

<b>Meeting</b>	OLC Board Meeting	<b>Agenda Item No.</b>	5
		<b>Paper No.</b>	140.3
<b>Date of meeting</b>	24 July 2025	<b>Time required</b>	10 Minutes

<b>Title</b>	ARAC Update
<b>Sponsor</b>	Harindra Punchihewa, ARAC Chair
<b>Status</b>	OFFICIAL
<b>To be communicated to:</b>	Members and those in attendance

Executive summary	
<p>The paper provides the OLC Board with the key points, assurances, and escalations from the May ARAC meeting and the final update on the 2024/25 Annual Report &amp; Accounts from the June 2025 meeting. ARAC received assurance in several areas, including risk, audit, and governance. The Assurance Map underwent an annual review, and both internal and external audit updates were presented.</p> <p>For completeness, the minutes of the May ARAC meeting are included in the July Board meeting pack.</p>	
Recommendation / action required	
Board is asked to <b>note</b> the report.	
Equality Diversity and Inclusion	
<b>EDI implications</b>	<b>Yes</b>
In keeping with the Legal Ombudsman's commitment to inclusivity, this paper will be published on LeO's website.	
Freedom of Information Act 2000 (Fol)	
<b>Paragraph reference</b>	<b>Fol exemption and summary</b>
N/A	N/A

# ARAC Update

## 1. Summary of 19 May 2025 meeting

### External Audit

An update on the external audit of the 2024/25 financial statements was provided. The audit was progressing well and remained on schedule. Two significant risks were identified to frame the audit scope: the presumed risk of management override of controls and the valuation of lease liabilities. Materiality was set at 2% of gross expenditure, with an error threshold of £7,000. The ARAC Chair emphasised the importance of early notification of any issues that might delay the Annual Report and Accounts.

### Annual Report and Accounts

The committee received a progress update on the 2024/25 Annual Report and Accounts. The report was on track, with improvements made in communication and reconciliation processes. A draft had been submitted to auditors, and feedback was being addressed.

### Risk Assurance Review

A risk assurance report was presented, highlighting the status of strategic and business unit risks at the end of Q4 2024/25. Strategic risks such as demand volatility and leadership resilience had increased in score. Six business unit risks were out of tolerance but were being actively managed.

ARAC had noted the Executive's proposed 2025/26 strategic risks and issues, noting that: there had been no new strategic risks and issues identified. A potential new strategic risk related to operational transformation was under consideration, pending the impact of LEAN review and AI implementation.

### Annual Assurance Map

The annual review of the risk assurance map was discussed, which had been undertaken in line with the three lines of defence model. Enhancements had been made to align assurance ratings with internal audit methodology. Improvements were noted in HR and EDI assurance levels. The committee requested further assurance on key person risks and policy compliance, to be discussed at the July Board workshop.

## **Internal Audit**

The internal audit update confirmed completion of the 2024/25 plan. 3 out of 5 audits received moderate opinions, with the remaining 2 receiving substantial audit opinions. GIAA audit fee increased by 30% due to the end of Treasury funding - this prompted a reduced 2025/26 audit plan which was agreed by ARAC members and assurance was received that any further increases are to be considered as part of the annual budget plan process. ARAC approved the revised plan and welcomed GIAA's new approach to tracking audit opinion trends over time.

## **Financial Governance**

Operational and capital expenditures were being managed by the Executive with a number of movements in budget early in the year, including some under recruitment of investigators in May, offset by some significant items of unplanned expenditure in senior recruitment costs. ARAC were advised that the civil service pay remit remained a key external factor that may have a bearing on the OLC's 2025/26 budget. It was anticipated that an announcement on the pay remit would be made in June.

93% of invoices paid within the agreed terms, which is an improvement of 6% from last year.

Financial controls had been implemented to mitigate the risk of fraud or accounting errors.

## **Other items of assurance**

A lessons learned paper on the 2025/26 budget and business planning process was presented. The process was described as collaborative and well-managed, with improvements planned for 2026/27, including earlier drafting and enhanced communication on demand challenges. The Executive and Legal Service Board (LSB) continue to engage to identify a more succinct way for LeO /OLC to respond to the LSB's Budget Acceptance Criteria Improvements planned for 2026/27, including earlier drafting and better alignment with Autumn Statement. The role of the Performance Sub-Group and the legal sector's role in managing demand were also highlighted for future consideration.

A paper on cyber security benchmarking confirmed LeO's participation in the GovAssure scheme. This would assess resilience against national infrastructure standards. No immediate changes were required in light of recent cyberattacks on commercial companies which were currently being widely reported in the media, but LeOs vigilance (including regular testing and simulations) would be maintained.

## **Escalation to the Board**

Two issues are to be escalated to the Board: the strategic issue of demand volatility increasing significantly over the quarter; and the potential inclusion of a new risk related to operational transformation and the risk of strain this will place on operational delivery. These will both be raised for discussion at the July risk workshop.

## **2. Summary of 18 June 2025 meeting**

### **Internal audit**

GIAA reported on the commencement of the first audit engagement (IT operational delivery) of the 2025/26 internal audit plan, the upcoming audit of casework quality, and updates on cross-government insights work. The 2025/26 internal audit plan and related documents were included in the June ARAC meeting pack.

GIAA presented its annual audit opinion for 2024/25, noting a moderate audit opinion with a small decline in the direction of travel due to ratings on individual audits compared to 2023/24. GIAA's use of a "direction of travel" indicator was explained as a contextual enhancement. Some debate and questioning ensued on the annual opinion. ARAC questioned the weighting of audits in coming to an annual audit opinion. ARAC recommended clearer explanation in future reports on how multi-year audit outcomes influence the annual opinion.

### **External Audit**

External auditors presented the audit completion report on the 2024/25 financial statements, noting that the audit was almost complete with no material issues expected. They anticipated recommending an unqualified audit opinion.

Auditors reviewed the progress on implementing recommendations from the 2023/24 audit and were satisfied with the effective controls and resolutions. No evidence of fraud or material misstatements found.

A final review pending receipt of the designed Annual Report and Accounts would be conducted.

ARAC acknowledged the smooth audit process and thanked all involved.

### **Annual Report and Accounts 2024/25**

The Chief Ombudsman reported that the 2024/25 Annual Report and Accounts were a true and accurate account of OLC/LeO performance, including the financial

statements. The report was delayed slightly due to errors by external designers, but the final version was expected by 20 June for submission the C&AG by 23 June and laying in Parliament on 3 July. ARAC members confirmed they were content to recommend the 2024/25 Annual Report and Accounts for sign-off to the OLC Board. A lessons learned exercise on the Annual Report and Accounts process would be conducted.

## **Escalations**

No items for escalation to the Board.