

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

**Thursday 21 January 2016**

**10:30am – 12:45 pm**

**Legal Ombudsman, Birmingham**

**Present:**

Michael Kaltz, Chair  
Tony King, member  
Professor Philip Plowden, member (via Skype)

**In attendance:**

Elizabeth Gibby, MoJ (representing Catherine Lee, OLC Accounting Officer)  
Nick Hawkins, Chief Executive  
Kathryn Stone, Chief Legal Ombudsman  
Paul Partridge, Head of Finance  
Freda Sharkey, General Counsel  
Emma Cartwright, Finance Manager  
Caroline Mendes da Costa, NAO  
David Eagles, Partner, BDO  
Jody Etherington, BDO  
Chris Davis, Audit Manager, Internal Audit and Assurance, MoJ  
Nikki Greenway, Head of IT (items 5 and 6 only)

**Apologies:**

Neil Buckley, CEO, Legal Services Board (Observer)

**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 are 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 for absence had been received from the Neil Buckley, CEO, Legal Services Board.

**Item 2 – Minutes of previous meeting:**

2. The minutes of the meeting of 20 October 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that Kathryn Stone, Chief Ombudsman, requested that the paper regarding the introduction of an e-mail ‘handshake’ be withdrawn. It was agreed that Kathryn Stone would redraft and reissue the paper.

**ACTION:**

**The paper regarding the introduction of an e-mail ‘handshake’ was withdrawn from the meeting. Kathryn Stone, Chief Ombudsman, would redraft and reissue the paper.**

5. Discussion took place on the financial transaction limits and the status of the OLC as a statutory body. Elizabeth Gibby confirmed that the OLC were able to sign contracts up to the value of £5,000 but that anything above this value needed prior approval from the MoJ.
6. Paul Partridge confirmed that the LSB would continue to approve the OLC budget as required by the Legal Services Act, subject to delegations from the MoJ regarding the budget to cover DEL and capital expenditure. It was noted that the Lord Chancellor approves the levy which had a direct link to the budget value. The sequencing of the two were not in alignment. Elizabeth Gibby confirmed that the Lord Chancellor had not yet approved the levy for the new financial year.
7. Discussion took place on the OLC’s risk strategy. The Chief Executive confirmed that the organisation’s risk appetite had not yet been reviewed as the focus remained on embedding the new style risk register. He reported that he and the Finance Manager were meeting with the management team individually to review their risks.
8. It was noted that the draft guidance note for financial crimes had been circulated to the management team. It would sit alongside the guidance on money laundering to enable staff to deal with any issues. The ARAC Chair requested that the latest draft financial crimes guidance note be circulated to ARAC members

outside committee as it was too important to wait until the April ARAC meeting for review.

**ACTION:**

**The General Counsel to circulate the updated financial crimes guidance note to ARAC members outside committee.**

**Item 4 – Data Handling Incident Report**

9. Kathryn Stone requested that the paper be withdrawn from the meeting as she would like to reframe the paper to acknowledge the serious nature of the data incidents. The updated paper would be reissued to ARAC members out of committee.

**ACTION:**

**Kathryn Stone to reissue an updated paper to ARAC members out of committee which acknowledged the serious nature of the data incidents.**

10. The ARAC Chair reported that he could not understand the scoring in the report tabled. He reiterated that the Committee was increasingly concerned at the high level of data handling incidents.

**Item 5 – IT Reprourement Update**

11. Discussion took place on the IT case management system managed service tender. The ITT had been issued via G-Cloud. Paul Partridge reported that all bidders had met the minimum quality thresholds. It was noted that the incumbent supplier had decided not to bid but were working closely with the Head of IT to ensure a smooth handover and had appointed a transition manager to manage the process.
12. Members noted the composition of the assessment panel and were comfortable that it comprised the necessary breadth.
13. The interim Director of Corporate Services reported that approval had been obtained from the MoJ for the procurement process. Once the process was complete, a recommendations report would be submitted to the MoJ seeking approval to contract.

**Item 6 – Corporate Risk Register**

14. The ARAC Chair reported that there would be cyclical review of the risk register with this meeting focussing on the IT risks. ARAC members requested that the corporate risk register include version control.

**ACTION:**

**The interim Director of Corporate Services to include version control on the corporate risk register.**

15. Members noted that risk managers reviewed their risks at monthly meetings with the Finance Manager. The Chief Executive would then conduct a quarterly review of all risks.
16. Discussion took place on the IT risks highlighted in the corporate risk register. Members noted that the absence of a capital budget prevented the team from implementing a replacement programme for IT hardware. It was noted that Financial Approvals was a standing item on the ARAC agenda.
17. Members noted that all laptops and desktops had encryption software as standard. The Chief Executive reiterated that all staff have to lock their machines when leaving their work stations and that machines were either locked away overnight in pedestals or locked to desks with appropriate security cables.
18. Discussion took place on the risk concerning the loss of telephony systems (both hardware and connectivity). It was noted that the current support contract expired at the end of 2016 and would need to be reprocurd. The Chief Executive reported that a failover was in place which had been successfully tested. Members noted that the plan was ultimately to place both the platform and telephony contracts with one supplier who could provide a unifiable cloud based solution.
19. Discussion took place on the data centre infrastructure. It was noted that once the planned migration had taken place (planned for 2016/17) a full disaster recovery test would be conducted. It was agreed that the Head of IT would include a reference in the risk register to the recovery of the backup and restoration to normal service.

**ACTION:**

**The Head of IT to include a reference in the risk register to the recovery of the backup and restoration to normal service.**

20. Members noted that the current system resilience, whilst good since December, did not provide the executive sufficient assurance for the risk to be downgraded.
21. Discussion took place on the impact of a loss of the legacy Workpro system. Members noted that the impact would be mainly on the work of the General Counsel and her Compliance team.
22. Discussion took place on the update of the case management system. It was noted that the upgrade to CRM 2015 had taken place with only minor issues. A further upgrade to version 2016 would be needed and work was continuing with the supplier to best manage this and future upgrades.

23. The Finance Manager reported that a new risk had been identified around the transition to a new IT case management system managed service supplier. The Finance Manager and Head of IT would meet to review and score the risk.
24. The ARAC Chair queried whether Members were confident with the range of risks and ratings. Tony King agreed that the session provided a helpful description of the current situation. Discussion took place on whether to introduce an 'archive' and 'watchlist' section to the corporate risk register.
25. The ARAC Chair requested that committee members inform him of any themes to be covered at the next ARAC meeting in April. He stated that this would be something he believed the internal and external auditors may have a view on.

**ACTION:**

**Committee Members to inform the ARAC Chair of any risk themes for discussion at the April ARAC meeting.**

26. It was agreed that the Finance Manager would highlight any major movements in the summary sheet.

**ACTION:**

**The Head of Finance to highlight any major movements in the risk register summary sheet.**

27. The ARAC Chair thanked management team colleagues for their work on revising and updating the corporate risk register.

**Item 7 – Policies for Review: Whistleblowing Policy**

28. Discussion took place on the redrafted Whistleblowing Policy. The ARAC Chair reminded Members that approval of this policy had been delegated to ARAC.
29. Caroline Mendes da Costa commented that she thought the redrafted policy was a user friendly, open and encouraging policy.
30. It was agreed that the revised Whistleblowing policy was approved with minor changes to the formatting, numbering and Board contact details.

**ACTION:**

**The General Counsel to finalise the Whistleblowing Policy with the minor amendments discussed.**

**Item 8 – Internal Audit Reports**

31. It was noted that once all the management team members were in post, that the Chief Executive would move forwards with the business continuity exercise.
32. The ARAC Chair reported that he, Tony King and the Chief Executive had met with the internal auditors to discuss their audit plan for 16/17. At this meeting it had been agreed the 2016/17 internal audit focus would be on governance and financial audits. This would now enable the internal audit team to work with the management team to formulate the audit needs assessment. Members agreed that the draft audit needs assessment plan would be approved between committee meetings with formal approval to be sought at the next ARAC meeting in April.

**ACTION:**

**The draft audit needs assessment plan would be circulated between meetings for members' comment.**

**The final audit needs assessment report would be presented to the April ARAC meeting for approval.**

33. Chris Davis, IAA Audit Manager confirmed there would be an audit of IT security and business continuity which would focus on the IT aspects of disaster recovery and the links into the business continuity plans. This would feed into the risks discussed earlier in the meeting under 'Risk Register'. This audit would take place in February with reports due before the end of the financial year to support the audit opinion.
34. It was noted that from April, the ARAC members would hold quarterly meetings with the internal auditors.

**ACTION:**

**The Board Secretary to schedule quarterly meetings between ARAC members and the internal auditors from April 2016.**

35. Discussion took place on the policy review internal audit. The Chief Executive reported that whilst he noted all the points raised in the audit that the organisation was under resourced in the governance area.

**Item 9 – External Audit Report**

36. Discussion took place on the audit completion report. Jody Etherington, BDO, reported that this was the final audit completion report in respect of the 2014/15 financial statements.
37. Members noted that there were minor recommendations. Jody Etherington confirmed that management response had been received on the areas highlighted which he noted, were not material. Caroline Mendes da Costa

reported that where recommendations were made, the area would remain under review the following year. Jody Etherington confirmed that BDO had identified no evidence of material misstatement in respect of revenue or of fraud or management bias in revenue recognition.

38. It was noted that the Finance Manager had spent considerable time in improving the year end closedown processes. It was also noted that the Finance team were conducting a review of the fixed asset register before the end of the financial year.
39. Discussion took place on the number of unadjusted items in the report. Members and executive accepted that no further adjustments would be made as the net effect of the under- and over- stated items was not material. The Finance Manager posited that there would be significantly fewer unadjusted items next year.
40. Members agreed to recommend the accounts for signature.

#### **Item 10 – Financial Approvals**

41. The ARAC Chair reported that Financial Approvals would be a standing agenda item going forward.

#### **ACTION:**

**The Board Secretary to note that ‘Financial Approvals’ would be a standing ARAC agenda item.**

42. The Chief Executive reported that MoJ approval had been received for the recruitment of a number of ‘front-line’ posts. The resulting recruitment campaign had generated a significant number of applications. He reported that approval had also been received for the recruitment of an ombudsman ‘pool’ to deal with peaks in work.

#### **Item 11 – Annual Report Update**

43. The interim Director of Corporate Services reported that the timetable was on track for the OLC Accounting Officer to sign the 2014/15 Annual Report and Accounts. Once signed, they would be sent to the NAO for the Comptroller and Auditor General to sign, with the aim being for a Minister to formally lay the accounts in Parliament on 28 Jan 2016.
44. It was noted that following the accounts being laid, there could potentially be a number of Freedom of Information requests.
45. Discussion took place on the accounts for 2015/16. The aim was for these to be finalised by September 2016. Caroline Mendes da Costa said that it was likely that the accounts for 2015/16 would also be qualified.

## **Item 12 – Governance Review Update**

- 46.** The Chief Executive reported that the report had been jointly commissioned with the MoJ. The final report had been received at the end of December. The report listed a number of recommendations either for the OLC or MoJ. The OLC had formally accepted all the recommendations and had delegated supervision of the action plan to the OLC Chair, Chairs of ARAC and RemCo and the Chief Executive. It was noted that the Chief Executive was providing weekly updates to this sub-group.
- 47.** The Chief Executive reported that his key focus was on the action to produce a tripartite document which would set out the working relationship between the MoJ/Legal Services Board and OLC. Members noted that work had started on producing this with the aim to complete it by the end of March. He reiterated that this tripartite document would not replace the framework document but would sit in parallel.
- 48.** Members noted that regular three way meetings would be scheduled to ensure the organisations were more joined up.

### **Next meeting**

- 49.** The date for the next ARAC meeting would be Tues 19 April in London.

Helen White  
Board Secretary