

**The Office for Legal Complaints**  
**The Minutes of the 65th Audit and Risk Committee Meeting**  
**Monday 13 January 2025**

**Members present:**

Harindra Punchihewa, Chair<sup>1</sup>

Alison Sansome

Georgina Philippou

**In attendance:**

Elisabeth Davies. OLC Chair – observing (items 1-6)

Paul McFadden, Chief Ombudsman

Laura Stroppolo, Head of Programme Management and Assurance

Blessing Simango, Head of Finance, Procurement, and ICT

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

Aaron Rock, Enterprise Risk Manager (item 3)

Steve Pearson, Deputy Chief Ombudsman – (item 10)

Nawal Henry, Health and Safety and Facilities Manager (item 11)

Paul Conway, Performance and BI Manager (items 12)

Paul Hewitson, Deloitte

Alex Clarke, National Audit Office (items 1 to 13)

Sarah Hutchinson, Government Internal Audit Agency

Craig Westwood, Chief executive of the LSB - observing.

Kasim Raja, MoJ ALB Centre of Excellence – observing.

**Apologies**

Martin Spencer

**Minutes:** Kay Kershaw, Board Governance Manager

### **Item 1 – Welcome, apologies and declarations of interest**

1. The Chair welcomed attendees to the meeting and introductions took place.
2. Apologies were noted.
3. The meeting was quorate with a lay majority present.
4. Alison Sansome declared her appointment as Chair of the Office for the Public Guardian (OPG) Board, advising that the OPG was audited by the same internal and external auditors as the OLC/LeO; all present **agreed** that this did not create a conflict of interest.
5. There were no declarations of interest.

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

6. In line with ARAC's terms of reference. ARAC members had met in private with internal and external auditors prior to this meeting. The ARAC Chair confirmed that there had been nothing of concern raised at this meeting that required further escalation to the ARAC meeting or to the OLC Board.
7. The minutes of the ARAC meeting held on 14 October 2024 were **approved** as a true and accurate record of the meeting.
8. ARAC **noted** the update on previous actions.
9. There were no matters arising.

### **Item 3 – Risk assurance review**

10. The risk assurance report, setting out the position on strategic issues and risks, business unit risks and internal audit actions at the end of quarter three 2024/25 was presented by the Head of Programme Management who drew ARAC's attention to the following key points:
  - In response to ARAC's previous feedback, the risk matrix had been updated to show the tolerable risk position in line with the defined risk appetite; the strategic risk 'Absorb Demand Volatility' had been reclassified to a strategic issue to reflect the sustained increase in demand; and the scoring for the strategic risk 'Failure to Deliver New Impact Objective' had been recalibrated to reflect a more accurate assessment of the risk being within a tolerable position.
  - December's attrition data had confirmed that overall attrition and investigator attrition had continued on a downward trajectory. Considering this, the Executive would be reclassifying the associated strategic issues as a strategic risks. Attrition would continue to be closely monitored and mitigated through the delivery of LeO's People Strategy.

- Having signed a five-year lease for the Birmingham office, the Executive has revised the description for strategic risk SR.05 to focus solely on the long-term risks associated with moving the Birmingham office into the Government Property Agencies (GPA's) Birmingham Hub in 2028. This risk that would remain outside tolerance until the Executive had a clear understanding of the cost implications of moving to a GPA Hub; the costs would then be factored into the budget planning cycle.
  - The Executive and ARAC Chair had been engaging with GIAA on the 2025/25 internal audit plan; this would be finalised shortly and shared with ARAC for approval outside of committee.
  - The completion date for two overdue audit actions relating to the internal audit of Customer Satisfaction and Feedback had been extended to reflect a more realistic timeframe.
11. Noting the inclusion of the strategic risk 'Failure to deliver the new impact objective' on the risk register, ARAC had questioned whether other risks relating to the delivery of the OLC's 2024/27 Strategy should also be included. In response, ARAC was advised that the emerging risks linked to the delivery of the strategic objectives were currently being managed at a business unit or project level but, as this work progressed, the Executive would consider whether it was necessary to escalate the associated risks to the 2025/26 risk register. The ARAC chair accepted this and suggested to review the situation regularly.
12. In response to a question, ARAC was advised that the scoring for the strategic risk 'Failure to deliver the new impact objective' had not been informed by the feedback from the 2025/26, Budget and Business Plan consultation. At the time of writing the report, the consultation had still been live, but the feedback that had since been received would be taken into consideration as part of the Executive's regular review of risk scoring.
13. ARAC had questioned the effectiveness of the mitigations in place for the strategic risks 'unacceptable queue of cases' and 'staff attrition, having noted that their respective inherent and residual scores had remained the same. In response, ARAC was advised that the mitigations for these risks, whilst deemed to be effective, were expected to have a longer-term impact, so the inherent and residual scores would remain static in the short term. The timings of the mitigations and when they were expected to reduce the scoring would be included in the narrative of future Risk Assurance Reports to provide more clarity and alignment with Board reporting. Consideration would also be given to identifying more realistic inherent risk scores for new strategic risks in the future.
14. ARAC **noted** the risk assurance report, and the further improvements that had been made to the management of risk.

#### **Item 4 – Internal audit update**

15. ARAC was updated on the progress being made by GIAA on the delivery of the 2024/25 audit plan. The following key points were made:

- The 2024/25 internal audit plan remained on track for completion within the agreed timescales: The audits of Governance and EDI had been completed and final audit reports had been presented to ARAC; the Stakeholder Engagement audit was in fieldwork; fieldwork for the Contract Management audit was due to commence in early January; the Supplier Payments audit was due to commence in mid-January, following a mid-year change in the audit plan to allow sufficient time for a new payments system to embed. To avoid delay, the final three audit reports for 2024/25 would be shared with ARAC out of committee.
  - Planning for 2025/26 audit plan had commenced, with initial discussions taking place with members of the Executive and the ARAC Chair on potential areas to audit based on a forward look that had been included in the 2024/25 audit plan. Recruitment and vetting, case work quality, financial management and payroll had been shortlisted as potential areas for audit in 2025/26; consideration was also being given to auditing an area of IT.
  - As part of its work to provide wider MoJ audit coverage and assurance, GIAA would be considering areas that could be audited across a number of MoJ organisations. Cyber security, particularly data and systems access, was one area being considered. The OLC/LeO's participation in a cross-cutting audit would provide additional assurance on top of the core audit plan, with additional benefits including benchmarking against other organisations and shared best practice.
  - With agreement from the ARAC Chair, a draft audit plan for 2025/26 would be circulated to ARAC out of committee for approval to allow the audit programme to commence promptly in quarter one.
16. In discussion, ARAC had been very supportive of any additional assurance that could be provided on cyber security and other areas of risk, either as part of GIAA's cross-cutting audits or as part of the 2025/26 core audit plan and sought to ensure that the final 2025/26 audit plan would provide sufficient level of assurance to adequately inform GIAA's annual audit opinion.
17. In response, ARAC was advised that, as part of the ongoing work to refine the 2025/26 internal audit plan, further discussions would take place between the Executive and GIAA on OLC/LeO's potential participation in cross-cutting audits and GIAA would undertake a critical analysis of all areas of risk, to ensure that the shortlisted audits, along with ARAC deep dives and other areas of assurance, would provide the maximum level of assurance required to inform its annual audit opinion. The ARAC Chair would be kept informed of the decisions that were made.
18. The ARAC Chair reminded Auditors of the expectation of receiving internal audit reports at each ARAC meeting and for the yearly programme to finish well in time to consider the annual opinion.
19. ARAC requested that the final 2024/25 audit reports and the draft 2025/26 audit plan were shared with sufficient time for members to review them and provide feedback before quarter one.
20. ARAC **noted** the update from GIAA.

### **Item 5 – External audit update**

21. External auditors reported on a meeting had taken place in December 2024 with the Executive where the lessons learned from the 2023/24 annual report and accounts process had been discussed and actions agreed to reduce the risks of the same issues arising in the future to ensure the delivery of future annual report and accounts within the agreed timetable.
22. Detailed planning for the 2024/25 audit of financial statements had commenced. The final audit plan would be shared with ARAC out of committee before the next ARAC meeting in May. The timetable for the financial statements audit would dovetail into the timetable for the wider Annual Report and Accounts process.
23. ARAC **noted** the external audit update, commenting on how the implementation of the actions arising from the lessons learned from the 2023/24 annual report and accounts process would help to ensure an improved and more effective process in future years.

### **Item 6 – Annual report and accounts 2024/25: Timetable and planning**

24. The Head of Programme Management and Assurance presented a paper setting out the actions arising from the lessons learned from the 2023/24 annual report and accounts process and the timetable for the 2024/25 process. The following points were drawn to ARAC's attention:
  - The meeting with External Auditors to discuss the lessons learned from the 2023/24 Annual Report and Accounts process had been constructive. Actions arising from this meeting included: The earlier commencement of the external audit of the annual report; improved quality assurance checks of the data to be included in the annual report; earlier submission and review of the judgment papers; to agree the recommendations arising from future audits but provide the detailed management response at a later date.
  - The 2024/25 annual report and accounts project would be launched in February.
  - The Head of Finance, Procurement and IT would be leading on the front half of the report, working closely with the Head of Programme Management and Assurance to ensure the quality of the data and narrative prior to the audit commencing.
  - Early engagement would take place with the OLC Board to identify and agree key messages and narrative for inclusion in the annual report; a progress update would be provided to the Board in April and the first draft of the annual report and accounts would be shared with ARAC at its meeting in May. Formal sign off of the annual report and accounts would take place in June.

- The 3 May 2025 had been identified as a provisional date for the annual report and accounts to be laid in Parliament. Clarity on the MoJ's timetable and ministerial clearance of the OLC's 2024/25 annual report and accounts would be sought and all key dates incorporated into the wider annual report and accounts timetable.
- The Executive would be considering outsourcing the drafting of the annual report but would be managing the infographics in house.

25. ARAC **noted** the lessons learned from the 2023/24 annual report and accounts process and the timetable for the 2024/25 annual report and accounts process.

### **Item 7 – Financial governance and assurance**

26. The financial governance paper, reporting on the financial position for the year to date up to and including November, was presented by the Head of Finance, Procurement, and ICT.

27. In discussion, the following points were made:

- The full year forecast position as of 6 January 2025 was for an £87k underspend; this was within the 1% tolerance allowable by the MoJ. The underspend was mainly being driven by recruitment challenges for corporate roles and a low uptake of operational overtime.
- Whilst operational recruitment in 2024/25 had been successful, LeO was competing in a wider market for corporate roles where skills were more transferable to other sectors which offered more competitive pay and similar benefits.
- The majority of operational overtime was for quality and assurance checks by Team Leaders, with only a small proportion of overtime being for investigations. The uptake of overtime by Team leaders in quarters 2 and 3 had been low because of staff sickness, but this had since increased. The risk arising from a low uptake of overtime for investigations was low and had been factored into performance trajectories.
- Monthly financial review meetings were taking place with all budget holders to identify any budgetary changes and ensure that appropriate action was taken to confirm expenditure, including overtime, for the remainder of the year. The Executive would continue to closely monitor the underspend position and implement mitigating actions to ensure that the variance remained within tolerance at year end.
- ARAC had been pleased to note the payment of creditors within a 30-day average.
- The majority of bad debt written off related to closed firms that were unable to settle their case fee invoice. This was outside LeO's control, but every effort was being made to identify closed firms as early in LeO's process as possible.

Provision would be made for bad debts as part of the 2025/26 budget setting process.

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

### **Item 8 – 2025/26 Budget: Update on the Budget Setting Assurance Principles**

29. The Head of Finance, Procurement and ICT reported on changes and developments that had been made to the Budget Setting Assurance Principles for 2025/26 to reflect the budgetary impact of the increase in Employers National Insurance announced in the Autumn Budget, interest rate forecasts, and assumptions for corporate staffing. The Executive continued to assess the feedback in response to the Budget and Business Plan consultation.
30. The ARAC Chair commented that, as part of the budget setting process, it would be important to take into consideration the consultation feedback; ensure that assumptions were set properly; and ensure that the budget setting model was tested and provided accurate outputs.
31. As part of the process to mitigate the impact of the increase in Employers National Insurance, the Executive was conducting a strategic review of departmental budgets to identify whether any further savings could be made. The scope to identify savings that would cover the full cost of the increase in Employers National Insurance was limited without adjusting downwards performance trajectories or reducing the proposed business plans for artificial intelligence and learning and insight work.
32. The ARAC Chair stated that it would be important to include ‘what if’ scenarios outlining the risks and impact of any proposed budgetary changes when the 2025/26 Budget was next presented to the Board at the end of January.
33. ARAC **noted** the update on the budget setting assurance principles.

### **Item 9– Attestations and singles tenders report**

34. ARAC **noted** the attestations and single tender report which provided details of two single tender justifications for the period October to December 2024.

### **Item 10 – Information rights and security incidents**

35. The Deputy Chief Ombudsman presented the quarter three information rights and security incidents report.
36. In discussion, the following points were made:
- Quarter three performance had been broadly consistent with previous quarters although there had been a decrease in the number of security incidents for data breaches.
  - The number of near misses remains higher than historic levels as the Quality Team continued to identify instances where security checks had not been

completed before staff engaged with customers. This issue had first been identified in quarter two as part of LeO's standard quality assurance checks and remedial action had been taken to mitigate the risks, but the instances identified in quarter three had preceded this intervention. LeO continues to closely monitor the occurrence of near misses and assess whether further controls were required.

- The remedial action listed for some incidents of unauthorised disclosure listed in annex b of the Information Rights and Security Incidents report had been inaccurate. ARAC was advised that LeO implemented standard interventions in response to all incidents of unauthorised disclosure to ensure that staff were reminded of the correct process to be followed.
- There had been one high-risk data breach resulting from third party conference call recordings being stored on LeO's system as a result of LeO's Microsoft Teams software being used by the Service Complaint Adjudicator in their role working for another organisation. The call recordings had been securely transferred to the other organisation and then deleted from LeO's system, mitigating any risk or requirement for an ICO referral.
- To mitigate any further risk, at ARAC's request the Deputy Chief Ombudsman **agreed** to share the learning from this data breach and alert OLC Board members to the risk of using LeO's Microsoft Teams software for personal use or when engaging with other organisations for whom they held roles or had other commitments.
- **ACTION: The Deputy Chief Ombudsman to share the learning from the high-risk data breach in quarter three with Board members and alert them to the risk of using LeO's Microsoft Teams software for personal use or when engaging with other organisations for whom they held roles or had other commitments.**
- One subject access request had been completed outside of the target date.

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

### **Item 11 – Annual Health and Safety Compliance Report**

38. The annual Health and Safety Compliance Report was presented by the Head of Programme Management and Assurance.

39. In discussion, the following points were made:

- No health and safety incidents or near misses had been reported in the last 12 months.
- The 90% compliance rate reported for mandatory e-learning was to be adjusted to take account of staff that had left the organisation.
- Quarterly health and safety reports were presented to the Executive.



- DSE assessments were now conducted on a new on-line platform. Twelve DSE referrals had been made to external specialists during the last 12 months and, where required, specialist equipment has been provided.
- The main entrance doors to the Birmingham office were now DDA compliant.
- The lift at the Birmingham office was expected to remain out of service until the summer of 2025 whilst the Landlord sourced specialist suppliers through a tender process to replace it.
- A survey of the windows at the Birmingham office had been conducted and report was awaited from the landlord's property agents.
- A health and safety day across all LeO's offices was to be planned.
- A health and safety audit was to be conducted in January 2025.

40. ARAC **noted** the annual Health and Safety compliance report.

### **Item 12 – Annual data assurance report**

41. The annual data assurance report was by the Head of Operations, Business Information and Operational Transformation.

42. In discussion the following points were made:

- LeO continued to focus on automating reporting at source for all areas of the organisation. Over the last twelve months automated reporting structures had been improved, this had enabled LeO to include automated data in its Annual Report and Accounts, Annual Report on Complaints and the Quarterly Strategic Scorecard that was presented to the Board. The process of automating HR reporting data had commenced.
- LeO's data assurance model included monthly business assurance meetings to assess the quality of the data. Since reporting automated data from source, as distinct to manual reporting, an improvement in the data quality had been seen.
- Reporting capability was considered at a strategic level as part of the scoping for all new projects.
- The automation of reporting data, and the opportunity it presented to strengthen LeO's ability to interrogate and analyse data, was welcomed.

43. ARAC **noted** the annual report data assurance.

### **Item 13 – ARAC self-assessment of committee effectiveness.**

44. As set out in ARAC's terms of reference, ARAC was required to review its effectiveness every two years to assess its performance against its terms of reference and identify any gaps and areas for improvement.

45. To inform the 2025 ARAC effectiveness review, members would be asked to complete a self-assessment questionnaire. The responses would be collated and

shared with ARAC at its meeting in May where consideration would be given to the next steps required to address the findings.

46. The outcome of ARAC's 2025 self-effectiveness review would also be considered as part of a wider internal review of Board effectiveness that would also be undertaken later in the year.
47. ARAC **noted** the update on the 2025 **self-assessment of committee effectiveness**.

#### **Item 14– Escalations to the Board**

48. There were no specific items for escalation to the Board. A written report from the ARAC Chair summarising the key points of discussion would be shared with the Board.

#### **Item 15 – Any other business**

49. There was no other business discussed.

---

<sup>i</sup> The Chair was handed to Alison Sansome for 5 minutes as the discussion on the Risk Assurance Report was drawing to conclusion. The meeting became inquorate, but no decisions were made. Harindra Punchihewa re-joined the meeting for the internal audit discussion, at which point the meeting became quorate again.