

**Minutes of the thirty-sixth meeting of the  
Office for Legal Complaints Audit and Risk Committee  
Wednesday 28 February 2018  
10.00 am – 13:00 pm  
National Audit Office, London**

**Present:**

Michael Kaltz, Chair

Rebecca Hilsenrath

Bernard Herdan

**In Attendance:**

Rob Powell, CEO

Emma Cartwright, Head of Finance, *by telephone*

David Eagles, Partner, BDO, *by telephone*

Ali Morgan, NAO

Marc Rainforth, GIAA, Internal Audit

Alison Wedge, Deputy Director, ALB Governance, MoJ (Observer)

Neil Buckley, CEO, Legal Services Board (Observer)

**Apologies:**

Steven Corbishley, NAO

Rebecca Marsh, Chief Ombudsman

Archie Rwavazhinji, Assistant Manager, BDO

**Board Secretary:**

Kay Kershaw

**Preliminary issues:**

The meeting was quorate.

**Item 1 – Welcome and apologies.**

1. The Chair welcomed those in attendance and explained that Bernard Herdan had joined ARAC on an interim basis to ensure the quoracy of meetings until the new Committee member takes up their post.
2. Introductions took place. Apologies were noted. There were no declarations of interest reported.

**Item 2 – Minutes of the previous meeting, matters arising and outstanding actions.**

3. The minutes of the previous meeting, which had been approved for accuracy and publication at the OLC Board meeting on 29 January, were noted by the Committee.
4. There no matters arising.
5. The Head of Finance reported that 3% of cases dealt with by LeO go through formal debt recovery via Money Collection on Line (MCOL).
6. The Committee noted the updates on the previous actions.

**Item 3 – Risk strategy.**

7. The CEO presented a paper highlighting proposed amendments to the risk and opportunities strategy. The amendments included the removal of references to the role of Director of Corporate Services and the addition of the role of Corporate Planning and Programmes Manager, the removal of references to 'functional' risks, applied consistent use of references to 'operational' and 'programme' risk and the inclusion of a reference to the annual review of the strategy by ARAC.
8. The CEO agreed to circulate a revised organogram to Alison Wedge and OLC members.

**Action: CEO to circulate a revised organogram to Alison Wedge and OLC members.**

9. Alison Wedge suggested that CEO should consider including the business assurance meetings with the MoJ and the impact analysis surveys to the table on page 12 of the strategy document.

**Action: CEO to consider including the business assurance meetings with the MoJ and the impact analysis surveys to the table on page 12 of the strategy document.**

10. In response to a query from the Chair, the CEO reported that within this strategy, the Head of Finance had responsibility for the management of risks around fraud and finance and head of function.
11. The CEO reported that the risks and opportunities strategy would be co-ordinated by the newly created Portfolio Management Office (PMO), led by the Corporate Planning and Programmes Manager, who would be supported by a Project Support Officer.
12. The Board Secretary and two Executive Assistants would be aligned to the PMO in order to ensure the delivery of cross-cutting work.
13. Committee members commented that it was a sensible approach to frame this work within the PMO.
14. CEO advised that in time, and budget permitting, he hoped to second staff from the MoJ's Centre of Excellence to work within the PMO.
15. The committee approved the amendments proposed to the risks and opportunities strategy.

16. A discussion took place about the annual risk appetite workshop taking place at the March Board meeting. In light of its importance, further discussions on risk appetite may be required at the April Board meeting.

**Item 4 – Strategic risk register.**

17. A paper summarising the position on strategic risk was circulated prior to the meeting. This paper included an in-depth review of the strategic risk around governance and financial controls

18. The Committee noted that eight of the twelve risks were stable relative to the position at the end of quarter two. The credibility risk had increased due to concerns about performance, cases awaiting allocation and service complaints. The risks around IT, data security and governance and financial controls had reduced. Five risks were at target and seven were not. All risks were being actively managed.

19. There were two operational risks scoring above 15, both of which related to resilience, turnover and single points of failure.

20. To mitigate risks relating to limited staff resources, Bernard Herdan suggested that the organisation might consider extending the deadlines to deliver some of the work proposed.

21. Neil Buckley asked whether consideration had been given to appointing interim staff resources. It was noted that the appointment of any interim staff resources would require prior MoJ approval.

22. The CEO reported that a new Management Accountant had joined the organisation which mitigated resilience risks in the Finance Team.

23. The CEO reported that an in principle decision had been made to out-source payroll. This would further mitigate the risk around resilience within the Finance Team, and also enable the team to focus on its debt recovery work.

24. Neil Buckley reported that the LSB is to outsource its payroll and offered his assistance to LeO if required.

25. In discussion about the risks around stakeholder engagement, the CEO reported that the business plan sets out the need to develop a stakeholder engagement and communications strategy and delivery plan. Consideration was currently being given to developing the criteria to help focus and prioritise limited resources in this area, and how Level 2 Ombudsmen and Board Members could support stakeholder engagement and the delivery of this aspect of the business plan. Members stressed the importance of the strategy clearly defining 'stakeholders' and effectively segmenting the different stakeholder groups.

26. OLC Members stated that they were keen to have more involvement in stakeholder engagement and felt that by doing so they would ease some of the pressure on tight executive resources and also further improve their understanding of the wide range of issues relating to LeO's business. As an added benefit, they would, therefore, enhance their effectiveness as Board Members. Neil Buckley suggested the strategy should address engagement with regulators' Chairs and CEOs.

27. The CEO informed the Committee about ongoing work on a critical incident protocol which would include information on how OLC Members and regulators would be briefed in the event of a critical incident.
28. Following discussion about the actions arising from the Grant Thornton review, the Committee sought assurance that all actions were up to date. The CEO agreed to arrange an internal review of the actions and issue a note to ARAC to assure them that all the actions were up to date.
29. The Chair requested that this work is completed ahead of the April ARAC meeting.

**Action: CEO to arrange an internal review of the Grant Thornton actions and issue a note to ARAC prior to the April meeting to assure them that all the actions were up to date.**

30. The CEO reported that additional controls had been put in place to enhance work that had taken place this year to improve establishment control. This would be reviewed in the Financial Audit planned for 2018/19.
31. Marc Rainforth and Alison Wedge confirmed that the paper on strategic risks was very clear and they were comfortable with the work that was being undertaken to manage risks at LeO.
32. The Committee noted the strategic risk update.

#### **Item 5 – Assurance Map:**

33. At the ARAC meeting in September, it was agreed that the HR system and process row of the assurance map would be broken down into a number of separate systems and controls.
34. This work was now completed. A paper was circulated setting out how the HR system and process had been broken into four separate areas that reflected the objectives of the workforce plan.
35. The more granular analysis of the HR system and process was welcomed, but the Committee felt the four separate elements were slightly repetitive.
36. The CEO advised that more work was required around leadership and behaviours, before assurance could be judged sufficient. Plans were currently being made to bring in a coach to work with staff to develop leadership values.
37. Neil Buckley advised that the LSB had done some work around leadership values for their Board and suggested that this might be considered for the OLC Board.
38. The Committee noted that the leadership scores arising from the last staff survey were low, but felt that this may reflect the volume of change over the last year.
39. The Committee discussed whether Internal Audit was a third line of defence for people related systems and processes. After some discussion, as well as specific HR audits, the overall internal audit plan should provide assurance and evidence about leadership, people and culture. Marc Rainworth advised that leadership was unlikely to be an appropriate subject for a specific Internal Audit project.

40. The Committee was advised that RemCo would be considering LeO's analysis of the gender pay gap at its meeting in March.
41. The Committee noted that annual review of the assurance map would take place in July 2018. An updated assurance map would be tabled at the ARAC meeting in quarter three.
42. The Committee noted the update on the assurance map and the next steps that were planned in regard to developing the assurance framework.

#### **Item 6 – Data handling incident report.**

43. The CEO presented a paper on the actions undertaken this quarter to reduce the number of data handling incidents together with planned actions and interventions that will be implemented in the short and medium term.
44. The Committee noted that a review of evidence handling was undertaken in quarter two which resulted in updated guidance being issued to staff in quarter three. This was supplemented with a knowledge alert and a training session for operational staff during October and November.
45. Planning and preparation for the introduction of GDPR is ongoing. The implications of changes under GDPR to operational processes and communications have been considered within the Enhance and UniTe modernising LeO work streams. A report on GDPR will be presented to the Committee at its April meeting.
46. It was noted that the changes under GDPR should ensure further improvement in data incident reporting at LeO.
47. As part of Modernising LeO all operational guidance has been reviewed and operational staff will be re-trained on the business process during March. This will further mitigate the risks around data breaches.
48. From April to December 2017 there have been a total of 23 data handling incidents. In quarter three there were twelve preventable data handling incidents reported, one of which was a breach of policy with no loss. Nearly 30% of the incidents in quarter were attributed to issues with external suppliers.
49. A discussion took place around whether staff workloads were a contributing factor to the number of data breach incidents. In response, the CEO explained that action had been taken to reduce case holdings which meant that workloads should not cause errors that result in data breaches.
50. The Committee noted the paper.

#### **Item 7 – Cyber security checklist**

51. Following an action resulting from the cyber security workshop at the last ARAC meeting, the Executive has now undertaken a self-assessment of cyber security using a checklist produced by the National Audit Office.
52. The self-assessment confirmed that most systems and processes were appropriate and identified eight recommendations for improvement.

53. A discussion took place around the recommendations associated with home working and staff using their own devices. The Committee was keen to understand how the organisation was monitoring staff when they were working from home and what measures were in place to ensure that staff didn't download data to their personal devices.
54. The CEO advised that the flexible working policy made clear that working from home was based on delivery and productivity. It was not a 'right' and could be reduced or withdrawn for staff that were not being productive. Line Managers monitored productivity and were empowered to take appropriate action to improve productivity and performance.
55. Only Pool ombudsmen are authorised to use their own device for casework. They have signed assurance statements around the way they use their personal devices when working for LeO.
56. The CEO confirmed that all IT suppliers providing Cloud services have contractual obligations to report data breaches.
57. The recommendations from the self-assessment would be discussed further with the IT Team and addressed through their business plan.
58. It was agreed that the CEO would provide an update on the cyber security checklist to ARAC in six months' time.

**Action: CEO to provide an update on the cyber security checklist to ARAC in six months' time.**

#### **Item 8 – Update on internal audit actions**

59. The CEO presented an update on internal audit actions. It was noted that four of the 51 actions arising from internal audits since January 2016 were not yet fully remediated. Of these, two actions related to the performance audit and two to the audit of the financial control framework. Remediation of all four outstanding actions were dependent on the new case management system which was due to go live in early April 2018.
60. The Committee were advised that the plan to appoint a contractor to deliver the BI project had changed. Subject to MoJ approval, the organisation will now seek to make a permanent appointment of a business intelligence expert to progress this work.
61. The Committee noted the update on internal audit actions.

#### **Item 9 – Internal Audit update**

62. Marc Rainforth presented a paper providing an Internal Audit update.
63. He reported that Internal Audit was on target to meet the 2017/18 plan, subject to the audit of IT Infrastructure Contract Management being moved to the plan for 2018/19. A final report on the progress made would be tabled at the ARAC meeting in April.

64. Marc reported that the format of Internal Audit progress reports would be changing in order to provide better coverage of the work Government Internal Audit Agency had done.
65. The CEO reported that remedial action had taken place to address the second action recommended by Internal Audit in their draft report of Attendance Management. The HR system had been updated to enable Line Managers to record details of conversations with absent staff.
66. Following discussion, Marc Rainforth agreed to amend the report to clarify that the impact of the risk associated with the second key finding related to poor recording increasing the risk to the organisation of taking appropriate action in relation to attendance management.

**Action: Marc Rainforth to amend the attendance management report to clarify the description of the impact of the risk in key finding two.**

67. Marc Rainforth presented the draft Internal Audit plan 2018/19.
68. In discussion Marc Rainforth was asked to note the Committee's request to undertake the audit of Data Management / GDPR towards the end of quarter one.

**Action: Marc Rainforth to note that audit of Data Management / GDPR should be undertaken towards the end of quarter one.**

69. In discussion about the audit of Stakeholder Management, some Committee members advised that they felt that the term 'stakeholder' was vague and there needed to be greater clarity around who LeO's stakeholders were.
70. A suggestion was made to change the title of the audit from Stakeholder Management to 'The Effectiveness of Feedback to the Profession'. The CEO explained that the focus of such an audit would not be sufficiently value-adding at this time, and that an audit of systems and processes for managing stakeholders would be a more appropriate initial audit focus.
71. Marc Rainforth explained that the first part of the audit on Stakeholder Management would involve clearly defining and segmenting stakeholder relationships to ensure greater clarity.
72. The Committee requested that the planned audit on Management Information included factors affecting workloads and the intake of cases.

**Action: Marc Rainforth to ensure that the audit on Management Information included factors affecting workloads and the intake of cases.**

73. Following discussion, the Committee approved the internal audit plan for 2018/19.
74. The Committee noted the progress made on Internal Audit.

#### **Item 10 – External Audit update**

75. Ali Morgan, NAO, presented a paper setting out the proposed financial statement audit approach for the OLC for the year ending March 2018, stating that the audit would be similar to the one undertaken on 2017.
76. The audit of the financial statements was planned in order to respond to the risks of material misstatement of transactions and balances, and irregular transactions.

77. BDO have been contracted by the National Audit Office to undertake this audit. Their fee for the work is [REDACTED] **Fol exempt s.43**
78. The NAO has identified the risk of fraud from management override of controls and the risk of revenue recognition as the risks with the most significant impact on the audit; these risks were not particular to the OLC and were standard audit planning risks driven by international audit standards.
79. Ali Morgan agreed to outline details of the procedures performed around related parties.
- Action: Ali Morgan to outline details of the procedures performed around related parties.**
80. The Committee were asked to consider whether there were any other areas of risk that should be included in the audit, whether the responses to the audit plan were clear and whether fraud assurance was appropriate.
81. The CEO advised that he would repeat the fraud assurance exercise that was undertaken in 2017 and issue a paper to ARAC.
82. The Chair noted that a telephone meeting of ARAC and possibly BDO may be required to review this paper.
83. The Committee noted the proposed approach to the financial statement audit.

#### **Item 11 – Annual report and accounts timetable**

84. Emma Cartwright presented a paper setting out the proposed timetable for the preparation and submission of the 2017/18 annual report and accounts.
85. The Committee noted that the timetable was tight.
86. This year's recess date for Parliament is 24 July. Alison Wedge stressed that the MoJ expected ALBs to lay their Annual Report and Accounts before Parliament goes into recess.
87. It was noted that the table and Gantt chart within the paper were not aligned. The Chair requested that the Gantt chart should be the master document referred to for oversight of the process.
88. The CEO advised that final OLC approval of the Annual Report and Accounts would be sought outside of committee, based on a recommendation from ARAC, and there would be a short turnaround for responses.
89. The Committee approved the timetable for the Annual Report and Accounts.

#### **Item 12 – Policy reviews and update**

90. The CEO reported that the Information and Data Protection Policy, the Access to Information Policy, the Managing Unacceptable Behaviour Policy, the Service Complaint Policy and the Conflict of Interest Policy had all be reviewed in line with the rolling programme of policy review in order to ensure that they remain relevant and fit for purpose.
91. There were no significant amendments to the policies proposed, however further review and development had been identified in some areas.



92. The Committee noted the update, changes to the policies that had been reviewed, and the further work planned.

**Item 13 – Standing items**

93. The Committee noted a paper on standing items which provided a summary of exception reporting as at period 10.

**Item 13 – Any other business**

94. Marc Rainforth reported that he would be leaving GIAA at the end of March. Andrea Emms would be taking over his role on 1 April. The Committee thanked Marc for the work that he had done and wished him well for the future.