

The Office for Legal Complaints
The Minutes of the 67th Audit and Risk Committee Meeting
Wednesday 18 June 2024

Members present:

Harindra Punchihewa, Chair

Alison Sansome

Georgina Philippou

In attendance

Elisabeth Davies. OLC Chair – observing.

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

Mike Harris, Interim Head of Communication, Engagement, and Impact

Alex Clarke, National Audit Office

Emma Kernohan, Deloitte

James Gilbert, Deloitte

Sarah Hutchinson, Government Internal Audit Agency

Kasim Raja, MoJ – observing.

Alpa Panchal, MoJ – observing.

Apologies

Craig Westwood, CEO Legal Services Board

Minutes

Kay Kershaw, Board Governance Manager (Minutes)

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.
4. There were no declarations of interest.

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

5. The minutes of the ARAC meeting held on 19 May 2025 were approved, subject to minor typographical amendments.
6. ARAC **noted** the update on previous actions.
7. There were no matters arising.
8. In line with ARAC's Terms of Reference, ARAC members had met with Internal and External Auditors in a private meeting on 18 June 2025. This had been a positive meeting with no significant issues reported.

Item 3 – Internal audit update

9. GIAA reported on the following key points:
 - The first audit engagement of the 2025/26 internal audit plan on the delivery of operational IT system change had commenced; Terms of Reference had been agreed, and meetings were being scheduled to support the fieldwork.
 - The audit of casework quality was due to commence in September 2025.
 - An ARAC supplement, included in the June ARAC meeting pack, included updates on cross government insights work, counter fraud, technical resources, the ARAC handbook and details of ARAC events.
 - The agreed 2025/26 internal audit plan, signed MoU, Audit Charter and Fee Letter had been included in the June ARAC meeting pack, along with reports on GIAA's annual audit opinion for 2024/25 and the performance of the internal audit function.
 - GIAA had presented details of its annual audit opinion in two reports: one setting out the narrative on the annual opinion, direction of travel, key risks and themes and the other reporting on performance against agreed standards.
 - GIAA had achieved ten and partially achieved one of the eleven agreed service standards. The partially achieved standard related to the timescale for issuing Terms of Reference for an audit engagement; this had not affected the quality of the audit engagement.

- GIAA had provided a moderate audit opinion for 2024/25 with a decline in the direction of travel within the moderate audit opinion range when compared to 2023/24.
10. Recognising that annual internal audit opinions took into consideration the outcomes of audits undertaken over a rolling three year period, and that there had been six substantial, eight moderate and one limited audit rating provided in the most recent three year period (2022/23, 2023/24 and 2024/25), which was an improvement when compared to the five substantial, seven moderate and three limited audit ratings provided in the previous three year period (2021/22, 2022/23 and 2023/24), ARAC had sought to understand and reconcile GIAA's assessment of a small decline in the direction of travel within the moderate audit opinion range.
 11. GIAA explained that its assessment of a small decline in the direction of travel was not intended to reflect any concerns. There had been no areas of substantial weakness identified as part of the 2024/25 internal audit programme, but some areas had been identified as requiring further improvement in the control framework, this been taken into consideration when determining the direction of travel. Considering this, the size of the OLC/LeO's internal audit programme and the areas that had been audited it would be necessary to complete the 2025/26 audit programme to fully assess whether a forward direction of travel could be reported.
 12. Concerned that having reduced the OLC's 2025/26 audit programme due to the affordability of an increase in GIAA's annual audit fee, ARAC had sought to understand whether audits were weighted and whether some were more important than others in terms of influencing the overall audit opinion. In response, GIAA confirmed that audits were not weighted and there were no areas deemed to have more influence on the audit opinion than others, adding that there was no scientific formula for determining the annual opinion and direction of travel which were determined by GIAA's assessment of the overall control environment of the areas that had been audited.
 13. To provide context, ARAC recommended that GIAA's Annual Opinion Report and Annual Performance Report included an explanation of how the outcomes of audits undertaken over a rolling three-year period were taken into consideration when determining the annual internal audit opinion and direction of travel.
 14. In response to a question, GIAA explained that having taken into consideration the learning from customer feedback and the implications of using a single word to define its annual opinion, it had introduced the direction of travel indicator to provide further context to its annual opinion.
 15. Following a detailed discussion, ARAC **noted** the update from GIAA, confirming that it was **content** with GIAA's independent assessment of a moderate annual audit opinion for 2024/25.

Item 4 – External audit update

16. External auditors presented the audit completion report on the 2024/25 financial statements, drawing ARAC's attention to the following points:

- The external audit of the 2024/25 financial statements was almost completed with a small number of audit actions to complete. The remaining actions were not expected to identify any issues that would have a material impact on the financial statements
- On receipt of the final Annual Report and Accounts from the external designers later in the week, auditors would conduct a final review of the financial statements and the annual report and an internal quality review.
- Auditors anticipated recommending to the Comptroller and Auditor General (C&AG) that the OLC's 2024/25 financial statements should be certified with an unqualified audit opinion, without modification in respect of both regularity and the true and fair view on the financial statements.
- A draft audit certificate and letter of representation had been included in the ARAC meeting pack for ARAC to review.
- The audit risks identified in the audit planning report relating to the presumed risk of management override of controls and the valuation of the right-of-use asset and lease liability under IRFS 16 remained unchanged. Auditors had seen no evidence of management override of controls. Testing was going through a final review, but there had also been no evidence of any material misstatements or irregularity regarding the accounting for leases under IRFS16.
- Overall materiality was £356k, this was based on 2% of the expenses within the financial statements. The reporting threshold for adjusted and unadjusted misstatements was £7k. Auditors had not identified any adjusted or unadjusted misstatements in the 2024/25 financial statements.
- There had been no evidence of fraud identified by the auditors during the course of the audit and a review of financial statement disclosures, accounting policies and financial reporting, regularity, propriety, and losses and not identified any issues to draw to ARAC's attention.
- Following a review of the progress that had been made on implementing the recommendations from the 2023/24 audit of financial statements, auditors had:
 - Been satisfied that effective mitigating controls had been implemented to examine and resolve any unexpected variances, discrepancies and unusual movements in journal entries, levy income, and expenditure. Considering this, it was anticipated that this recommendation would be closed unless any contradictory evidence was seen following the 2025/26 audit of financial statements.
 - Understood the rationale for using suspense accounts and had been satisfied that they were being effectively reconciled on a regular basis. Considering this, it was anticipated that this recommendation would be closed unless any contradictory evidence was seen following the 2025/26 audit of financial statements.
 - Noted that the software had been updated to capture the username in all transaction listings to show who had posted journals and that there were

software limitations that prevented the ability to report on reviewer details for journal entries. Reviews conducted during this audit revealed that journals are being reviewed outside the system. Considering this, auditors would now be closing this recommendation.

- Noted that the recommendation relating to IT user access had been satisfactorily resolved; this recommendation would now be closed.
17. The NAO advised that a report on Accountability in Small Bodies was soon to be published; a link to this report and an accompanying information pack would be shared with the OLC for information.
18. In response to a question by the ARAC Chair, external auditors **confirmed** that whilst no material changes were expected to the financial statements as a result the remaining audit actions, it would be necessary to conduct a final review of the Annual Report and Accounts once it had been received from the external designers to ensure that there were no typographical or transposition errors or any unintended changes made during the external design process.
19. The ARAC Chair thanked the external auditors, and all involved at LeO for ensuring that the audit of the 2024/25 financial statements had gone smoothly and would be completed within the agreed timescale.
20. ARAC **noted** the update from external auditors.

Item 5 – Annual report and accounts 2023/24

21. The Chief Ombudsman, as Accounting Officer, reported that the 2024/25 Annual Report and Accounts were a true and accurate account of OLC/LeO performance in 2024/25, stating that the auditor's recommendation of an unqualified annual opinion had been pleasing.
22. External auditors and LeO colleagues were thanked for their high levels of engagement and responsiveness throughout the Annual Report and Accounts process, which had reflected the lessons learned from previous years.
23. The Annual Report and Accounts schedule had been delayed slightly following the discovery of unexpected typing and presentation errors that had been made by the external designers. Having conducted a thorough line by line review of the Annual Report and Accounts, the Executive had submitted details of the changes required to rectify the errors to the designers. Page references were to be submitted to the designers today.
24. It was anticipated that the final version of the Annual Report and Accounts would be received from the external designers of Friday 20 June, so that the document could be shared with external auditors to conduct their final review ahead of it being submitted with the letter of representation by the Accounting Officer to the Comptroller and Auditor General (C&AG) on Monday 23 June for signing.
25. Once signed by the C&AG, the Annual Report and Accounts would be submitted to the printers to be prepared for print and web publication.

26. The Annual Report and Accounts remained on track to be laid in parliament on 3 July 2025.
27. Noting the assurances provided by external auditors, the Accounting Officer and the Head of Programme Management and Assurance, ARAC members **confirmed** that they were content to recommend to the OLC Board that the 2024/25 Annual Report and Accounts were signed off.
28. The Executive would conduct a lessons learned exercise on the 2024/25 Annual Report and Accounts process; this would take into consideration the procurement of external designers. An update on this would be provided to ARAC at its meeting in October 2025.

Item 6 – 2025/26 Budget and Business Planning

29. A paper setting out the plan for delivering the 2026/27 budget and business plan was presented by the Head of Programme Management and Assurance. The following key points were drawn to ARAC's attention:
 - The lessons learned from the 2025/26 budget and business planning process, including those relating to the timing of Performance Sub-Group (PSG) meetings, had been reported to ARAC in May and had been taken into account as part of the plan for the 2026/27 budget and business plan process.
 - All 2025/26 PSG meetings had now been scheduled. The PSG meeting timetable allowed sufficient time for any adjustments to be made to the budget and business plan before it was submitted to the LSB for approval in Q4. A planning meeting had also been scheduled with the new PSG Chair to agree the content and requirements for the 2025/26 PSG meetings.
 - Consideration was being given to the 2026/27 business plan deliverables so that they could be discussed as part of the Board's budget and business planning workshop in September and refined throughout the budget and business plan process.
 - Engagement would be taking place with the LSB to explore the scope for changes to the budget acceptance criteria with a view to reducing the length and detail required in the document submission. ARAC would be kept updated on this.
30. ARAC **noted** the update on 2026/27 budget and business planning, welcoming the proactive approach that was being taken.

Item 7 – Effectiveness of the meeting

31. The following feedback on the meeting was provided:
 - The pre-meeting with internal and external auditors had been helpful as it had provided an opportunity for ARAC members to ask questions and clarify points of detail which in turn had improved the efficiency of the meeting.
 - The quality of the papers and work undertaken ahead of the meeting had facilitated a good level of discussion and challenge at the meeting.

- Compared to ARAC meetings at some other organisations, there had been a good level of engagement, challenge, and discussion at this meeting.
32. In response to a question, it was confirmed that due to the length of GIAA's ARAC effectiveness questionnaire, a decision had been made by the OLC Chair in discussion with the Board Governance Manager to create a bespoke ARAC effectiveness questionnaire for OLC ARAC members to complete as part of the 2025 ARAC effectiveness review. GIAA's ARAC effectiveness questionnaire had been circulated to OLC ARAC members for reference and consideration when completing the bespoke effectiveness questionnaire.
33. The findings of the 2025 ARAC effectiveness review would be considered as part of a wider comprehensive OLC Board effectiveness review that was being undertaken concurrently.

Item 8 – Escalations to the Board

34. There were no items for escalation to the Board.

Item 9 – Any other Business

35. The OLC Board would be meeting after this ARAC meeting to consider the 2024/25 Annual Report and Accounts and there would be an opportunity for ARAC to report on the discussions that had been made at this meeting.