

**Minutes of the thirtieth meeting of the
Office for Legal Complaints Audit and Risk Committee**

Thursday 6 October 2016

1.00 pm – 3.00pm

Legal Services Board offices, London

Present:

Michael Kaltz, Chair
Tony King, member
Professor Philip Plowden, member

In attendance:

Nick Hawkins, Chief Executive (CEO)
Kathryn Stone OBE, Chief Legal Ombudsman (CLO)
Emma Cartwright, Head of Finance
Simon Tunnicliffe, Head of Operations
David Eagles, Partner, BDO
Charlie Lovlee, BDO
Marc Rainforth, Government Internal Audit Agency
Chris Davis, Government Internal Audit Agency
Alison Wedge, Head of ALB Governance, MoJ (Observer)
Jenny Pickrell, MoJ Sponsor Team (Observer)
Neil Buckley, Chief Executive, Legal Services Board (Observer)
Rob Powell, DCS (Designate)

Apologies:

Caroline Mendes da Costa, NAO

Board Secretary:

Helen White

Preliminary issues:

The meeting was quorate.

Item 1 – Welcome and apologies:

1. The Chair welcomed and thanked those in attendance. The Chair noted apologies for absence had been received from Caroline Mendes da Costa.

Item 2 – Minutes of previous meeting:

2. The minutes of the meeting of 7 July 2016 were approved.

Item 3 – Matters arising & action points:

3. Members noted those items where actions had been completed and those that were included as agenda items. Follow-on action points were set as required.
4. Discussion took place on the business combined insurance. The Head of Finance reported that the letter of indemnity was still awaited from the MoJ and was required before the current commercial policy expires on 16 October. It was agreed that Alison Wedge would raise this with colleagues at the MoJ to expedite the letter.

ACTION:

Alison Wedge to chase the letter of indemnity awaited from the MoJ regarding the business combined insurance.

5. Discussion took place on the proposed recharge for the insurance by the MoJ. It was agreed that the Head of Finance would clarify the recharge mechanism and whether such an approach was permitted under the terms of the levy.

ACTION:

Head of Finance to clarify the recharge mechanism and its position as regards the levy.

6. Members noted the next batch of policies for review would be the IT policies which were due in the next quarter.
7. The ARAC Chair confirmed that Audit Committee self-assessment checklists were in the process of being completed.

Item 4 – Data Handling Incident Report

8. Members noted the data handling incident report which had been circulated and read in advance by attendees.
9. The Chief Legal Ombudsman confirmed that updates on the actions agreed at the previous meeting were included in the Data Handling Incident Report. She confirmed that in order to promote the safe sharing of information, a manual email verification process had been implemented at the point in the process when evidence was first shared with parties. An automated verification was not possible in the current system.
10. The Head of Operations reported that guidance and awareness raising was continuing with training and feedback to individuals, both in one-to-one and team meetings. It was noted that the operations team were working with the IT team and regulators to ensure the validity of data being loaded into the computer system.

11. The Head of Operations reported that the team had investigated the potential to anonymise data on the IT system; it had been agreed that this would wait until after the upgrade to the CRM system in 2017.
12. Discussion took place on the number of data security incidents reported in the previous quarter. It was noted that within the operational teams the number of incidents had reduced. The CLO reported that staff were now more aware of what constituted a data incident. She remained confident that the number would reduce further in the next quarter.
13. Alison Wedge reported that in her experience, when staff awareness improved, reporting often went up. She reported that when comparing the OLC with other organisations of a similar size, the number of data incidents being reported appeared low. It was agreed that there was a piece of work to do to identify how the OLC performed with regard to data incidents compared with other organisations and how they managed data. To assist the executive, Alison Wedge agreed to provide the contact details for other similar organisations within the MoJ.

ACTION:

The Head of ALB Governance to provide the CLO with the contact details for other similar organisations within the MoJ.

14. Marc Rainforth reported that he had recently started a piece of work across the MoJ on data information sharing. He stated this would assist with any comparison data and undertook to share this with the executive once completed.

ACTION:

Marc Rainforth to share the outputs from the work being done across the MoJ on data information sharing.

15. It was agreed that the future summary data incident reports would include a risk scale to reflect the sensitivity of the incident.

ACTION:

Head of Operations to include a risk scale on future data incident reports.

16. Discussion took place on two of the individual incidents. Board members requested that the Head of Operations provide further information on these incidents out of committee.

ACTION:

The Head of Operations to provide further information out of committee to ARAC members on the two specific incidents discussed.

Item 5 – Corporate Risk Register

17. The Head of Finance reported that the Corporate Risk Register was due to be tabled at the OLC Board on 18 October. She thanked the ARAC members and Observers for their assistance in the work done to finalise the Risk Register.
18. The ARAC Chair reported that the aim for ARAC had been to see a register which represented an overview of the organisation's strategic risk register. Underneath this would be the individual business owners' risk registers. The Chair commended the Head of Finance on the work which she and her colleagues had done in transforming the Corporate Risk Register into a strategic document for effective use by ARAC and the OLC Board. ARAC members had requested a few further refinements and they would be incorporated by the Head of Finance within the next few days.
19. The Head of Finance reported that there were now allocated risk owners, who would take ownership of a maximum of two risks each. She stated that once the Director of Corporate Services joined the organisation, he would have input to this document and the organisation's risk strategy, which would develop over the coming months.
20. Marc Rainforth reported that having a more focussed risk register would enable the internal audit team to develop the three year audit plan to better address the key risks.
21. Discussion took place on whether the current Risk Register was in places, too inwardly focussed. The Head of Finance reported that this was the first point which had been made by the ARAC members review and the next iteration of the Register would address this.
22. Neil Buckley questioned whether the Register had the right distinction between issues and risks as some of the Risks included could be viewed as issues.
23. The ARAC Chair requested that the Head of Finance ensure 'Managing Public Money' was referenced in the financial Risks.

ACTION:

The Head of Finance to make the necessary amendments to the Corporate Risk Register.

24. Alison Wedge outlined the escalation process to the Departmental Board, for risks which the Board consider out of their control.

ACTION:

The ARAC Chair to note the escalation process to the Departmental Board, for risks which the Board consider out of their control.

25. The ARAC Chair reported that the intention for the Corporate Risk Register would be for ARAC to review the document as a whole on a quarterly basis. In addition each quarter, a departmental manager would be invited to ARAC to discuss that manager's departmental risks in more depth. He requested the Head of Finance consider which area would be best suited to present at the January ARAC meeting.

ACTION:

The Head of Finance to consider which departmental head would best be suited to present an operational risk register at the January ARAC meeting.

Item 6 – Internal Audit Reports

26. Marc Rainforth reported that his team had now joined Government Internal Audit Agency (GIAA). He reported work was now being done to embed best practice across the agency which may result in changes in 2017.
27. He reported that work was on plan for the audits in the current year. It was noted that the Final Audit had been issued for the Performance Data audit, which would be tabled at the next ARAC meeting.
28. Discussion took place on the post audit satisfaction surveys. The ARAC Chair questioned whether there might be wider feedback as the audits touched a number of people throughout the organisation.
29. Discussion took place on the three year audit plan. The ARAC Chair questioned whether the Procurement audit could be brought forward on the audit plan.

ACTION:

The Chief Executive to discuss the audit plan with GIAA to agree whether the Procurement audit could be brought forward on the audit plan.

30. Alison Wedge reported that a very fruitful area for internal audit within ALB's was the "system of assurance", which would review the level of understanding within an organisation of the sources of assurance. Rob Powell stated that this type of audit identified where the weaknesses were within an organisation. To provide further information it was agreed that Marc Rainforth would circulate further guidance and links to audit examples from the MoJ.

ACTION:

GIAA to circulate further guidance and links to audit examples from the MoJ.

31. Discussion took place on the Data Protection audit which had been discussed with ARAC members during the pre-meet. Marc Rainforth reported the audit had highlighted some areas which needed to be improved; both systems and cultural. He reported that any change in reporting culture often resulted in a spike in data

incident reporting. He noted that since the audit fieldwork had been carried out, it was clear that work had been done to improve the systems and reporting.

Item 7 – External Audit Reports

- 32.** Discussion took place on the audit completion report. David Eagles reported that this was the final audit completion report in respect of the 2015/16 financial statements.
- 33.** Charlie Lovlee took members through the key risk areas in the Audit Completion Report. He reported that there had been a slight error on provisions but the impact was small so this item was left unadjusted.
- 34.** Discussion took place on the recognition of revenue risk resulting from the CRM build logic error. It was noted that the net impact was small so this item was left unadjusted.
- 35.** Discussion took place on the risk identified on regularity of expenditure which Charlie Lovlee reported would result in a qualified opinion of the Accounts. He reported that this opinion had been confirmed as correct by the NAO technical team.
- 36.** The ARAC Chair requested that the wording specified that this issue had been resolved with prior approval from both MoJ and Treasury. David Eagles stated that the wording would come from the NAO, so any specifics would need to be directed to the NAO. It was noted that the final wording for the audit opinion would be shared with the OLC before signature.
- 37.** David Eagles reported that he had received further feedback from the NAO on the narrative of the governance report as the NAO wished to again make reference to the extent to which the recommendations, and in particular the tripartite agreement, had been implemented. He reported that discussion had been held at the LSB Audit Committee meeting at which concern was raised regarding the tripartite protocol.
- 38.** The ARAC Chair reported that the overwhelming majority of the governance report recommendations had been implemented and that the OLC Chair and Chairs of ARAC and RemCo were monitoring progress on a regular basis. He reported that to provide further assurance, the next internal audit was an audit of the governance arrangements to review the implementation of the recommendations from the governance review report.
- 39.** The Chief Executive reported that he would arrange to meet with the NAO urgently to resolve the issues raised.

40. The ARAC Chair reported that he and Tony King had further comments of fine detail on the Annual Report and Accounts which they would share with the Head of Finance outside the meeting.

Item 8 – Annual Report Timetable

41. Discussion took place on the timetable for the next year's Annual Report and Accounts. It was noted that Recess was 21/7/17. The Accounts could be presented to the ARAC meeting scheduled for 4/7/17.
42. Discussion took place on the presentation of the next year's accounts to the LSB Board. Neil Buckley was asked to consider whether the OLC Annual Report could be presented out of committee. He agreed this might be an easier option to moving the date of the LSB Board meeting and agreed to look at options.

ACTION:

Neil Buckley to review the potential for the OLC Annual Report and Accounts to be presented to the LSB Board out of committee in 2017.

43. It was agreed that in order to meet the challenging 2017 timetable, it would be necessary to move the OLC 18 July board date forward by a week. The ARAC Secretary would raise this with the OLC Chair.

ACTION:

The ARAC Secretary to raise with the OLC Chair the potential of moving the July OLC Board date forward by a week.

44. It was agreed that the narrative for the next year's accounts would need to be completed by the end of May 2017.

Item 9 – Financial Approvals

45. The Head of Finance reported that she would be bringing business cases for capital expenditure for hardware and infrastructure. Jenny Pickrell reminded ARAC members that capital expenditure discussions were taken separately to the wider financial decisions. She reiterated that she could not guarantee a positive response but she understood the issues with the IT.
46. Neil Buckley reminded ARAC members that the 2017 budget would need to be approved by the LSB Board and that his Board would want to have an understanding of the background, especially if the capital expenditure related to IT.

Item 10 – Any Other Business

47. Discussion took place on the need for the 17 November ARAC meeting. It was noted this date was put in as an extra date in case the Accounts schedule

slipped. It was agreed that the date would be cancelled and should circumstances require an additional meeting, this would be scheduled.

Next meeting

48. The date for the next ARAC meeting would be 11 January 2017 in Birmingham.

Helen White
Board Secretary