The Minutes of the 68th Meeting of the Audit and Risk Assurance Committee of the Office for Legal Complaints

Monday 6 October 2025

Members present:

Harindra Punchihewa, Chair

Alison Sansome

Georgina Philippou

In attendance:

David Peckham, Joint Interim Chief Executive

Steve Pearson, Joint Interim Chief Executive

Laura Stroppolo, Head of Programme Management and Assurance

Blessing Simango, Head of Finance, Procurement, and ICT

Elisabeth Davies. OLC Chair – observing (items 1 – 7)

Emma Kernohan, Deloitte

Sarah Hutchinson, Government Internal Audit Agency

Richard Orpin, Legal Services Board - observing.

Kasim Raja, MoJ ALB Centre of Excellence – observing.

Zoe Grainger, Head of People and Culture – observing

Aaron Rock, Enterprise Risk Manager (item 4)

Steve Moore, ICT Manager (items 13 and 14)

Apologies

Alex Clarke, National Audit Office

Minutes: Kay Kershaw, Board Governance Manager

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 with a lay majority present.
4. There were no declarations of interest reported.

Item 2 – Previous minutes, matters arising and previous actions.

5. The minutes of the ARAC meeting held on 18 June 2025 were **approved** as a true and accurate record of the meeting, subject to a minor adjustment to paragraph 14.

6. ARAC **noted** the update on previous actions.

7. There were no matters arising.

Item 3 – Deep Dive: Scheme of delegations, focusing on the financial delegations

8. The Head of Programme and Assurance presented a report on a deep dive review of financial delegations, covering delegated authority, financial controls, governance, oversight and conflicts of interest. These delegations formed part of the wider Scheme of Delegations. The following key points were made:

- The financial delegations and controls were well defined and adhered to.
- A new system introduced earlier this year had strengthened procurement by aligning invoice and purchase order authorisation with financial delegation requirements.
- The financial delegations and controls were revised following the Chief Ombudsman's departure to reflect the appointment of two joint interim Chief Executives, one of whom had also been appointed as Accounting Officer. The Ministry of Justice (MoJ) had confirmed its approval of the financial delegations in place as part of this interim leadership arrangement. The financial delegations and controls would be revised again once a permanent Chief Ombudsman is appointed.
- Financial delegations and controls were tested annually by external auditors and further assurance was provided through internal audits. A recent internal audit of Supplier Payments had received a moderate rating, with all actions now closed pending evidence testing.
- Robust policies and frameworks form the organisation's second line of defence and were regularly reviewed.

- One improvement had been identified through this deep dive. This related to the implementation of refresher training for the Executive Team and budget holders on managing public money.
- The wider scheme of delegations was reviewed annually, with Board approval of any changes. The next review was scheduled for December 2025.

9. ARAC sought assurance that financial controls introduced under the interim leadership arrangements were effective and sufficient to prevent any conflicts where delegated powers overlapped with the joint interim Chief Executives' responsibilities as budget holders and the Accounting Officer. The Committee **noted** that layered authorisation controls were in place and that significant decisions would be taken collaboratively, in consultation with the Head of Finance, Procurement and ICT to mitigate risks and ensure assurance and regularity.

10. The division of responsibilities between the joint interim Chief Executives', including their roles as budget holders and delegated powers would be reflected in OLC/Leo governance documents and presented to the Board as part of its annual review of governance documents in December.

11. ARAC **noted** that the deep dive review had identified a gap in training. Whist the Executive Team had received procurement training; there had been no recent training on Managing Public Money. As a result, refresher training had been recommended for the Executive Team, and it was considered best practice for all budget holders to also receive this training to address any potential gaps in awareness.

12. ARAC discussed the relationship between deep dives and internal audits, including the need to ensure alignment to avoid duplication, ensure best use of resources and to ensure that deep dives provided added value by giving the committee a deeper understanding of the specific area, the challenges, the wider impact and the relevant action taken which is over and above what a normal assurance review provides as part of the annual internal and external audit programmes.

13. In response to a question, external auditors confirmed that journals and other financial documents were subject to sample checks and analytics as part of the annual audit to identify and validate any anomalies.

14. The Chair noted that the phrase ‘generally followed’ in the deep dive report could imply partial compliance with the scheme of delegations and financial controls. The Chair emphasised that full organisational-wide adherence was expected.

15. ARAC **noted** the report on the deep dive of the financial delegations.

Item 4 – Risk assurance review

16. A risk assurance report, setting out the position on strategic issues and risks, business unit risks and internal audit actions at the end of quarter two 2025/26 was presented by the Head of Programme Management. The following key points were made:

- A key person risk had been added to the strategic risk register and mitigations were being developed.
- A digital transformation risk had been added to the risk register.
- The accommodation risk score had reduced and was now within tolerance.
- The staff attrition risk remained stable. Should scoring reduce further, this may be reclassified from a strategic to an operational risk.
- Once the 2026/27 budget is finalised, the Executive plans to review the impact of rising demand and identify any additional budgetary risks for inclusion on the strategic risk register.
- The Risk Assurance report had been updated to include emerging risks, including mass action claims demand, and their potential impact.
- The internal audit programme for 2025/26 remained on track for completion within the agreed timescale.
- The Government Internal Audit Agency (GIAA) had issued the delivery of operational IT system change audit report. All related actions had been closed pending testing.
- Of twelve live internal audit actions, two remained overdue due to resourcing constraints which had delayed the Customer Satisfaction review project.

17. ARAC discussed the potential scale and impact of mass action claims demand, which alongside rising sector-led demand and anticipated budgetary constraints, may elevate the risk to organisational performance and reputation. The Committee queried whether

this risk was adequately reflected within the existing strategic demand issue or required separate recording. Following discussion, it was **agreed** that, as current mitigations aligned with the strategic demand issue, this risk would continue to be closely monitored as part of the strategic demand issue. However, the narrative on the risk register would be strengthened to better reflect the risk related to mass action claims demand.

ACTION: The Head of Programme Management and Assurance and Head of Operations to strengthen the narrative on the strategic risk register to better reflect the risk related to mass action claims demand.

18. Further consideration of the risks associated with mass action claims demand would take place at the Board's 2026/27 risk workshop in July 2026.

19. ARAC **noted** that the strategic risk of budget variance against forecast was outside tolerance due to a five month delay in ministerial approval of the OLC's 2025/26 budget. Considering this, the Committee questioned whether existing controls were sufficient and suggested more proactive stakeholder engagement in future budget approval processes.

20. The Executive confirmed that current controls, including monthly budget meetings, remained effective, but acknowledged challenges caused by the delay, such as a vacancy factor and underspend. Mitigations had been prioritised, including accelerating recruitment in key areas to utilise the budget and support operational delivery for the remainder of 2025/26 into 2026/27. Lessons had been learned, and earlier engagement on the indicative budget would be taking place with the LSB and MoJ to mitigate the risk of future delays in budget approval.

21. ARAC sought assurance on leadership resilience following the departure of the Chief Ombudsman and the internal appointment of two joint interim Chief Executives. It was **noted** that temporary internal appointments were being progressed to backfill previous responsibilities, allowing the interim joint Chief Executives to focus on their new executive and strategic duties. These arrangements would be tracked as mitigations and monitored for effectiveness, with additional controls and risk rating adjustments introduced if required. The interim Chief Executives expressed confidence in the plans for maintaining leadership resilience.

22. ARAC sought clarification on the Executives' recommended action in respect of the strategic risks relating to failure to meet business plan improvements in customer

experience, leadership resilience and budget variance against forecast, which were currently outside tolerance. The following points were made:

- The risk tolerance position of the strategic risk relating to failure to meet business plan improvements in customer experience was being driven by significantly increased sector led demand. LeO was doing all it could within its control to mitigate this risk, but it was unlikely to return to tolerance within the current year. The Executive recommended that ARAC accepted this risk position.
- The risk tolerance position on the strategic risk relating to leadership resilience was temporary and expected to return to tolerance once the new Chief Ombudsman was in post. Interim arrangements were in place to maintain resilience. The Executive recommended that ARAC accepted this risk position.
- The risk tolerance position on the strategic risk relating to budget variance against forecast was temporary due to the delay in ministerial approval of the 2025/26 budget, which had been outside LeO's control. Mitigating actions were underway to ensure that the resulting underspend was effectively utilised by year end. The Executive recommended that ARAC accepted this risk position.
- As part of developing the 2026/27 business plan, LeO would be working with the LSB to consider adjustments to its operating model to help mitigate risks linked to demand that were outside its control.

23. Noting the Executive's recommendations, the ARAC Chair confirmed that the position on risks outside tolerance would be reported to the Board for consideration at its meeting in October.

24. Following a detailed discussion, ARAC **noted** the risk assurance report.

Item 5 – Internal audit update

25. GIAA presented a report on internal audit activities for quarter two.

26. In discussion, the following points were made:

- The report had been updated to include a direction of travel indicator for the annual audit opinion, providing oversight throughout the year.

- Two OLC service level agreements were reported off track. These related to: Responding to draft audit reports within agreed timeframes and the completion of post audit questionnaires. The Executive was asked to ensure compliance with these requirements going forward.
- The 2025/26 internal audit plan remained on track for completion within agreed timescales. However, the quarter four payroll audit was dependent on the availability of LeO personnel. This would be monitored and any delays reported to ARAC. The intention was to deliver the final audit report by year end.
- The operational IT system change audit had been completed and the final audit report issued. A substantial audit opinion was provided, with one medium and two low-priority recommendations.
- Fieldwork had commenced for the casework quality audit. Planning was underway for the recruitment, retention and vetting audit.
- Final audit reports would be circulated to ARAC out of Committee where appropriate.
- An ARAC supplement included in October's ARAC pack provided additional information on: Cross government insights; the ARAC handbook; ARAC member events; technical resources; updates on counter fraud and quality assurance.
- GIAA would be issuing an external quality assessment survey to ARAC members in November.

27. ARAC **noted** the update from GIAA.

Item 6 – External audit update

28. ARAC received a verbal update from external auditors. In discussion, it was noted that:

- Audit planning for the March 2026 year end audit of financial statements would commence within the next six weeks. A planning report would be presented at February's ARAC meeting. This report would outline significant risks and other key elements of the audit approach.

- Work was underway with the Executive to agree the full audit timetable. This was expected to be broadly consistent with the previous year, including interim testing in March and final year end work during April and May.
- The summer parliamentary recess in 2026 would begin a week earlier than previous years; this would be factored into planning to ensure sufficient time for accounts to be presented.
- A new NAO Director would oversee the 2025/26 audit of financial statements. The transition between the previous NAO Director and the new one would be managed to ensure continuity. No changes were expected to the audit approach or audit team structure, and the audit was expected to proceed on a business as usual basis.

29. ARAC **noted** the update from External Auditors and the assurance provided regarding audit team stability and continuity.

Item 7 – Annual report and accounts 2024/25: Lessons learned

30. The Head of Programme Management and Assurance presented a report on the lessons learned from the 2024/25 annual report and accounts process, highlighting areas identified for improvement and successful practices to retain.

31. In discussion the following points were made:

- The 2024/25 external audit had been successful, marked by strong collaboration and effective relationships between LeO and external auditors throughout the audit cycle. This had enabled queries to be resolved in a timely manner.
- The continued engagement of the external content agency used in the previous year had ensured a clear and streamlined annual report narrative.
- There had been timely and effective communication with the Board and ARAC throughout the process. February's Board workshop included discussions on the content and presentation of the annual report and accounts; this had been instrumental in shaping the final narrative. Plans were in place to repeat this approach in February 2026.

- Additionally, to address the compressed timeline for reviewing and approving the annual report and accounts, an additional review stage would be introduced outside of formal Board meetings to allow Board members to provide feedback and raise any concerns.
- Although MoJ feedback on the draft annual report and accounts documents had been received later than expected, it did not adversely impact the process. Dedicated meetings with the MoJ would be scheduled in future to ensure timely engagement and feedback to mitigate delays.
- Options to strengthen resilience and continuity planning would be explored to ensure contingency arrangements were in place for key LeO personnel involved in the annual report and accounts process.
- It was recognised that applying the lessons learned from the annual report and accounts process was important for all parties involved to ensure ongoing improvement.

32. **Noting** the lessons learned from the 2024/25 Annual Report and Accounts, ARAC thanked all parties involved in the annual report and accounts process for their collaborative approach.

Item 8 – Financial governance and assurance

33. The Head of Finance, Procurement and ICT presented a report on financial governance, outlining the financial position on 31 August 2025.

34. In discussion, the following points were made:

- The budget was 8% underspent at the end of August 2025. This was driven by a higher than anticipated number of leavers than budgeted at the end of 2024/25 and a pause in all new operational expenditure including recruitment being implemented in June due to the delay in ministerial approval of the 2025/26 budget.
- To address the lower levels of FTE investigators at the start 2025/26, recruitment had taken place in May 2025. However, the wait for budget approval created significant delay between interviews and offers of employment being issued;

during this time, some candidates had accepted other positions, resulting in LeO's offers being declined.

- Lessons had been learned from this, and more proactive candidate engagement would take place in the intervening period between interview, and the issuing of employment offers in the future.
- The budgetary underspend position had been compounded by a higher than expected staff turnover in the General Enquiries Team during quarter one and the need to reschedule investigator recruitment planned for quarters two and three as a consequence of the delay in ministerial approval of the 2025/26 budget.

- Following ministerial approval of the 2025/26 budget in September, further mitigating actions would be implemented to address the underspend. The current forecast was for a 1.43% underspend at year end.
- In quarter one, 99% of supplier invoices had been paid within agreed terms; an 8% improvement on the same period last year.
- Aged debts over 60 days had decreased by 21% compared to the previous year.
- Eighty percent of bad debts written off related to firms regulated by the Solicitors Regulation Authority (SRA). The ARAC Chair requested that future Financial Governance reports clarified that these bad debt were attributed to the regulated firms themselves and not to the regulator.
- All standard financial controls and checks remained in place to support effective budgetary management and fraud prevention. Accounts were closed at the end of every month and year end controls ere replicated, including balance reconciliations. Monthly financial reviews with budget holders provide opportunities to check for unusual expenditure within their cost centres. Compliance with authorisation levels in line with the scheme of financial delegations is regularly reviewed, particularly during payment runs.

35. ARAC **noted** the update on financial governance.

Item 9 – Budget setting assurance principles 2026/27

36. A report setting out the measures that had been taken by the Executive to ensure compliance with ARAC's 2026/27 budget setting assurance principles was presented by the Head of Finance, Procurement and ICT.

37. The 2026/27 budget had been development based on several assumptions, including

- Performance trajectories derived from data provided by the Business Intelligence Team.
- Inflationary adjustments applied to current and new contracts.
- Staffing costs which accounted for attrition, expected start dates and new roles.

38. Efforts, including horizon scanning, had been undertaken to assess the potential impact of the Chancellor's delayed Autumn statement, however, further adjustments to the budget may be required once the Statement was issued.

39. ARAC **noted** the report on the 2026/27 budget setting assurance principles.

Item 10– Attestations and single tenders report

40. ARAC **noted** the attestations and single tender report which provided details of one single tender justification (STJ) for the period April to September 2025.

41. It was confirmed that the effectiveness of the product procured through this STJ would be monitored to ensure ongoing value for money.

Item 11 – Information rights and security incidents

42. The interim Joint Chief Executive presented the quarter one information rights and security incidents report. In discussion, the following key points were made:

- The levels of security incidents and near-misses remained stable. Management continued to monitor emerging risks, the proportionality of additional controls and mitigations, and would report any material changes.
- A modest increase in Subject Access Requests (SARs) had been observed; however, there was currently no evidence of an underlying trend. Given the volatility of SAR volumes, the position would continue to be monitored. Current

demand was being managed effectively, however if volumes increased and processing capacity fell outside tolerance thresholds, appropriate action would be taken. Longer-term mitigations were being explored, including potential automation to support processing.

- The Executive would review the options for improving the presentation of data in the information rights and security incidents report and whether a clearer trend format, such as the use of graphs, could be introduced.

  ACTION: The Interim Deputy Chief Ombudsman to review the options for improving the presentation of data in the information rights and security incidents report and whether a clearer trend format, such as the use of graphs, could be introduced.

- Enhanced measures had been introduced to monitor operational staff compliance with the requirement to ask security questions during telephone interactions with customers. These measures would support more detailed analysis and enable targeted interventions where non-compliance was identified.

- Seventy-five SARs had been received during the reporting period. Of these, 50 had been completed within the statutory timeframe and two outside it. Twenty-three requests were still in progress, with some having only been received at the end of the quarter, and all were within the statutory timescale for responses to be issued. The next report received by ARAC would include a retrospective view of the previous quarter to provide assurance on the completion rates for these SARs.

43. ARAC **noted** the Information rights and security incidents report.

Item 12 – Whistleblowing policy

44. The interim Joint Chief Executive presented a report on the whistleblowing policy.

45. In discussion, the following points were made:

- The whistleblowing policy had undergone an annual review by the in-house legal team and the Executive and benchmarked against best practice and comparable policies. The fundamental principles of this policy remained aligned with industry standards.

- The ARAC Chair would be notified by the Whistleblowing Officer of any disclosure within the scope of this policy, together with the proposed investigation procedure, within two days of receipt.
- The contact section of the policy currently omitted contact details for the Whistleblowing Officer and Legal Manager due to ongoing recruitment and backfill arrangements following the departure of the Chief Ombudsman. These details would be updated once appointments had been confirmed to ensure the policy remained current.
- It was noted that the effectiveness of the whistleblowing policy would rely on both the capability of investigating officers and organisational awareness of how to access the policy and what concerns could be raised. To address this, training would be provided to investigating officers, and the policy, an awareness-raising campaign would be undertaken to ensure that staff understood how to access the policy and the types of concerns that could be reported.

46. ARAC **noted** the whistleblowing policy.

Item 13 – Annual cyber security report

47. The ICT Manager presented the annual cyber security report, highlighting the initiatives that had been implemented over the past twelve months to strengthen cyber resilience and the independent third-party and internal penetration testing that confirmed the robustness of the current arrangements.

48. LeO remained vigilant and committed to further enhancing its cyber resilience and was actively progressing through the Cyber Assessment Framework under GovAssure, the government-mandated security standard. While full compliance was not required until 2026, several key actions had already been initiated.

49. A discussion ARAC sought to gain a deeper insight into the cyber security report, specifically the areas of cyber security that were most concerning; the threat actors posing the greatest risk to the organisation and the types of data most likely to be targeted; and the lessons that had been learned from recent high-profile cyber-attacks. It was noted that human error remained a key risk to cyber security, and to mitigate this there was a focus on staff education, particularly around phishing resilience.

50. It was noted that no critical or high-level vulnerabilities had been identified through penetration testing. Most resulting actions had been completed, and the remainder were in progress and scheduled for completion within the next month.

51. ARAC **noted** the annual cyber security report.

Item 14 – Annual update on business continuity

52. The ICT Manager presented the annual report on Business Continuity.

53. In discussion, the following key points were made:

- The critical incident policy and business continuity plan had been combined into a single, consolidated framework for incident response and organisational resilience. This integrated document, known as the Critical Incident and Business Continuity Plan (CIBCP) sets out associated policies, governance arrangements, defines roles and responsibilities and establishes timeframes for recovery.
- The CIBCP had been tested through two desk top exercises. The first focussed on identifying gaps and converting operational responses into formal policies and procedures. Actions arising from this included the development a communications strategy incorporating templated communications documents. Some actions remained in progress.
- The second exercise simulated the loss of critical technology. It concluded that direct remediation options in such a scenario would be limited; however, the likelihood of this event occurring was very low. In such a circumstance, the critical incident plan would be activated. This incorporated measures such as updating the website to alert customers to the issues being experienced; suspending inbound calls where caller verification could not be completed; re-allocating staff to manage email correspondence; and, using MoJ channels to engage with the supplier as appropriate.
- Roles and responsibilities for responding to a critical incident had been defined, with reporting and escalation arrangements in place; this included the roles of ARAC and the Board. The Board's approval would be required to invoke the

CIBCP and authorise any budget allocations as required. ARAC would be advised of any data breaches and reports to the Information Commissioner.

- To enhance preparedness and support a more robust and comprehensive approach to critical incident and business continuity planning, LeO had also engaged with another Ombudsman service that had experience of a cyber attack. This had provided practical insights to complement desk top exercises.
- ARAC emphasised the importance of broad critical incident and business continuity planning to ensure a wide range of potential risks and disruptions were addressed. It was confirmed that a comprehensive playbook was in place for multiple scenarios that might impact business continuity and that organisational resilience to had been strengthened by hybrid working and cloud-based services, reducing the likelihood of operational shutdowns in the event of certain incidents occurring.
- In response to a query, it was confirmed that third-party suppliers' critical incident and business continuity arrangements were reviewed during procurement and as part of ongoing supplier management.
- Software suppliers were asked to share elements of their business continuity plans or confirm that they operated a business continuity regime that included desktop exercises; most had complied. Compliance with this request would guide future procurement and vendor selection.
- LeO's disaster recovery plan identified each software provider, along with the relevant contacts and escalation pathways for incident response. In addition, LeO had implemented a "secure by design" framework aligned with Cabinet Office guidance, this incorporated application risk assessments and evaluations of business continuity and security measures.

54. ARAC **noted** the update on business continuity.

Item 15– Escalations to the Board

55. There were no items requiring escalation to the Board; however, risks exceeding tolerance levels and the Executive's associated recommendations would be tolerance

levels and the associated recommendations made by the Executive would be brought to the Board's attention as part of ARAC's report to the Board at its meeting in October.

Item 16: Feedback on the effectiveness of the meeting

56. The Head of People and Culture provided feedback on their observation of the ARAC meeting, noting that it had been thorough and featured strong levels of challenge from ARAC members.

Item 17 – Any other business

57. There was no other business discussed.