

**Minutes of the Forty-Ninth Meeting of the
Office for Legal Complaints Audit and Risk Committee
Thursday 6 May 2021, by video call**

Members Present:

Harindra Punchihewa, Chair

Annette Lovell

Rod Bulmer

In attendance

Elisabeth Davies, OLC Chair – observing

Paul McFadden, Chief Ombudsman

Sandra Strinati, Chief Operating Officer

Steve Pearson, Head of Complex Cases and Deputy Chief Ombudsman

Michael Letters, Head of Finance

Laura Stroppolo, Business Performance Manager (items 4 - 6)

David Winks, Ministry of Justice

Leona Awoyele, Ministry of Justice

Chris Davis, Government Internal Audit Agency

Jorjie Woodroffe, Government Internal Audit Agency

Matt Ellis, Government Internal Audit Agency

David Eagles, BDO, External Audit

Tharshiha Vosper, BDO, External Audit

Matthew Hill, CEO, Legal Services Board

Ella Firman, National Audit Office (Items 1,2 and 8)

Jonathan Davies, Risk Manager (items 4 to 6)

David Anderson, Head of IT and Information Governance (item 9)

Apologies:

Alison Wedge, Ministry of Justice

Alex Clarke, National Audit Office

Board Secretary:

Kay Kershaw

Item 1 – Welcome, Apologies and Preliminary Matters

1. The Chair welcomed those in attendance.
2. Apologies were noted.
3. The meeting was quorate.
4. There were no declarations of interest reported.
5. The Chair agreed to a request from NAO to bring forward the External Audit agenda item. The minutes record the order of discussions as set out on the agenda.

Item 2 – Previous Minutes

6. Subject to the correction of a minor typographical error, the Committee **approved** the minutes of the meetings held on 10 March 2021 as an accurate record of the meeting.

ACTION: Board Secretary to correct the typographical error in the minutes of the meeting held on 10 March 2021.

Item 3 - Outstanding actions from previous meetings and matters arising

7. ARAC **noted** the update on actions arising from previous meetings. In discussion the following points were made:

- Action 3 paragraph 7 arising from the March 2021 meeting and action 5 paragraph 50 from the May 2020 meeting are to be marked as completed.

The Chief Operating Officer (COO) reported on a meeting that had taken place with ARAC Member Annette Lovell on 5 May 2021 to discuss how to progress these actions. They had noted that in 2020/21, there had been no formal Performance Management Framework in place and that work being carried out as part of the People Plan was due to deliver an effective Performance Management Framework in Q3/4 of 2021/22. Considering that the proposed Internal Audit Plan for 2021/22 did not include a Performance Management audit, they proposed that an audit should therefore be recommended for 2022/23.

ARAC **agreed** to this proposal. Monitoring of the control environment around the Performance Management Framework would therefore be undertaken through any recommendations made following the audit of the Performance Management Framework in 2022/23.

ACTION: Board Secretary to close action 3 paragraph 7 arising from the March 2021 meeting and action 5 paragraph 50 from the May 2020 meeting.

- Action 5 paragraph 23 and action 5 paragraph 26 arising from the March 2021 meeting are to be closed. An updated final Corporate Governance Audit report was

on the agenda for discussion later in the meeting and it was **agreed** that any further actions arising from this discussion would be captured as new actions.

ACTION: Board Secretary to close action 5 paragraph 23 and action 5 paragraph 26 arising from the March 2021 meeting.

- Action 5, paragraph 29 of the March 2021 meeting is to be closed. The final 2021/22 Internal Audit plan was on the agenda for discussion later in the meeting and it was **agreed** that any further actions arising from this discussion would be captured as new actions.

ACTION: The Board Secretary to close action 5 paragraph 29 of the March 2021

- Action 7, paragraph 44 arising from the March 2021 meeting is to be closed. ARAC would respond formally to confirm whether it had any knowledge of any actual, alleged or suspected fraud or any other areas of concern later in the meeting.

ACTION: The Board Secretary to close action 7 paragraph 44 of the March 2021

- Action 9, paragraph 54 arising from the March 2021 was to remain open. The Business Continuity Plan (BCP) rehearsals were taking place during May and therefore it was not possible to provide an assurance report until they had been completed; an assurance report would be presented at the July ARAC meeting.

For tracking purposes, the ARAC Chair requested that the original due date for this action is stated on the action log.

ACTION: The Board Secretary to ensure that the original due date for action 9, paragraph 54 arising from the March 2021 is stated on the action log.

ACTION: The Board Secretary to ensure that the ARAC forward plan is updated to include the BCP assurance report at the July ARAC meeting.

Item 4 – Risk Assurance Review

8. A detailed paper updating ARAC Members on the latest position on strategic risks, financial governance, planned improvements to the Risk Assurance Framework and internal Audit actions was circulated to ARAC prior to the meeting.
9. Risk Manager, Jonathan Davies, was introduced to ARAC.
10. The Business Planning Manager reported on the following key points relating to strategic risks and internal audit actions:
 - In preparation for the Board's Strategic risk workshop on 17 May, an Executive risk workshop had taken place where the closing position on the 2020/21 strategic risks had been agreed and a set of proposed risks, linked to the strategic objectives and key business plan priorities, had been identified for 2021/22. Robust and effective actions to mitigate the proposed risks for 2021/22 were being defined and discussions were taking place on risk appetite.
 - Strategic risk S01, lack of resilience at senior level, remained a key risk.

- Since the last ARAC meeting, the Executive had agreed actions with GIAA to address the recommendations made following the Corporate Governance Audit. The recommendations that related to the OLC Board had now been fully addressed and closed. Some actions relating to internal governance at LeO were in progress; this included a governance and contracts project to address recommendation 1.3. Considering the audit's findings, the Executive would be proposing a new strategic risk for 2021/22 on internal governance.
- There were two overdue Internal Audit actions; progress of both actions had been hindered by Covid and resource challenges. The audit action on Casework Compliance related to the Quality Framework Model review; this was ongoing and scheduled for the end of May though progressing the review continues to be impacted by recent departures and staff movements. The audit action on Cyber Security related to the BCP; an updated the BCP would be presented to ARAC at the July meeting following the completion of BCP rehearsals in May.

11. The ARAC Chair stated that, with the additional resource now in place, he hoped that audit actions would be agreed and completed within agreed deadlines in the future.

12. The Chief Ombudsman (CO) reported on the 2020/21 strategic risk S01, lack of resilience at a senior level, which remained a critical risk. Progress had been made on recruitment at the Executive and Management Team levels, but some gaps remained as recruitment and appointments progress; it was expected that this risk would reduce quickly once these gaps had been filled. In the meantime, a decision had been made to retain the risk at the current level. The CO reported on the following recruitment activity, confirming that the Board and ARAC would be kept updated on further developments:

- An Executive Team appointment had been made for a Head of People Strategy and Services.
- A further Executive Team post was soon to be advertised, which would bring further resilience to the Team.
- A Risk Manager had been appointed and was now in post.
- Interviews were taking place for a Business and Performance Intelligence Manager in May.
- An offer had been accepted for a Finance Manager post.
- An appointment had been made for an Equality, Diversity and Inclusion Manager.
- A gap remained within the Quality function; recruitment activity was in train and was also being considered in context of the Quality Framework Model review

13. The ARAC Chair urged the Executive to give further thought to how it could demonstrate that progress was being made to reduce risk scores and how residual risk ratings would diminish incrementally over time.

ACTION: The Executive to consider how to demonstrate that progress was being made on reducing risk scores and how residual risk ratings would diminish incrementally over time.

14. In response to a query from the OLC Chair, the CO confirmed that there were no governance risks arising from the Corporate Governance audit that needed to be owned by the OLC. This was because the recommendations relating to the OLC had now been addressed and were closed. The remaining actions related to LeO and mitigating work was in train.
15. The Risk Manager reported on the Risk Management Improvement Plan, advising that the current focus was on the Q1 deliverables within phase one of the plan, all of which were on track to meet expected deadlines. The following key points were made:
- A review of the Risk Management Framework document had been undertaken to ensure that it was up to date and in line with the latest Orange Book and MoJ guidance. All supporting documents and procedures would also be updated.
 - Meetings were taking place to review Business Unit Risks and to ensure that they were fully aligned with organisational objectives.
 - Work would be required to ensure that clear action plans were put in place with more rigour and accountability for actions and reporting.
 - A review assurance mapping was underway aimed at validating and providing assurance for key processes and systems and ensuring that a full suite of evidence was in place.
 - Work was underway to develop a more scientific approach to determining risk appetite and tolerance levels.
 - Phase two of the Risk Management Improvement Plan would build on the Q1 deliverables, driving further improvements.
16. The ARAC Chair stressed the importance of embedding a risk culture across the organisation and sought to understand the extent to which the organisation was focussed on risk management. In response, the Risk Manager reported on the good practice that he had observed since joining LeO and the high levels of engagement and willingness to drive improvement that had been seen at the Executive strategic risk workshop and at meetings to discuss Business Unit Risks. Further work was planned to develop a deeper knowledge of risk management across the organisation and to drive accountability; this would include high-level training to all staff based on the Orange Book and risk becoming a standard part of the induction process. Plans were in place to issue a risk culture temperature check survey to all staff in Q2; this would provide baseline data on the level of understanding on risk across the organisation and would be repeated later in the year to validate the responses.
17. In response to concerns raised about the volume of work set out in the Risk Management Improvement Plan, the Risk Manager confirmed that the deliverables were proportionate to the size of the organisation and were achievable within the timescales stated.
18. The ARAC Chair requested that future Risk Assurance reports included updates on the progress being made on embedding internal risk culture.

ACTION: The Risk Manager to ensure that future Risk Assurance reports include updates on the progress being made on embedding internal risk culture.

19. Having considered the proposed strategic risks for 2021/22, concerns were raised about strategic risk SR01. It was felt that this risk would require further development, after the Board workshop, to take into account the risks, including attrition and reputation, resulting from the references made by the LSB in March to the long term future of the scheme if performance improvements were not achieved.
20. The CO reported on how the risks arising from this announcement were being actively managed by the Executive.
21. ARAC had been very pleased to see the improved approach that had been adopted to managing risk and embedding risk within organisational culture.
22. ARAC **noted** the update on the risk assurance.

Item 5 – Internal Audit Update

23. Jorjie Woodroffe, Audit Manager, was introduced to ARAC. Jorjie would be taking over from Chris Davis, who was moving on to another role within GIAA.
24. GIAA presented a report setting out the final audit reports on Financial Management, Case Progression, Workforce Planning and Corporate Governance; the 2020/21 Annual Internal Audit Opinion and Report; the draft 2021/22 Internal Audit Plan; the Memorandum of Understanding between GIAA and the OLC for the provision of audit services; the Internal Audit Charter, and the External Audit Quality Assessment of the GIAA.
25. ARAC's attention was drawn to the following key points relating to the final audit reports:
 - The Financial Management Audit had received an overall moderate rating. GIAA were satisfied that the OLC's key financial risks are being managed through standard processes, clear accountability and appropriate oversight. This recognised the improvement in the position over the last year, though highlighted scope to strengthen financial management further. An action plan had been agreed by the Executive and progress against some of the actions had already been made.
 - The Case Progression Audit had received a moderate overall rating. This was phase 1 of a two-part audit which focussed on the principles and processes in place for case progression. Phase 2, which would be undertaken as part of the 2021/22 audit plan, would focus on the comparison of the principles with practice and compliance.
 - The Workforce Planning Audit had received a substantial overall rating. Recognising that it had been some time since Workforce Planning had last been audited, GIAA had been encouraged by the progress that had been made and the rating that had been given.
 - The Corporate Governance Audit had received a limited overall rating. This audit report had been re-issued to take into account the feedback provided at the last ARAC meeting and to include more specific and detailed management actions. This report included a footnote referring to the progress that had been made to address the recommendations since the audit had been undertaken and to reflect that a significant proportion had been completed during 2021/22.

26. The ARAC Chair sought further information on what the Governance and Contracts project involved and when it would be completed. In response, the Head of Finance explained that this project was soon to commence and was due to be completed by the end of Q2. The project involved reviewing all LeO contracts and how they were being managed.
27. The ARAC Chair was concerned to see that the action to address recommendation 2.2 of the Financial Management audit was not due to be completed until Q3. The Head of Finance explained that, considering the amount of work involved in addressing this recommendation and the number of other higher priorities within the finance function, a decision had been made to wait until the new Financial Manager was in post before commencing this work.
28. ARAC was advised that there were no skills gaps within the finance function but there was a capacity gap; the appointment of the Finance Manager would address this and allow the Head of Finance to attend to his Executive and SIRO duties. A senior level gap analysis had been undertaken prior to the recruitment of the Finance Manager; further work would be undertaken to identify any other gaps within the finance function once the Finance Manager was in post. ARAC was advised that, where possible, this action would be dealt with before the deadline of Q3.
29. Recognising that progress had been made since the Corporate Governance audit had been completed and that the findings of this audit had reflected a period of time, the ARAC Chair asked GIAA to consider moving the information included in the footnote of the re-issued report into the main body of the Executive Summary. GIAA **agreed** to give this further consideration and advise ARAC of their decision.
- ACTION: GIAA to consider moving the information included in the footnote of the re-issued Corporate Governance Audit report to the main body of the Executive Summary of the report and advise ARAC of their decision.**
30. A detailed discussion took place about the Corporate Governance audit report, the underlying core issues, how things had progressed since the audit had been completed and the value that it added considering that the final audit report had been delayed and that the findings were now out of date and reflected a historic position.
31. Acknowledging that future audit reports would need to be presented in a quicker timescale, GIAA explained that the report reflected the position on Corporate Governance at the time the audit was undertaken. Whilst some of the audit's value and actions may now appear out of date, the report reflected a period of time on which GIAA was due to report. The findings of this audit would inform GIAA's 2020/21 annual opinion at year end.
32. GIAA reported that a limited annual opinion was being provided on the framework of governance, risk management and control for 2020/21. This opinion had been formed at year end based on an assessment of the full year. It had taken into account the improvements that were beginning to take place but also recognised that many of these improvements had yet to come to fruition.
33. The ARAC Chair raised concerns about how stakeholders could be informed of the progress that had been made since the 2020/21 audits had been undertaken. In response, External Audit advised that the Governance Statement in the OLC's Annual Report and Accounts should set out details of the progress that had been made since these audits had been undertaken to ensure that stakeholders understood the up to date position.

34. Considering the internal audit reports received by the OLC in 2020/21 (two of which had received a limited rating, two a moderate rating and one a substantial rating), that the management actions arising from these audits had predominantly been amber or green actions, not red, and that the improvements of the last six months had been reflected in the later reports, members felt that the limited annual opinion may have been too cautious and that a moderate rating may have been more appropriate.
35. In response GIAA confirmed that its limited annual opinion was correct; it had been based on an assessment of the year and reflected the risks set out in the OLC's risk register, some of which were black and red risks.
36. GIAA presented the draft Internal Audit Plan for 2021/22 which included the indicative number of audit days for each of the proposed audits, the timings and an indicative longer-term plan. This plan had been developed in discussion with the CO shortly after joining the organisation.
37. The following comments were made on the draft Internal Audit Plan for 2021/22:
- The number of days allocated to the audits on performance reporting and finance (payroll) were too high.
 - Consider reallocating some of the 2021/22 audit days to audits on the procurement policy, scheme of delegations, GDPR and managing and implementing change.
 - Consider bringing forward the audit on recruitment because recruitment was critical to the success of the business plan.
 - Consider bringing forward the audit on diversity and inclusion to 2021/22.
 - There were errors in Annex 1 of the plan regarding stakeholders that had been consulted and the name of the ARAC Chair.
38. In light of the feedback provided and the changes in risks and priorities since initial discussion with the CO, it was **agreed** that the CO and GIAA would reflect further on the 2021/22 audit plan and GIAA would present an updated plan at a future ARAC meeting.
- ACTION: The CO and GIAA to reflect further on the proposed 2021/22 audit plan in light of the feedback provided and changes in risks and priorities.**
- ACTION: GIAA to present an updated 2021/22 audit plan, correcting errors in Annex 1 at a future ARAC meeting.**
39. Considering the indicative longer-term plan, GIAA confirmed that follow up action on the Corporate Governance audit had been planned for 2021/22 and further audits within the area of governance and risk would be undertaken in each of the following two years.
40. GIAA confirmed that the 2021/22 Internal Audit plan included time for follow up work to be undertaken on 2020/21 audits.
41. ARAC **noted** the memorandum of Understanding between GIAA and the OLC for the provision of audit services, the Internal Audit Charter and the External Quality Assessment of the GIAA, which had been presented for information and assurance.
42. The OLC Chair was interested to understand how GIAA had taken into account the recommendations that had been made following its External Quality Assessment in regard to how it worked with the OLC, particularly in light of the recommendations made about

adding client value. In response GIAA explained that the Quality Assessment work was ongoing across all areas of GIAA's work. Currently there was no specific action plan for how it worked with the OLC; this could be taken forward in future discussions.

43. Following a detailed and robust discussion on the reports presented by GIAA, the OLC Chair reflected on the importance of currency, stating that in order to add value and make the most of the relationship with the OLC, Internal Audit needed to be current, both in terms of reports for 2020/21, the annual audit opinion and the audit plan for 2021/22.
44. ARAC **noted** the update from Internal Audit.

Item 6 – First draft of the Annual Report and Accounts 2020/21

45. The Business Planning Manager reported on the progress that had been made on the 2020/21 Annual Report and Accounts project, stating that significant improvements had been made to the process for producing the Annual Report and Accounts since last year and confirming that the project remained on schedule, in line with the project plan.
46. The main project risk related to the laying of the Annual Report and Accounts in Parliament on 8 July, however this was currently on schedule.
47. Requesting more time to provide detailed comments, Members provided the following initial feedback on the first draft of the 2020/21 Annual Report and Accounts:
- The report appeared to say very little on Equality, Diversity and Inclusion and on environmental credentials, such as the organisation's carbon footprint. It was felt that the final report should set out the OLC's commitment and focus on these areas.
 - Members were content with the structure of the individual committee reports.
 - Noting that the report did not include any information on the impact and outcomes of Internal Audit work, the ARAC Chair advised that this information was provided in the Annual Reports of some other organisations.
 - It was recommended that the sections providing a backward look were reviewed to ensure that the language and narrative were clear and unambiguous to ensure that the right message was conveyed to the reader.
 - There was some concern about the way risk management and strategic risks were being reported. Further clarity was sought on why the strategic risk table had been included and what it was trying to report. It was suggested that it would be more constructive to report against the progress that had been made on risk management and strategic risks instead.
48. The ARAC Chair requested that any further detailed comments on the first draft on draft of the Annual Report were sent directly to the Business Planning Manager and the Executive Team by email.
- ACTION: ARAC to provide any further comments on the first draft on draft of the Annual Report directly to the Business Planning Manager and the Executive Team by email.**
49. ARAC was advised that a member of staff was proof-reading the report and would ensure that it reflected the style guide.

50. Recognising the tight timescales for producing the Annual Report and Accounts, ARAC Members were encouraged by the progress that was being made and stated that they had more confidence in this year's process.
51. ARAC **noted** the update on the progress being made on the 2021/22 Annual Report and Accounts.

Item 7 – Annual Fraud Report

52. The Head of Finance presented the Annual Fraud report, setting out the overall assessment of vulnerability to fraud and the scale of fraud risk; cyber security; the actions taken in response to historic audit opinions on fraud risks and fraud risk management.
53. The Head of Finance reported that he had no knowledge of any attempted or actual fraud.
54. Recognising that there was more to be done to mitigate the risk of fraud, ARAC was advised that the Risk Manager was scoping a Risk and Control Self-Assessment project; this would involve working with the SIRO to develop a Counter Fraud strategy with support from the MoJ Counter Fraud Centre.
55. ARAC **noted** the Annual Fraud Report

Item 8 – External Audit update

56. ARAC was introduced to BDO's External Audit Manager, Tharshiha Vosper, who would be working on the 2020/21 audit of accounts.
57. Auditors reported on the progress being made on the audit of accounts, advising that the audit was progressing as planned and was on schedule to meet deadlines. Audit fieldwork had commenced on 4 May with an early focus on selecting samples and submitting information requests to the Finance Team; this was to allow as much time as possible for information to be collated and responses issued. A draft Annual Report, a spreadsheet set of accounts and working papers had been received, all of which had been supplied by LeO in a timely manner.
58. The Head of Finance confirmed that the Finance Team was gathering samples and providing working papers in response to Auditors requests. .
59. Considering how challenging the audit process had been last year and the additional work that BDO had undertaken, the OLC Chair asked Auditors and the Head of Finance for their feedback on the audit process so far and to comment on LeO's state of readiness compared to last year.
60. Auditors reported there had been a noticeable improvement in LeO's state of readiness for this year's audit. Recognising that it was too early to provide detailed feedback on whether the issues and concerns that had been identified during last year's audit had been fully resolved, Auditors had been pleased to see an improvement in the level of cooperation and effort being made by LeO staff to respond to their queries. Working papers still needed to be checked to ensure that they met audit requirements, but initial observations indicated that everything was heading in the right direction.

61. The Head of Finance reported that every effort had been made to ensure that the Team was better prepared for this year's audit and able to respond to the Auditor's information requests in a timely manner. Working papers had been prepared and supplied to Auditors in readiness for the start of the audit and the Team was well prepared to respond to any further requests received from the Auditors.
62. The ARAC Chair stated that ARAC had confidence that the audit process was going well and that LeO had been well prepared this year. As such, ARAC would be expecting a timely completion of the audit with minimal issues being raised.
63. Further to action 7, paragraph 44 arising from the March 2021 meeting, ARAC Members formally **confirmed** that they had no knowledge of any actual, alleged or suspected fraud or any other areas of concern after year end.
64. ARAC **noted** the update from External Audit

Item 9 – Information Rights and Security Incidents

65. The Head of IT and Information Governance reported that information rights and security incidents remained stable, there were no emerging trends or threats and the Executive had confidence in the current measures and controls that were in place.
66. In response to a query raised by the ARAC Chair, the Head of IT and Information Governance **agreed** to clarify the position regarding the number of Subject Access Requests received for Q3 and whether there had been an increase or decrease when compared to the previous quarter.

ACTION: The Head of IT and Information Governance to clarify the position regarding the number of Subject Access Requests received for Q3 and whether there had been an increase or decrease when compared to the previous quarter.

67. ARAC **noted** the report on Information Rights and Security Incidents.

Item 10 – Attestations and Single Tenders Report

68. ARAC **noted** the Attestations and Single Tenders report covering the period March and April 2021.

Item 11 - Any other Business

69. ARAC wished Chris Davis well for his new role and thanked him to his support and thoughtful challenge over the last few years.