not to provide the religious and racial background information of staff that had been requested under Fol.
26. The ICO upheld a complaint made against LeO about its handling of a SAR and made recommendations for improvement.
27. Following discussion, the Committee requested a cyber security monitoring report for presentation at the ARAC meeting on 1 July 2020.

**ACTION: Head of ICT and Information Governance to prepare at cyber security monitoring report for the 1 July meeting.**

28. The DCS advised of a security incident involving a company used by LeO to conduct customer satisfaction surveys. The Chair of ARAC, in line with the agreed procedure, had been notified of this incident. A full report of this incident was provided under any other business by Head Ombudsman, Siobhan Fennell.
29. Following discussion, the Committee **noted** the update on information rights and security incidents.

**Item 6 – External Audit update**

30. The Committee reviewed the 2019/20 External Audit Planning report, setting out the proposed approach to the audit of the 2019/20 Financial Statements which will respond to

the risks of material misstatement and material irregularity. The report set out how the auditors had built their assessment of risk, what they had based materiality on, the risks they expected to be significant and how they proposed to respond to those risks. In addition, the report set out details of the team carrying out the audit, the timing of the audit and details of the auditors' fees.

31. After consideration, the Committee **agreed** that the risk identified as having the most significant impact on the audit was the presumed risk of management override of controls.
32. Having been invited to provide guidance on the error reporting threshold for materiality, the Committee requested that the threshold should be raised from £5000 to £10000.

**ACTION: BDO to raise the threshold for materiality from £5000 to £10000.**

33. The Committee discussed the areas identified for audit focus (changes in accounting standards IRFS16; disclosure of director's remuneration in respect of Board members' travel expenses; review of useful economic life for information technology assets and staff changes in the Finance team and continuity of key staff) and sought clarity on why some of these areas had been identified.
34. It was explained that IRS16 would focus on leases. This area of audit focus had been identified because of the complexity of the lease for LeO's office premises. The Chair felt that this was not a material risk.
35. Disclosure of director's remuneration in respect of Board members' travel expenses had been identified as an area of focus because the Legal Services Board was currently reviewing whether tax and national insurance were payable on some elements of Board members' travel expenses.
36. The review of useful economic life for information technology assets had been identified as an area of focus because there had been a historic track record of understatement of useful life of assets and the appropriateness of accounting policies would be reviewed. The Chair advised that he did not consider this to be a critical area for audit focus.
37. The Chair advised that he wanted this audit to focus on critical areas, which he considered to be payroll, integrity of financial systems and succession planning.
38. The Chair **confirmed** that the financial statements could be materially misstated due to fraud and drew attention to concerns in the following areas where fraud could occur:
- Supply chain
  - Collection of fees
39. The DCS reported on LeO's significant portfolio of fraud documents that had been created to provide assurance on fraud and the work that had been undertaken with the Ministry of Justice to develop these materials.
40. Following discussion, it was agreed that:
- a) a short report providing details of the fraud materials would be presented at the next ARAC meeting in May 2020.

- b) David Winks would review the MoJ's response to LeO's fraud materials and confirm whether there were any issues or concerns to draw to the attention of the Committee.

**ACTION: The DCS to produce a short report providing details of LeO's fraud materials for presentation at the next ARAC meeting in May 2020.**

**ACTION: David Winks to review the MoJ's response to LeO's fraud materials and confirm whether there were any issues or concerns to draw to the attention of the Committee.**

41. The Committee **noted** the External Audit update.

#### **Item 7 –Internal Audit update**

42. The Committee reviewed the Internal Audit Progress Report for February 2020, **noting** that the audits of Electronic Collection of Equality and Diversity Data, Casework Compliance and Payroll had been completed to final report stage and the report of Cyber Security had been issued in draft. The work on the Digital Customer Project had been discontinued and the work on the accuracy of data recording relating to casework will now be addressed as part of a wider review of the management of casework as part of the proposed audit plan for 2020/21.
43. Changes in key personnel and potential structural and process changes within the finance function had highlighted the need for further audit activity in this area. The current audit of payments addresses some of this but should also be seen in the context of further financial audit work proposed for 2020/21.
44. Delivery of the internal audit plan is on schedule and the remaining work is on target for the completion by the end of the year. Internal Audit is satisfied that although the volume of audit activity has been smaller during 2019/20, it has been directed at key areas such that the minimum volume of work to support their opinion at year end has been completed.
45. Having reviewed the draft Internal Audit Plan for 2020/21 the Chair asked for the proposed audit on corporate governance to be removed from the plan because the Board, ARAC and RemCo have recently reviewed corporate governance as part of an action arising from the 2018/19 Board effectiveness review. The chair requested that the following audits were added to the 2020/21 audit plan:
- Succession planning
  - review of recruitment and retention strategies and how they are implemented
  - performance management, to include analytical reporting and prediction of case management volumes
  - performance management - people
46. The DCS advised that the Management Team had already approved this audit plan and that any changes recommended by the Chair would need to be considered and approved by the Team before asking Internal Audit to change the plan.
47. Whilst the Chair felt that proposals for the audit plan should have been agreed by the Board in the first instance, Chris Davis confirmed that the plan was in fact an agreement

between the CO and Internal Audit. Chris Davies added that he would be happy to amend the audit plan subject to the Management Team's confirmation and for ARAC to approve the revised plan outside of committee.

**ACTION: The Management Team to consider the recommendations put forward by the Chair to change the 2020/21 Internal Audit Plan and advise Internal Audit of their decision so that an updated plan can be prepared for circulation to ARAC outside of Committee for approval.**

#### **Item 8 – Annual Report and Accounts 2019/20 Timetable**

48. The Committee reviewed the timetable for the production of the 2019/20 Annual Report and Accounts.
49. Ella Firman identified a timing issue regarding the certification of the Annual Report and Accounts by the Comptroller and Auditor General and advised that she would raise this with the DCS outside of the meeting.

**ACTION: Ella Firman to raise the issue about timing regarding the certification of the Annual Report and Accounts by the Comptroller and Auditor General with the DCS.**

50. The Committee **noted** the Internal Audit action plan 2020/21.

#### **Item 9 – Consideration of the final 2020/21 budget proposals**

51. At the request of the LSB, ARAC was asked to consider the OLC's 2020/21 budget application before it was reviewed by the OLC Board at its meeting on the 4 of March.
52. The DCS reported on the different budget options that had been identified in order to deliver the Road Map to Green, each within different time scales and each carrying different risks.
53. He explained that in recent correspondence the LSB had asked the Executive to undertake a sensitivity analysis of what could be delivered if a lower budgetary increase were to be offered. This work was currently being undertaken in preparation for discussion after the Board meeting the 4th of March.
54. Without the availability of this information, the Chair reported that ARAC was not able to discuss the OLC's budget application in any detail at this meeting, however the Committee would be happy to give an opinion once the reworked budget proposals were available, adding that, if possible, the Committee would convene an additional meeting for this purpose.
55. Matthew Hill drew the Committee's attention to the LSB's concerns around the risks and implications of a new headline budget figure that had been set out in one of the budget options which hadn't been consulted on.
56. Matthew Hill warned ARAC the LSB may not in a position to approve its 2020/21 budget. The Chair advised that he would be bringing this to the attention of the OLC Chair.

57. The Chair was grateful that these concerns had been brought to the Committee's attention and agreed that there was a need to ensure a more holistic approach to improve the budget application and consultation process in the future.

58. The Chair asked the Executive to update the risk register to include the following two risks:

- LSB Board not approving the OLC budget
- the current and future relationship between the LSB and OLC

**ACTION: The Executive to arrange for these two additional risks to be added to the risk register.**

#### **Item 10 – Annual review of business continuity**

59. The DCS and Business Planning Manager reported on an initial review of the Business Continuity Plan (BCP) and Virtual Battlebox that had been undertaken and advised that some areas for improvement had been identified.

60. A further comprehensive review and re-write of the BCP is to commence in March and a review of the Virtual Battlebox take place in April.

61. Following discussion, it was agreed that before the final BCP is presented to ARAC in May, it should first be presented to the OLC Board.

**ACTION: Board Secretary to update the Board and ARAC forward plans accordingly.**

62. The Committee was advised of Management Team discussions about business continuity plans to respond to Corona virus and similar discussions taking place with the MoJ.

63. The Committee noted the update on Business Continuity.

#### **Item 11 – Attestations and single tenders report**

64. Having reviewed the Attestations and Single Tenders Report, the Committee **agreed** that only exceptions to the single tender process should be presented in future reports.

65. The Committee **noted** the attestations and single tenders reported.

#### **Item 12 – Any other business.**

66. As reported in agenda item 5, Head Ombudsman, Siobhan Fennel reported on a security incident. She advised the Committee of the actions being taken as a result of the breach and the mitigations to prevent future breaches of a similar nature.

67. There was no other business discussed.