

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

Monday 24 January 2011

10.00am – 12.00pm

Baskerville House, Centenary Square, Broad St, Birmingham B1 2ND

Present:

Brian Woods-Scawen, Chair
Professor Mary Seneviratne, member
Tony Foster, member

In attendance:

Adam Sampson, Chief Ombudsman
Rob Hezel, Director of Finance and Business Services
Paul Partridge, Head of Finance
John Ward, KPMG
Annabel Ellin, KPMG
Sajid Rafiq, NAO
Madeleine Dugmore, NAO

Observing:

Chris Kenny, Chief Executive, Legal Services Board

Committee Secretary:

Andy Taylor

Apologies:

No apologies were received.

Preliminary issues:

The quorum requirements for the Committee meeting were met. No conflicts of interest were declared, however, in respect of the KPMG internal audit report relating to Payroll and HR Strategy, Tony Foster reminded those in attendance that he was also a member of RemCo.

Item 1 – Welcome and apologies

1. The Chair welcomed those in attendance and confirmed there were no apologies for absence.

Item 2 – Minutes of previous meeting

2. The minutes of the meeting of 4 October 2010 were approved for submission to the OLC.

Item 3 – Matters arising & action points

3. The committee noted that a number of outstanding action points had been completed since the last committee meeting or were included within the agenda.

Item 4 - Chair's update

4. Following discussions at the joint OLC/LSB meeting in December, the Chair confirmed that a private meeting between OLC and LSB Audit Committee Chairs was to take place immediately following this meeting. In addition to this, a meeting between OLC and LSB members was scheduled to take place in February to discuss and agree a protocol for the exchange of management information between the OLC and LSB.

Item 5 – Corporate Risk Register

5. The committee received a revised version of the corporate risk register following the recent move from project status to steady state. The Chief Ombudsman advised members that corporate risks were owned by appropriate members of staff from the Senior Management Team (SMT), with the risks being reviewed on a regular basis by a separate Risk Management Group, led by the Head of Change.
6. Questions were invited and members were advised that:
 - With members of SMT taking responsibility for risk management this facilitates further engagement within internal teams and ensures that the corporate risk register is visible across the organisation;
 - The register will be refreshed following the forthcoming operational review which is due to commence in February.
 - As the tabled paper was the first version of the new style register, trend lines had not been included; however, they will feature in subsequent versions.

Item 6 – External Auditor schedule of milestones 2010 - 2011

7. The committee received a revised version of the proposed milestones for the 2010/11 accounting period and one further amendment was suggested by members. The NAO approved the timetable subject to clarification of the reason for the delay between the NAO providing signed accounts to the OLC and the proposed laying date, approximately one month later. It was explained this time period was due to the requirements of the Legal Services Act and the timing of respective OLC and LSB Board meetings. The Chief Ombudsman agreed to discuss this matter further with the Chief Executive of the LSB.

ACTION

- The Chief Ombudsman to discuss the timing of the exchange of the approved OLC Annual Report between the OLC and LSB with a view to reducing the time limit and meeting the Parliamentary requirements for laying the report before the summer recess.
8. The NAO confirmed that the MoJ were presently undertaking a dummy run of the clear line of sight requirements. It was anticipated that the auditing requirements for the 2011/12 financial year will be substantially brought forward, but there was no impact for the OLC in respect of 2010/11.

Item 7 – NAO external audit planning and report

9. NAO presented the 2010/11 audit planning report and invited members to consider and discuss the completeness and coverage of the assessment of potential risks, including that of material misstatement to financial fraud, and the proposed audit plan to address the identified risks.
10. Questions were invited and the committee were advised by the NAO that:
- The Accounting Officer for OLSO is based within the MoJ and a meeting has been scheduled to take place in February 2011 to discuss the audit management going forward.
 - The change in accounting policy in respect of the cost of capital was confirmed.
 - The presentation of the levy in the financial statements to ensure transparent disclosure between the set up and the ongoing running costs will be reviewed by the NAO to ensure it is consistent with the financial reporting framework.
 - The proposed fee for 2010/11 reflects the additional work involved in auditing and reporting on the transition from set up to being fully operational.
11. The committee noted the report and agreed the following action points;

ACTION

- Fee and levy income should be included in the corporate risk register with effect from the 2011/12 accounting period.
- A report on fraud prevention covering all areas within LeO should be included on the next committee agenda
- Further discussions should take place between the Director of Finance and Business Services and the NAO in respect of the proposed fee for the 2010/11 accounting period. The matter may be referred to the committee at a later stage should this be felt necessary.

Item 8 – Internal audit planning & reports

12. KPMG presented three internal audit reports relating to Payroll and HR Strategy, Data Migration, and Procurement as part of the agreed programme of internal audit work.

13. Questions were invited and the committee were advised that:

- The Executive had previously identified issues within the HR department in advance of the internal audits. In view of this, KPMG had been asked to extend the scope of the Payroll audit in order to include HR strategy.
- Prior to go-live, the responsibility for the tracking of the delivery of HR responsibilities was with the Programme Management Office (PMO). Members were advised that the responsibility for the executive management of the HR department had recently transferred to the Director of Finance and Business Services.

ACTION

- Members requested that a copy of the HR action plan is to be circulated to members electronically as soon as possible for review, with regular updates to be provided to members.
- The Payroll and HR Strategy is also to be considered by RemCo at the next available opportunity
- Members asked for the executive to produce an aggregated internal audit report and this is to be presented to the Committee on a regular basis.

Item 9 – Audit and Risk Committee self assessment responses

14. The committee received an aggregated self assessment report based upon the NAO Audit Committee self assessment checklist. The paper evidenced broad agreement regarding; the role of the committee; membership, independence objectivity and understanding; skills and scope of work and communication.

ACTION

- Members asked for a summary document to be prepared by the Secretary and issued to members as soon as possible electronically.
- Future self assessment exercises should also invite comment from internal and external audit representatives.

Item 10 – Business Continuity Plan framework

15. The committee received and approved the updated version of the business continuity plan framework. Members advised the Executive of the importance of testing the plan and this should be reported to a future committee meeting.

ACTION

- A report on the testing of the business continuity plan is to be presented to a future committee meeting.

Item 11 – Future agendas and any other business

16. Members were advised that the next meeting is scheduled to take place on 11 April 2011

Andy Taylor
Committee Secretary
18 February 2011