

**Minutes of the thirty-third meeting of the  
Office for Legal Complaints Audit and Risk Committee**

**Tuesday 4 July 2017**

**1.00 pm – 3.00 pm**

**Legal Ombudsman, Birmingham**

**Present:**

Michael Kaltz, Chair  
Rebecca Hilsenrath  
Tony King

**In attendance:**

Nick Hawkins, Chief Executive (CEO)  
Kathryn Stone OBE, Chief Legal Ombudsman (CLO)  
Rob Powell, Director of Corporate Services (DCS)  
Emma Cartwright, Head of Finance  
David Eagles, Partner, BDO  
Archie Rwavazhinji, Assistant Manager, BDO  
Chris Davis, Government Internal Audit Agency  
David Bartlett, Legal Services Partnership Liaison Lead, MoJ (Observer)  
Julie Myers, Corporate Director, Legal Services Board (Observer)

**Board Secretary:**

Helen White

**Apologies:**

Steven Corbishley, NAO  
Ali Morgan, NAO

**Preliminary issues:**

The meeting was quorate.

**Item 1 – Welcome and apologies:**

1. The Chair welcomed and thanked those in attendance. He noted the apologies sent by NAO colleagues.

**Item 2 – Minutes of previous meeting:**

2. The minutes of the meeting of 12 May 2017 were approved as a true and accurate record of the meeting. It was noted that these minutes would now be published.

**ACTION:**

**The Board Secretary to publish the ARAC minutes from the May 2017 meeting.**

**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.

**Item 4 – Data Handling Incident Report**

4. Members noted the data handling incident report which had been circulated and read in advance by attendees.
5. The CLO noted the update provided by Marc Rainforth from GIAA providing a summary of internal audit's cross MoJ review of incident management which highlighted that most reported information security incidents were avoidable and often resulted from human error.
6. She reported that whilst there were now fewer data incidents, data security remained a high focus across the organisation.
7. Discussion took place on the level of security on the organisation's laptops as a result of one of the data incidents, which it was noted was not reportable to the ICO. ARAC members were assured by the levels of encryption on company laptops. The CLO reported that all staff had been reminded about the importance of protecting data.
8. The ARAC Chair noted that there was an outstanding action from the June OLC Board for the CEO to provide an update on the pre-action letter and which Data Incident Report contained the detail on the incident.

**ACTION:**

**The CEO to update the ARAC Chair out of committee on the pre-action letter and which Data Incident Report contained the detail on the incident.**

9. The DCS reported that work was ongoing to prepare for the GDPR implementation. The action plan would be presented to ARAC at its September meeting.

**ACTION:**

**The DCS to present the GDPR action plan at the September ARAC meeting.**

10. The ARAC Chair noted that in general the number of Data Incidents had reduced and thanked the team for work undertaken over the past few months.

## **Item 5 – Annual Health and Safety Compliance Report**

11. The DCS presented the Annual H&S Compliance Report. He reported that there was a fairly robust culture of health and safety around the office and premises as reflected in the audit scores of 99.9%.
12. Discussion took place on the work being done to refresh the staff wellbeing offering to address broader risks about stress, well-being and flexible working.
13. Rebecca Hilsenrath expressed her view that the report should have focused more on risks such as stress at work and preventative actions rather than minor health and safety incidents.
14. The DCS reported that a web-based portal was used to collate all incidents. He stated that employees had access to an employee assistance programme which provided a range of support to staff, including counselling. A project on staff well-being was included in the 2017-18 business plan.
15. The CLO stated that there were a number of initiatives within the organisation to promote positive mental health in the workplace. The Head of Finance updated members on the 'time to talk' initiative where staff could attend lunchtime sessions to promote open communication about mental health.

## **Item 6 – Update on Internal Audit Actions**

16. The DCS presented the update on internal audit actions. He noted that sixteen actions had been closed since May 2016 with only four outstanding actions having passed their due date.
17. The DCS reported that remaining business continuity test exercises were scheduled to take place before the end of July. He stated the updated Management Team terms of reference were being tabled for approval at the July OLC Board. It was noted that the finalisation of the procurement guidance had slipped but would be completed by the end of Quarter 2.
18. The DCS reported that the OLC Chair would be looking at the audit action regarding the number of Board members as part of the review of board effectiveness.
19. Members noted the report and thanked the DCS for the update.

## **Item 7 – Internal Audit Reports**

20. Chris Davis, GIAA, reported that the Annual Report on Internal Audit Activity for the period 2016-17 had been finalised. He stated there were no changes since the draft was circulated and the audit opinion remained Moderate.

21. He stated that there had been no audit work scheduled for completion in Q1, so work had commenced on the audits planned for Q2. He reported that the team had met with the CEO and DCS to review the audit schedule resulting in minor amendments made to either the audit timing or number of audit days.
22. Rebecca Hilsenrath queried whether the audit plan had involved discussions with members of the Management Team other than the DCS. Chris Davis responded that the DCS had provided input on behalf of the executive team who had been consulted about the plan and were involved in audit work throughout the year.
23. Discussion took place on the timing of the audits contained in the plan and whether the CEO's departure would impact the timetable. Chris Davis responded that the majority of audits were driven by projects. He stated there were audits which required the current CEO's input and the timing of his departure would be taken into consideration when planning the audit work. The CEO stated that colleagues from GIAA had been very flexible with the planning of the audit timetable.
24. The ARAC Chair reported that ARAC members had more confidence now that the audit plan was focussing on the right areas with appropriate leadership from the executive. Rebecca Hilsenrath commented that it was important that there was sufficiently wide consultation in the process and the oversight by ARAC was part of this process.
25. The DCS reported that work on the assurance map for LeO was well developed and would be brought to the next ARAC meeting. He stated that the assurance map would drive areas of focus for the audit plan.

**ACTION:**

**The DCS to present the assurance map at the September ARAC meeting.**

26. The ARAC Chair questioned whether the internal audit planning work had identified any key risk areas which needed to be included in future audit work. Chris Davis responded that their work had shown that planned audits mapped to key themes identified across Government.

**Item 8 – External Audit Update**

27. David Eagles presented the 2016/17 Audit Completion Report. He commended the Head of Finance and her team for the professional work undertaken to ensure the accounts were of a high quality. He noted the audit undertaken by the external audit team had run very smoothly.
28. Discussion took place on the financial statement risks highlighted in the report which were driven by auditing standards.

29. Discussion took place on the risk of management override of controls. It was noted that external audit did not identify any evidence of management override from their testing. It was also noted that there was no evidence of fraud in relation to revenue recognition.
30. It was noted that only one issue was identified from the audit. This related to the lease agreement, where there was a difference of interpretation about the application of the accounting standards between LeO and the external audit team. This issue was discussed and the Committee noted that it was not material and therefore no adjustment was required in the accounts.
31. Discussion took place on the control issue which arose in the previous year's audit relating to SAGE passwords. The system did not allow corrective action. It was agreed that this action would be left open to enable David Eagles to speak to colleagues in the corporate audit team who worked with the Sage platform on a regular basis to see if there was a particular way in which the action had been addressed by other bodies using Sage. If not, ARAC could agree whether it was proportionate for the executive to do anything further to address the action.

**ACTION:**

**David Eagles to speak to colleagues who work with the Sage platform to investigate whether there was a way to address the action.**

32. The ARAC Chair thanked the finance team for their hard work on the accounts preparation.

**Item 9 – Annual Report and Accounts**

33. The DCS provided an update on the Annual Report and Accounts. He noted that hard work undertaken by the team to meet deadlines in terms of version control and rework. He stated the process had improved significantly to last year and successfully picked up the key issues identified by a lessons learned exercise.
34. It was noted that as a result of the need to undertake further survey work to produce the 2016-17 customer satisfaction figures, the OLC had agreed to defer the publication of the annual report and accounts until after the summer Recess.
35. The DCS updated members on the revised timetable for laying the annual report and accounts. Rebecca Hilsenrath questioned whether the executive had stress tested the revised timetable. The CEO confirmed that this had taken place.
36. It was noted that the external audit team would need to undertake further post balance sheet event work to ensure nothing significant had changed that could affect the accounts.
37. Discussion took place on the flow chart for income recognition for closed firms. The DCS reported that the flowchart clarified the internal decision making process

which was undertaken within the Finance team. It was noted that the current Scheme Rules did not provide sufficient clarity in this area. This point would be addressed as part of the wider scheme rules review.

38. Chris Davis confirmed that internal audit agreed with the accounting treatment set out. He stated that it was important to have a clear audit trail of the decision making process.
39. The ARAC Chair stated that he understood the logic of the approach and reiterated the importance of the scheme rules review.

#### **Item 10 – Strategic Risk Register**

40. The ARAC Chair reported that as the Risk Register was due to be discussed at the July OLC Board meeting, it important that ARAC first review the document.
41. The DCS reported that since the papers were circulated, the management information risk had increased and this would be reflected in the register presented to the OLC Board. He reported that the other two risks which had gone up were operational resourcing and data security.
42. ARAC members suggested the register would be improved by adding a section about what good would look like in managing each risk.
43. It was agreed that future iterations would illustrate how the register had been updated and the timescales for planned controls to set out clearly both initial and any revised implementation dates.

#### **ACTION:**

**The DCS to ensure future iterations of the risk register illustrate updates and timescales for planned controls.**

44. The DCS reported that there was a short term risk on data security following infrastructure transition until single factor VPN authentication was implemented. The ARAC Chair noted that with regard to ombudsman send backs work had been done to make sure the numbers significantly decreased.

#### **Item 11 – Policy Approvals**

45. The DCS presented the Asset Management policy and an update on the Records Management policy.
46. Discussion took place on the disposal process for old laptops.
47. ARAC members approved the Asset Management Policy and changes to the Records Management policy. The Committee noted the proposal to reduce the retention period for call recording.

### **Item 12 – Financial Approvals**

48. The Head of Finance presented the financial approvals. She noted that there would be fewer items included as the delegation levels had been formally clarified.

### **Item 13 – Any Other Business**

49. The ARAC Chair thanked attendees and noted the next ARAC meeting was in September.

### **Next meeting**

50. The date for the next ARAC meeting would be held on Mon 18 September in Birmingham.

Helen White  
Board Secretary