

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

**Tuesday 21 April 2015**

**09.30am – 11.00am**

**Legal Ombudsman, Birmingham**

**Present:**

Karen Silcock, Chair  
Professor Philip Plowden, member  
Tony King, member designate

**In attendance:**

Dame Ursula Brennan, Principal Accounting Officer, MoJ & OLC Accounting Officer  
Nick Donlevy, Deputy Director, Finance Strategy and Planning, MoJ  
Chris Davis, Group Chief Internal Auditor, MoJ  
Ian Brack, Interim Chief Executive  
Freda Sharkey, General Counsel  
Paul Partridge, Head of Finance  
Andy Sayers, KPMG  
Shareen Jilka, KPMG  
Robert Grant, BDO (representing NAO)

**Apologies:**

Michael Kaltz, member designate  
Sajid Rafiq, NAO

**Observing:**

Julie Myers, Corporate Director, Legal Services Board

**Board Secretary:**

Helen White

**Apologies:**

None

**Preliminary issues:**

The Chair noted that the OLC Board meeting would be held immediately after the ARAC meeting. New Board members would be formally appointed to the Committees at that meeting. This meant the ARAC was technically not quorate as Mr King was still only a member-designate. It was agreed that if there were any formal items which needed to be endorsed after the meeting, this would be done in the Board meeting.

No conflicts of interest were declared.

**Item 1 – Welcome and apologies:**

1. The Chair welcomed and thanked those in attendance. The Chair noted apologies had been received from Michael Kaltz and Sajid Rafiq.

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

2. The minutes of the meeting of 19 January 2015 were approved for publication.

**ACTION:**

**The Board Secretary to publish the minutes of the ARAC meeting held on 19 January 2015.**

**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 policy review would now be under the control of the interim Chief Executive so actions relating to this would now be assigned to the interim Chief Executive. The Chair stressed the importance of moving the project forward to completion.
5. The Chair reported that the terms for the review of financial controls and governance were under negotiation with the MoJ. Once agreed this would move forward to tender. The AO stated that the progress of this review would be critical for the finalisation of the Annual Report and Accounts for 2014/15.
6. The Chair reported that there issues remained with the regularisation of the staff benefits scheme. She reassured members that work was ongoing to finalise this in consultation with the MoJ.
7. The Chair reported that the Whistleblowing policy had been circulated to RemCo and would now be reviewed by the ARAC Chair then submitted for approval by the OLC.

**ACTION:**

**The General Counsel to forward the revised Whistleblowing policy to the ARAC Chair for review and submission to the OLC Board for approval.**

8. The Chair agreed that the review of governance and strategic risks within the Corporate Risk Register would be deferred until all the OLC members were present.

**ACTION:**

**The Board Secretary to schedule a review at a future ARAC meeting of the governance and strategic risks within the Corporate Risk Register.**

9. The General Counsel reported that she had been delayed in finalising the Financial Crime Policies. This would now be moved forward for review by ARAC.

**ACTION:**

**The General Counsel to finalise the Financial Crime Policies for review by ARAC.**

**Item 4 – Corporate Risk Register Review**

10. The ARAC Chair stated that for the benefit of new members, she proposed convening an additional meeting with the new Board members before the next scheduled ARAC meeting to discuss the corporate risk register. This would enable a more detailed discussion of key items, and also assist new members in familiarising themselves with the documentation. The output of this meeting would be fed back to the full ARAC meeting on 22 July.

**ACTION:**

**The Board Secretary to schedule a meeting with the Chair, new Board members and Executive to discuss the corporate risk register.**

11. The ARAC Chair requested that staff share with the MoJ feedback on the working of delegations and contact with the MoJ, following the recent procurement and other contacts, in order to ensure lessons learnt are utilised to further improve practice in this important area.
12. Discussion took place on the regulation and governance between the MoJ and OLC. The Accounting Officer encouraged colleagues to discuss the issues. It was agreed that Nick Donlevy would discuss this further with colleagues from the MoJ.

**ACTION:**

**Nick Donlevy to discuss the issues raised about the regulation and governance between the MoJ and OLC with Elizabeth Gibby.**

13. The current and planned procurement activity was discussed, which relates principally to IT and communications systems. The ARAC Chair requested that

staff prioritise the actions required to ensure the three business critical contract renewals are re-procured and transitioned in an orderly manner.

**ACTION:**

**The Head of Finance to present the action plan and progress on the three business-critical contract renewals to the next ARAC meeting.**

14. The ARAC Chair reminded the Head of Finance that, as part of the reprocurement of the IT system, an assessment was needed by a Government IT specialist to provide an opinion on the proposals to ensure the proposed architecture met government specifications for disaster recovery at the information classification level relevant to the OLC.

**ACTION:**

**The Head of Finance to ensure that as part of the reprocurement of the IT system, an assessment was needed by an MoJ IT specialist to provide an opinion on whether the proposals meet government requirements for disaster recovery.**

15. Discussion was held on the People risks and the uncertainty faced by staff by the issues raised by the regularisation of the staff benefits scheme. The AO stated that the replacement of these schemes was important not only to address staff morale, but also to enforce regularity. The ARAC Chair stated that as a people based business, the regularisation of these schemes was critical and whilst the issue of regularity was firmly in the mind of the Board, undertaking this transition in a way that avoided disruption to the business was vital if our mission was to continue to be delivered.
16. Discussion took place on the staff morale issues. The ARAC Chair noted that the staff benefits issue combined with the new case management system, telephony issues and office move had all placed pressure on staff and affected staff morale. She reiterated that it was important to acknowledge the pressure recently, and currently, faced by staff. The interim Chief Executive reported that in his report to the OLC Board he highlighted the focus on staff communication and morale and acknowledged the cumulative impact the issues had had on staff morale.

**Item 5 – Data Handling Incident Report**

17. The General Counsel updated members on the quarterly data handling incident report. She reported that the majority of the incidents had arisen from the recent office move. The General Counsel reported that although the organisation's contact letters encourage third parties not to send paper material, large files are often received. A review had taken place of the Evidence Handling Act and systems implemented to ensure the safe logging, storage and destruction of paper files.

## **Item 6 – Freedom of Information Act Compliance Report**

18. The General Counsel updated members on the requests for information received during the year by the organisation under the provisions of the Data Protection Act 1998 and Freedom of Information Act 2000.
19. Prof Plowden requested that this be brought back to ARAC in a year's time to include cumulative data.

### **ACTION:**

**The General Counsel to present the Freedom of Information Act Compliance Report to the April 2016 ARAC. This would include cumulative data.**

## **Item 7 – Internal Audit Aggregated Report**

20. The Head of Finance presented the internal audit aggregated report. He reported that business continuity was one of the areas which needed focus, as had been discussed earlier in the meeting in connection with the critical contracts procurement. A review was undertaken in May 2014 with a follow up in January 2015. KPMG would provide an update on this audit later in the meeting, and an action had already been noted to complete outstanding items which were not dependent on the critical contract procurements.
21. He reported that two reviews were currently in progress; one on the Quality Framework and the other on Corporate Governance and Risk which was being undertaken with the Policy and Communications team.
22. Discussion took place on the IT Disaster Recovery and Business Continuity audit report. The ARAC Chair requested that the Head of Finance document actions which could be taken in the short term as well as those which could only be taken after the replacement of the infrastructure.
23. The Chair of ARAC noted that the Disaster Recovery plan had successfully been invoked as part of the office move when third party suppliers failed to provide the contracted for telephony services in full and on-time.
24. Discussion took place on the outstanding issue regarding pre-signed cheques. The ARAC Chair raised concern about the current situation which had been raised with MoJ contacts before without result, and she felt this presented a continuing risk to the organisation. It was agreed that Nick Donlevy would look for an alternative approach which may already exist in other organisations.

## **Item 8 – Internal Audit Report**

25. The ARAC Chair reported that KPMG would be attending the July ARAC to present the two audit reports they were completing.
26. Andy Sayers presented two documents; the Audit Completion Progress Report and 2014-15 Internal Audit Report on Disaster Recovery and Business Continuity. The latter had been finalised since the last meeting. He reported that three of the five audit plans had been finalised with the last two now being progressed.
27. Discussion took place on the Internal Audit on Disaster Recovery and Business Continuity. Andy Sayers reported that a desktop review had taken place of the plans to ensure they were robust and fit for purpose. This was evidenced when the Business Continuity plan had been successfully invoked. Whilst this gave practical experience, a disaster recovery test would still be required.
28. Discussion took place on training. The ARAC Chair acknowledged that the integration of relevant training into another training package would offer a good way forward.
29. The ARAC Chair requested that the Head of Finance capture both previous and current findings from the internal audit report. These items would need to be captured in two phases and would need to feed through to the IT and Communications teams to ensure it fully integrated into their plans.

**ACTION:**

**The Head of Finance to capture previous and current findings from the internal audit report and would ensure these fed through to the IT and Communications teams.**

30. It was agreed that following the recent fire which affected the LSB, the LSB and OLC would share lessons learned around staff and key stakeholder communications. The ARAC Chair reported that she would be happy to discuss some of the methodologies used in previous organisations. She reiterated the need for a comprehensive disaster communications plan which did not rely solely on normal IT services which may not be available.

**ACTION:**

**The interim Chief Executive to work with Julie Myers from the LSB to share lessons learned on staff and key stakeholder communications.**

**The ARAC Chair to discuss with staff methodologies used in previous organisations relating to staff communications.**

**Item 9 – 2015-16 Internal Audit Plan**

31. Chris Davis, the MoJ Internal Auditor, presented the 2015-16 Internal Audit Plan and outlined the process undertaken to formulate the plan. He reported that a complete audit needs assessment would be undertaken and presented to a future

ARAC meeting. He stipulated that any work undertaken as part of the wider governance review would be additional to this plan. The terms of reference for the first quarter's audit schedule would be completed shortly with field work taking place in June (subject to the KPMG schedule).

32. The ARAC Chair stressed the importance of the MoJ internal audit team undertaking a full assessment of the governance review project assurance, and welcomed their plan of undertaking a complete audit needs assessment.

#### **Item 10 – External Audit Update**

33. Robert Grant presented the External Audit Update on behalf of the NAO and explained that BDO would be undertaking the detailed feedback and would then report back to the NAO.
34. Discussion took place on the risks and timescales for the work. The ARAC Chair reported that it was really important to be clear on the split of costs and income between the two jurisdictions, and to be mindful of the regularity and governance surrounding the framework agreements with the LSB and MoJ.
35. The AO stated that the wider review of governance needed to be undertaken to ensure that any findings were included in the external audit report.
36. Discussion took place on the timetable for laying the 2014/15 accounts and the external auditor confirmed that the timetable would be achievable.
37. It was agreed that to prepare for the laying of the 2015/16 accounts, a meeting would be held to include the ARAC Chair, AO, interim Chief Executive and Head of Finance with the NAO.

#### **ACTION:**

**The Board Secretary to schedule a meeting between the ARAC Chair, AO, interim Chief Executive and Head of Finance with the NAO.**

#### **Item 11 – Business Critical Project Report**

38. The interim Chief Executive updated members on progress and issues on a number of business critical projects.
39. It was confirmed that the interim Chief Executive would take oversight of the policy review project. Prof Plowden echoed the concern of the ARAC Chair concerning the length of time taken to undertake this work which remained behind schedule. It was agreed the interim Chief Executive needed to consider whether resourcing issues were revealed by how the project has been run to date.

40. Members agreed with the proposed governance arrangements. They also agreed that the individual policies would be reviewed by the committees (although this review could be done via e-mail outside of the normal committee meeting cycle). The ARAC Chair reminded staff that a clear schedule had been provided by herself and the former Chair of RemCo, and agreed with the OLC, as to which policies would go to which committee for approval, and which required approval by the OLC Board. Approval must be conducted in accordance with this schedule.

**ACTION:**

**The interim Chief Executive to incorporate this schedule into the plans for approval, and liaise with Committee Chairs, and the Chair over logistics and timetable.**

41. The interim Chief Executive reported that the move was conducted in an orderly manner. The associated business interruption was related to telephony problems caused by a third party. This highlighted the critical lesson regarding milestone confirmations with sub-contractors.
42. The telephony issues had proved to be extremely challenging for the organisation with the Business Continuity plan being successfully invoked. The learning points from this would be taken into consideration when the IT migration takes place. The telephony problems meant the quality of some telephone calls was poor and actions were successfully put in place to mitigate the impact on consumers.
43. Discussion was held on hot desking at the new premises, which had been introduced with a headcount figure of 1.3 per desk. Initial feedback indicated that this was not intensive for staff.
44. The interim Chief Executive reported that the dilapidations work at the previous premises had been completed with vacant possession being handed back to the landlord. The ARAC Chair commended staff on their achievement in the office move, which had delivered on its cost saving objectives and delivered a good quality new environment for staff, and except for the telephony issues had gone smoothly.
45. He updated members on the introduction of the new case management system. Issues had arisen regarding the system which, alongside wider IT problems experienced by the OLC, had impacted on staff acceptance and support for the CMS. There were significant lessons to learn from the implementation of this system. It had experienced the usual issues which face new systems on implementation but additionally, the design of the new system was very different to that of its predecessor so it was very unfamiliar to staff. Additional resource had therefore been needed to support staff training needs – the level provided at implementation was not adequate but this had since been (and would continue to be) addressed.

- 46.** Discussion took place on the IT migration. The Head of Finance reported that the business case had been approved by the MoJ with migration activities mapped and partners identified. The procurement exercise would be due to commence shortly. He reported that an interim Procurement Manager with extensive government experience had been contracted to assist with this exercise

**Next meeting**

- 47.** The next ARAC meeting will be held on Wed 22 July in Birmingham.

Helen White  
Board Secretary