

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

Monday 21st June 2010

09.30am – 11.15am

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
Paul Partridge, Head of Finance
Paul Keane, NAO
Peter Goodchild, KPMG
John Ward, KPMG

Observing:

Chris Kenny, Chief Executive, Legal Services Board

Committee Secretary:

Andy Taylor

Preliminary issues:

The quorum requirements for the Committee meeting were met.

Item 1 – Meeting of the Committee with internal and external auditors

1. Paul Keane, John Ward and Peter Goodchild were welcomed by the Committee and thanked for attending the meeting.
2. The internal auditors informed the committee that they had evidenced an appropriate tone, capability and response to enquiries relating to their internal audit and clarified that the first six months had involved putting a basic audit plan together. The internal auditors reported that the strength and depth of the executive team had developed

over the first six months and that it was felt they displayed the capability to “get things right” and had been “open and responsive” to the advice given in the tabled reports.

3. The committee asked if the executive had evidenced an appropriate degree of competence and professionalism commensurate with the position of the organisation. The external auditors commented that they had evidenced an evolution of systems within the office and their opinion was that the organisation was well placed to enter into the next financial year however, acknowledging that the period of association with the executive was not yet at a stage to provide a full answer to this point.
4. The committee asked the executive to liaise with both internal and external auditors to ensure that a full timetable of events and milestones was agreed before the next meeting of the committee in October 2010. In addition to this, the next agenda is to include an item on “lessons learned” from the 2009 – 10 audit process and also an outline of the plans for the 2010 – 11 audit period. Both internal and external auditors agreed this was an important item and would assist appropriately.

ACTION

5. The Committee Secretary and Director of IT and Business Services to liaise with both internal and external auditors to agree an itemised schedule of milestones and dates and present to the committee meeting in October 2010.

Item 2 – Welcome and apologies

6. The executive joined the meeting and were thanked for attending.

Item 3 – Minutes of previous meeting

7. The minutes of the meeting of 15th April 2010 were approved.

Item 4 – Matters arising & action points

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

Item 5 - Chair’s update

9. The Chair clarified the importance of reflecting upon the internal and external audit as soon as possible and to learn from the experience, setting into place clear milestones for 2010 - 11. The Chair also advised that it was important to ensure that the executive has in place a suitable monitoring and tracking mechanism to provide the committee with evidence of actions taken in accordance with the recommendations made by both internal and external auditors.

ACTION

10. The Director of IT and Business Services to schedule a series of regular meetings with the Committee Chair to discuss monitoring and action following internal and external audit recommendations.

Item 6 – Audit and Risk Committee Annual Report 2009 - 10

11. The committee received a final version of the committee's annual report and approved the document for final submission to the Board.

Item 7 – KPMG internal audit

12. The internal auditors confirmed that the financial report had been dealt with at a previous meeting and that the "Project Governance" report was the only new item to note. KPMG advised the committee that no high priority issues had been identified within the governance review, however there were some items for the organisation to focus upon and given the current status of the organisation, the tracking of actions taken against the recommendations made was important to evidence ongoing progression.
13. The executive acknowledged the content of the governance report and confirmed that it was an accurate reflection of the current position of the organisation, however added that there had been a change in project management part way through the period. As workstreams continued to move towards delivery of their respective aims, the governance style would also change. The executive acknowledged the 5 recommendations made by KPMG and advised the committee that those responsible for delivering the recommendations have set in place systems to address these and at the same time to monitor and evidence outcomes as requested.
14. KPMG presented the "Annual Report and Opinion 2009 – 10" document, confirming this reflected the state of development of the organisation and the committee should take comfort with the internal audit findings of "adequate and effective" and as a result be able to sign off the Statement of Internal Control (SIC). KPMG advised the committee the report was based upon the current position of the organisation emphasising that "today's needs are not necessarily tomorrow's needs", and reaffirmed the need for the organisation to have effective monitoring and tracking mechanisms linked to the internal audit findings.
15. KPMG presented the "Strategic and Annual Internal Audit Plan; 2010 – 11" to the committee, confirming this had been developed in conjunction with the Director of IT and Business Services. The executive confirmed that the document focused upon key deliverables for the organisation during the next financial period, for example continuation of plans towards set up, "go live" and moving into steady state dealing with consumer complaints. In addition to this, the committee asked the executive to

monitor the effectiveness of the IT system post “go-live” and in particular whether it was meeting the stated requirements.

16. The committee noted the “Strategic and Annual Internal Audit Plan; 2010 – 11” had been prepared by KPMG up to March 2011, however wished to ensure that items running beyond this period were not lost and the executive were asked to implement a logging system to capture information beyond March 2011 and also to include the operation of the IT system, segregation of duties and also business continuity.
17. KPMG presented the “Internal Audit Charter” document to the committee for information only.

ACTION

18. The Director of IT and Business Services to ensure that an appropriate log of items impacting upon internal audit beyond the 2010 – 11 period is maintained and updated regularly, providing updates to the committee and internal auditors as appropriate and also taking into consideration the operation of the IT system, segregation of duties and business continuity. In addition to this to undertake an audit of all procurement processes to ensure these have been undertaken in accordance with legislative requirements.
19. The Director of IT and Business Services to ensure that the executive enters into regular discussions with the internal auditors to identify and record any matters or areas of concern and reporting all findings and recommendations to the committee at the October 2010 meeting.

Item 8 – NAO external audit findings

20. The “Audit Completion Report” was presented to the committee with the NAO advising that they were still to clarify the precise requirements for the financial reporting of the levy funding agreement within the audited accounts. The NAO agreed to clarify this issue within 48 hours of the committee meeting closing. The NAO thanked the Director of IT and Business Services and Head of Finance in particular for their assistance and co-operation in respect of the audit process.
21. In view of the outstanding item within the audited accounts, the Chair agreed to report this matter to the Board and in addition to recommend that the committee is given the appropriate authority as delegated by the Board to approve the accounts and annual report once the matter regarding the levy funding agreement had been resolved by the NAO.
22. The committee noted the report presented by the NAO and asked the executive to provide an evidential summary for each paragraph contained within “Annex A”. This

is to be presented to the committee as soon as possible but no later than the next meeting in October.

ACTION

23. The Director of IT and Business Services to forward an evidential summary for each paragraph contained within “Annex A” of the NAO “Audit Completion Report” to the committee secretary as soon as possible but no later than the next meeting in October.

Item 9 – OLC Annual Report and Audited Accounts

24. The executive tabled a completed internal audit and risk questionnaire and confirmed to the committee that all appropriate items had been documented. The NAO advised that they were comfortable with the Statement of Internal Control (SIC) and also the evidential process undertaken by the executive.

25. The committee noted the proposal for an unqualified annual report.

26. After reviewing the documentation and subject to confirmation from the NAO regarding the levy funding agreement, the committee recommended the statement of internal control to the Accounting Officer and also recommended the audited accounts to the Board, noting that a final version of the annual report and audited accounts is to be presented to the Legal Services Board in time for their meeting on 29th June 2010.

ACTION

27. The committee secretary to ensure that the LSB receive a copy of the final annual report and audited accounts in time for the meeting to be held on 29th June 2010.

Item 10 – Health and Safety Policy and Appendices

28. The committee approved the policy and appendices, confirming that an annual report relating to health and safety matters is to be included within the committee agenda cycle.

ACTION

29. The committee secretary to ensure that a health and safety annual report is included within the standard committee agenda cycle.

Item 11 – Future agendas and any other business

30. The Chair asked that an updated version of the committee Terms of reference is presented to the next meeting in October 2010.

ACTION

31. The Committee Secretary to amend the October agenda to include an updated version of the committee terms of reference for approval by the committee.

Andy Taylor
Committee Secretary
29th June 2010