

**Minutes of the twenty-fifth meeting of the
Office for Legal Complaints Audit and Risk Committee**

Wednesday 22 July 2015

09.30am – 11.20am

Legal Ombudsman, Birmingham

Present:

Michael Kaltz, Chair
Professor Philip Plowden, member
Tony King, member

In attendance:

Ian Brack, Interim Chief Executive
Robert Grant, BDO (representing NAO)
Kathryn King, Interim Chief Ombudsman
Paul Partridge, Head of Finance
Marc Rainforth, Head of Audit Operations, MoJ IAA
Andy Sayers, KPMG
Freda Sharkey, General Counsel

Apologies:

Dame Ursula Brennan, OLC Accounting Officer
Sajid Rafiq, NAO

Observing:

Richard Moriarty, Chief Executive, Legal Services Board

Board Secretary:

Helen White

Preliminary issues:

The meeting was quorate.

Prof Plowden reported a potential declaration of interest regarding his university's research engagement with Lockheed Martin, who it was noted were working with the OLC on their new case management system. It was agreed that this would be noted as a standing conflict of interest.

Item 1 – Welcome and apologies:

1. The Chair welcomed and thanked those in attendance. The Chair noted apologies had been received from Dame Ursula Brennan and Sajid Rafiq.

Item 2 – Minutes of previous meeting:

2. The minutes of the meeting of 21 April 2015 were approved.

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.
4. It was noted that the revisions to the Whistleblowing policy would be handled as part of the policy review schedule. The General Counsel would finalise the document and circulate to ARAC members for approval via e-mail correspondence.

ACTION:

The General Counsel to finalise the revisions to the Whistleblowing policy and circulate for ARAC member approval via e-mail correspondence.

5. It was noted that a 45 minute agenda item on the Corporate Risk Register would be scheduled for the October ARAC meeting which Tony King would lead.

ACTION:

The Board Secretary to schedule a 45 minute agenda item on the Corporate Risk Register, to be led by Tony King at the October ARAC meeting.

6. It was noted that the General Counsel had circulated the Financial Crime Policy document to the ARAC Chair. It was agreed that the ARAC Chair would circulate the relevant documents to ARAC members for comment.

ACTION:

The ARAC Chair to circulate the Financial Crime Policy documents to ARAC members for comment.

Item 4 – Annual Health and Safety Compliance Report

7. Members noted the Annual Health and Safety Compliance Report. It was reported that there had been recent incidents involving harassment of staff outside the office building. Assurance had been provided from the Police that the office environs were safe. Action had been taken to raise staff awareness and mitigating actions had been put in place, including the distribution of attack alarms to those who wished to have them. Members reiterated the need to provide continued staff guidance.

8. It was noted that an issue remained with the security of the front access to the building and that capital spend may be required to address this urgently. It was noted that the OLC's remit to authorise such expenditure was in question and this was discussed further later, as noted in paragraph 16 below.

Item 5 – Data Handling Incident Report

9. The General Counsel updated members on the quarterly data handling incident report. It was noted that it was probable that the majority of the incidents had arisen from workarounds adopted to mitigate problems that arose with the new case management system. The General Counsel reported that work continued to ensure staff understood the potential security issues. It was noted that the relevant policies had been refreshed.
10. To avoid data protection issues, it was agreed that the Executive would explore the feasibility of the introduction of an e-mail 'handshake' to confirm the correct address had been noted for contact. An update would be provided to ARAC.

ACTION:

The interim Chief Ombudsman to explore the introduction of an e-mail 'handshake' to confirm the correct address had been noted. An update would be provided to ARAC.

11. Members raised concern about the number of incidents reported.

Item 6 – Internal Audit

12. Members noted the Internal Audit Aggregated Report. Discussion took place on the proposal to open a commercial bank account. The Head of Finance reported that the MoJ had stated that this would require a business case which would need Treasury approval, which was unlikely to be forthcoming. Andy Sayers reported that having pre-signed cheques was significant risk for the organisation and relied on there being good security protocols in place.
13. It was agreed that the ARAC Chair would write to the Accounting Officer to raise the Committee's concern about the OLC's continued use of pre-signed cheques. He would reiterate that the OLC had not been permitted to establish a commercial bank account and were now informed that a formal request for Treasury approval would be unlikely to be successful. This presented a financial risk to the organisation.

ACTION:

The ARAC Chair to write to the Accounting Officer to raise the Committee's concern about the continued use of pre-signed cheques.

14. Discussion took place on the 2014/15 Internal Audit Report on Corporate Governance: Stakeholder Engagement where a 'Low' rating had been provided against recommendation three; 'Authority to Enter Contracts'. The Committee rejected the KPMG rating and requested that this should be given a higher risk rating due to the interface with other areas of the business. ARAC reported that the Executive should treat this as a Medium risk.
15. It was noted that the ARAC Chair would raise the organisation's inability to contract under the existing Financial Transaction Limits with the Accounting Officer.

ACTION:

The ARAC Chair to write to the Accounting Officer to raise the Committee's concern about the organisation's inability to contract under the existing Financial Transaction Limits.

16. In discussion the Committee noted that there was also a disparity between the capital allocation in the BV1 budget and the capital budget properly approved by the LSB, as required by the Legal Services Act. The MoJ had not approved OLC capital allocations within the Departmental allocations, despite their incorporation in the approved OLC budget. It was agreed that the ARAC Chair would also raise this matter with the Accounting Officer.

ACTION:

The ARAC Chair to write to the Accounting Officer to raise the Committee's concern about the disparity between the capital allocation in the BV1 budget and the capital budget approved by the LSB.

17. It was noted that the MoJ Internal Audit and Assurance team had produced their draft audit needs assessment which would be finalised with the Executive. It was noted that the finalised Audit Needs Assessment with Audit Plan would be produced for the next ARAC meeting.
18. Discussion took place on the planned operational audit of the case management system. It was agreed that this audit would include a review of the project's Post Implementation Review and lessons learned. The ARAC Chair requested a copy of the detailed audit plan for the People / HR Audits.

ACTION:

The ARAC Chair requested a copy of the IAA audit plan for the People / HR Audits.

Item 7 – External Audit Update

19. It was noted that BDO had completed their field work and hoped to complete their external audit by the end of August. It was noted that the draft governance

statement and amended accounts would hopefully be produced for the next ARAC meeting.

Item 8 – OLC Draft Report and Accounts

20. Discussion took place on the production of the OLC Draft Report and Accounts. It was noted that the timetable should reflect the need to provide a copy to the LSB before the accounts were finalised.
21. It was agreed that the consideration of whether to obtain appropriate delegated authority from the OLC for the approval of the final accounts be deferred until the timetable was clearer.

Item 9 – Business Critical Project Report

22. The interim Chief Executive reported that there appeared to be consensus that the case management system performance had improved. It was noted that user documentation was to be improved and refresher training rolled out. Weekly summaries of system downtime were now being published. These showed a positive step change in the number of hours lost due to system issues.
23. It was noted that the issues around service and support had been escalated to Lockheed Martin who had committed to provide the appropriate level of support in the short/medium term. It was agreed that Lockheed Martin would also undertake a review of the CMS design to ensure it was adequately robust and appropriately designed.
24. The interim Chief Executive reported that project staff had attended a Microsoft CRM user group. One of the areas stressed by other users was the importance of user engagement and the continued need to advocate the benefits of the system.
25. Professor Plowden raised concerns about the destabilising effect the continued system issues would have on staff morale. Members were grateful to note the senior management attention now being focussed on the issues.
26. The interim Chief Executive reported that work could now start to finalise the development plan for the later phases of the system and to ensure staff confidence and trust was rebuilt.
27. The ARAC Chair reported that the next phase of the system would provide more functionality in terms of performance management. The LSB Chief Executive stated that clearly this was an issue which went to the heart of performance and was in fact one of the main reasons one of the Section 121 targets had been missed in June. He reported that the LSB would continue to work with the OLC to track progress.

28. It was noted that the interim Chief Executive would continue to provide regular reports to ARAC and the OLC Board on the case management system.
29. Turning to the Policy review, it was agreed that ARAC would endorse the allocation and approach outlined in the policy review update. It was noted that whilst RemCo would sponsor the Expenses policy, ARAC would be consulted on any changes.

Item 10 – Business Critical Contract Renewals

30. Members noted the business critical contract renewals report. Discussion took place on the contract for the business continuity site which was due for renewal at the end of the year. Members noted that the current provider had been bought out by Daisy. The Head of Finance would continue to monitor any risk this presented.
31. It was noted that the interim Procurement Manager would work with the MoJ to share the detailed forward plans.

Item 11 – Corporate Risk Register

32. Members noted that the corporate risk register continued to be presented in the old format, which members found complex and opaque. The ARAC Chair reported that there remained a desire to move to a more traditional format. He reported that the Head of Finance would take one of the existing risks and map it on to a new design. The ARAC Chair reported that he would circulate an initial draft of the new design so committee members could comment on whether it provided a comprehensible level of detail and if it gave assurance of managing strategic corporate risk. This would also be shared with MoJ IAA.
33. It was noted that the Head of Finance would update the risk management framework to give assurance on what other managers in the organisation do.
34. Discussion took place on the CMC income and how robust the income projection was for the year. The Head of Finance reported that a review had been undertaken on CMC expenditure and income. It was noted that volumes were running at 50% of the business plan with expenditure significantly down. The budget for 16/17 was required by the MoJ in order for them to undertake their consultation on the Lord Chancellors Levy.

Item 12 – ARAC revised Terms of Reference

- 35.** It was noted that the aim was to present the ARAC revised Terms of Reference to the September or October OLC Board for approval. Approval would be sought via e-mail correspondence.

Item 13 – Any Other Business

- 36.** Discussion took place on the 2016 ARAC dates. It was noted that the intention was to decouple the ARAC meetings from the main OLC Board dates. To enable the ARAC Chair to brief the OLC Board, the ARAC meetings would be held two weeks before the OLC Board. There would be four meetings in 2016; two in Birmingham and two in London.
- 37.** Professor Plowden raised concern about the quoracy rules for ARAC. The Board Secretary would review whether there was a governance issue about potentially conducting ARAC meetings via Skype.

Next meeting

- 38.** The next ARAC meeting will be held on Tues 20 October in Birmingham.

Helen White
Board Secretary