

The Office for Legal Complaints
The Minutes of the 64th Audit and Risk Committee Meeting
Thursday 14 October 2024

Members present:

Harindra Punchihewa, Chair

Alison Sansome (items 1-14)

Martin Spencer

In attendance:

Elisabeth Davies. OLC Chair – observing

Paul McFadden, Chief Ombudsman

Laura Stroppolo, Head of Programme Management and Assurance

Blessing Simango, Head of Finance, Procurement and ICT

David Peckham, Head of Operations, Business Transformation and Business Intelligence

Steve Pearson, Deputy Chief Ombudsman – (items 3 and 11)

Steve Moore, (items 12 and 13)

Tom Harris, Deloitte (items 1 to 7)

Alex Clarke, National Audit Office

Sarah Hutchinson, Government Internal Audit Agency

Kasim Raja, MoJ ALB Centre of Excellence – observing.

Holly Perry, LSB – observing.

Apologies

Georgina Philippou

Craig Westwood, LSB

Minutes: Kay Kershaw, Board Governance Manager (Minutes)

Item 1 – Welcome, apologies and declarations of interest

1. The Chair welcomed attendees to the meeting and introductions took place.
2. Apologies were noted.
3. The meeting was quorate with a lay majority present for agenda items 1 to 14.
4. The meeting became inquorate for agenda items 15 to 17; no key discussions or decisions were made as part of these agenda items.
5. There were no declarations of interest.

Item 2 – Previous minutes, matters arising and previous actions.

6. The minutes of the ARAC meeting held on 13 June 2024 were **approved** as a true and accurate record of the meeting.
7. ARAC **noted** the update on previous actions.
8. There were no matters arising.

Item 3 – Deep dive of GDPR and information and data protection

9. The Head of Programme Management and Assurance reported on the findings of a deep dive of GDPR and information and data protection which had been undertaken as a second line of defence for assurance purposes at the request of ARAC. The following key points were made:
 - All actions linked to the recommendations made by GIAA in response to the internal audit of GDPR in 2022 had been completed and evidence had been seen to confirm that the actions had been put into practice.
 - In response to reviewing the evidence and conducting interviews with key staff to test the GDPR process, application and assurance, three additional recommendations had been identified to further strengthen LeO's approach to GDPR and data protection.
 - The Security Forum met regularly to consider data breaches and security incidents; a quarterly report on security incidents was presented to ARAC.
 - Annual reviews all data protection policies were undertaken, and policies were updated to ensure that LeO remained compliant with all GDPR regulations and data protection policy.
10. In response to questions, the following points were made:
 - Staff were initially made aware of their GDPR and data protection responsibilities as part of their induction programme. The completion of annual mandatory civil service DGPR and data protection training and

the annual mandatory requirement to read and confirm their understanding of LeO policies acted as a further reminder to staff. In addition to this, feedback was provided to staff responsible for data breaches; learning from data breaches was shared; further training would be provided to individuals and teams as required; and, from time to time, blogs written by the Data and Information Protection Compliance Officer were published to raise awareness further.

- Subjectively, based on the low number of data breaches, there was a high level of confidence that staff understood their GDPR and data protection responsibilities.
- To assure the effectiveness of the Security Forum, a Terms of Reference (ToR) was in place; meetings were chaired by the SIRO; the SIRO submitted an annual report on the assurance they had received on matters including information asset breaches, business continuity and cyber security; an annual Security Forum self-effectiveness review was undertaken in line with its ToRs and any improvements identified were implemented. The Security Forum escalated matters to the Executive for wider discussion, decision making and approval as required.
- Data access controls were in place and managed through a hierarchy of IT delegations to ensure the protection of sensitive data.

11. A discussion took place about the relationship between deep dives and internal audits and how to ensure their effectiveness. ARAC was advised that the effectiveness of LeO's second line of defence was demonstrated by the outcome of deep dives, and this would be taken into consideration by GIAA and the Executive when planning the annual audit programme and when deciding the frequency of future audits. This would ensure that GIAA provided maximum added value and assurance as a third line of defence by focussing on areas of higher risk.

12. ARAC **noted** the deep dive of GDPR and information and data protection

Item 4 – Risk assurance review

13. The Head of Programme Management and Assurance presented the risk assurance report which set out the position on strategic risks and issues at the end of quarter two 2024/25. The following key points were drawn to ARAC's attention:

- The suite of strategic risks and issues and the new risk appetites had been approved by the OLC Board in July 2024. The revised format of the risk assurance report had been agreed by ARAC in May 2024.
- One strategic risk relating to the lease for the Birmingham office had been outside tolerance at the end of quarter two. The lease was expected to be finalised and signed in quarter three; the risk scoring would then reduce to within tolerance. Once the lease had been

signed, the strategic risk associated with Birmingham office would be refocused on the government hub.

- The inter-related risks associated with demand, performance and backlog were key factors being considered by the Executive as part of the 2025/26 budget and business planning.
- Attrition continued on a downward trajectory. The scoring for the strategic issue SI03 (staff attrition – BAU investigators) had reduced and it was anticipated that the scoring for the strategic issue SI02 (staff attrition – corporate and operations roles other than investigators) would also reduce after further testing had been conducted.
- Strategic risks SR04 (Scheme Rules changes) and SR06 (delivery of new impact objective) were in an optimal position. There was no complacency, and these risks would continue to be closely monitored and managed.
- The internal audit of Governance had received substantial audit rating with no recommendations.
- The internal audit of Equality, Diversity and Inclusion (EDI) had also received substantial audit rating with three low recommendations which were being monitored by the Enterprise Risk Manager.
- Two actions relating to the internal audit of Customer Satisfaction and Feedback were overdue; this was primarily because resource had been re-focussed on the quality framework review. Both audit actions had been extended to the end of quarter three.

14. In discussion, the Executive was asked to reflect on whether its assessment of the optimal risk tolerance position for strategic risk SR06 (delivery of the new impact objective) was accurate considering stakeholder's understanding of the drivers of demand and the problem to be solved.

ACTION: The Executive to reflect on whether its assessment of the optimal risk tolerance position for SR06 (delivery of the new impact objective) was accurate considering the legal sector's understanding of the drivers of demand.

15. In response to a question, ARAC was advised that, subject to the continuation of the downward trend, the attrition strategic issue would be reduced to a strategic risk in Q3.

16. A discussion took place about the value of horizon scanning to identify leading indicators for attrition and how this would help to ensure early mitigating action was taken to address any future emerging attrition risks. Horizon scanning had been a key consideration at September's attrition Board workshop; this, and the work being undertaken as part of LeO's wider People Strategy to enhance the Employee Value Proposition, was having a positive impact on helping to mitigate the risk of attrition.

17. Having questioned whether the risk of a potential increase in demand and its impact on the queue of cases and customer experience had been adequately captured on risk register, ARAC was advised that this risk was contained within the existing strategic risk SR01 and strategic issues SI01 on the risk register. LeO adopted a dynamic approach towards managing the risk register. Recognising that many of the risks and issues were intrinsically linked, the risk register would be adjusted to reflect any change in circumstances and mitigating actions to ensure that risks and issues were managed effectively, within the OLC's agreed risk appetite and risk tolerance ranges. Any material change to the strategic risks and issues would be escalated through ARAC to the Board for further consideration.
18. The ARAC Chair thanked the Executive for the risk assurance report, commenting on the advanced position that had now been adopted by OLC/LeO on risk management.
19. To elevate risk management to the next level, the ARAC Chair recommended that consideration was given to modifying risk tolerance levels to reflect the risk tolerance related to the individual risk. In response, the Executive **agreed** to give this further consideration and identify a way of presenting risk tolerance levels more clearly considering the different risk appetites that had been agreed for each of the different risks and present this through future updates. This will form part of the risk report in future.
20. ARAC **noted** the risk assurance report.

Item 5 – Internal audit update

21. ARAC was updated on the progress being made by GIAA on the delivery of the 2024/25 audit plan.
22. In discussion, the following points were made:
 - The 2024/25 internal audit plan remained on track for completion within the agreed timescales. Following the completion of the audits on Governance and EDI, 40% of the audit plan had been completed. The audits on Supplier Payments and Stakeholder Engagement were in the planning stages and planning for the final audit on Contract Management would commence in November; commercial specialists from GIAA would be assigned to this audit.
 - Following a mid-year review, the 2024/25 audit plan was still deemed to be relevant and no significant changes had been identified.
 - To enable auditors to critically assess the new automated supplier payments system that had been implemented in September 2024, ARAC **noted** GIAA's request to move the delivery deadline for the Supplier Payments audit from Q3 to Q4 and to move the Stakeholder Engagement audit forward from Q4 to Q3.

- ARAC had been pleased to note the substantial audit opinion provided by GIAA following the audit of Governance, which had demonstrated the significant improvements that had made to the OLC/ LeO's governance arrangements, the structure and framework since the last Governance audit had been conducted in 2020/21. Auditors had seen evidence of a clearly defined governance structure proportionate and appropriate to the size of the organisation; defined roles and responsibilities with clear separation of Executive and Non- Executive roles and decision-making responsibilities; a greater focus on strategic delivery objectives; improved Board papers and less duplication between the Board and its Committees.
- ARAC had been pleased to note the substantial audit opinion provided by GIAA following the audit of EDI with three low recommendations. Auditors had concluded that the OLC/LeO was demonstrating best practice in EDI, with a clear approach and understanding of EDI responsibilities and objectives. Auditors had seen evidence of the EDI strategy, which had been aligned to OLC/ LeO's wider strategy, being effectively implemented; a clear delivery plan and governance framework in place; regular EDI reporting against clearly defined success measures and metrics; knowledge of EDI embedded across the organisation; functioning and accessible EDI staff networks in place which effectively escalated recommendations for improvement to the Executive.
- To gain a better understanding of their respective read rates, GIAA had recommended that the communications channels used to inform staff of key EDI information was monitored and reviewed. The Chief Ombudsman reported on average response rates to internal communications and how this was from time to time discussed with the OLC Board. In response to a question, GIAA had offered to seek further guidance on whether there was a benchmark for read rates in respect of staff communications and report back to the Executive.
- GIAA thanked all involved in the audits of Governance and EDI for their support and engagement.

23. ARAC **noted** the update from GIAA and thanked all involved in the internal audit process.

Item 6 – External audit update Internal audit update

24. External auditors presented their report following the completion of the 2023/24 financial statements audit and the management responses to the recommendations that had been made.

25. In discussion, the following points were made:

- At the last ARAC meeting in June, some audit procedures had been ongoing; all outstanding matters had since been concluded

appropriately, including those related to dilapidations and the financial statements process, and the annual accounts had been signed in July.

- Recommendations for improvement had been made following the completion of the 2023/24 financial statements audit, this included a recommendation for advice to be taken from the MoJ's Technical Department in respect of complex accounting procedures for transactions that fell outside the normal course of business so that the appropriate accounting treatment and associated accounting journals could be verified in advance with auditors.
- Some recommendations from the 2022/23 financial statements audit relating principally to journals and financial statements preparation remained open; LeO was encouraged to strive towards completing these recommendations to ensure best practice.
- The Executive highlighted feedback provided to the auditors around the timetable and meeting of timescales of the audit and the implications for agreed timetable for laying the Annual Report and Accounts. This related primarily to the commencement of the audit of the front end of the Annual Report and Accounts following the ARAC meeting which had led to additional pressures and costs. The Executive and auditors had agreed to a lessons learned follow up meeting to consider what could be done to ensure that a workable timetable was agreed.

26. ARAC **noted** the external audit update.

Item 7 – Lessons learned from the Annual Report and Accounts process.

27. ARAC considered a paper on the lessons learned by the Executive on the 2023/24 Annual Report and Accounts process.

28. In discussion, the following points were made:

- External Auditors had not had an opportunity to feedback or contribute the lessons learned report presented to ARAC on the specific audit element but welcomed the opportunity to meet with the Executive and ARAC Chair to discuss the collective lessons learned from the 2023/24 Annual Report and Accounts process and to agree the actions to ensure a workable timetable for future audits.
- Auditors acknowledged the delay experienced in the auditing of the front-end of the Annual Report, explaining that there had been more issues than anticipated particularly in regard to dilapidations which had required additional senior auditor time to resolve and which had adversely impacted the audit timetable.
- The Executive had sought to set up a meeting with External Auditors to discuss the lessons learned from the 2023/24 Annual Report and Accounts process and to report back to ARAC at its next meeting in

January 2025 on the collective lessons learned and actions identified to ensure a workable audit timetable for the next financial statements audit.

ACTION: The Executive and External Auditors to meet to discuss the lessons learned from the 2023/24 Annual Report and Accounts process and to report back to ARAC at its next meeting in January 2025 on the collective lessons learned and actions identified to ensure a workable audit timetable for the next financial statements audit.

- The lessons learned by the Executive had focussed primarily on the positive aspects of the Annual Report and Accounts process, which had been managed in line with a project management framework.
- There had been a high level of engagement and effective communication between the Executive leads, the project management team and wider stakeholders including the MoJ who had all been alert to the impact of the general election and a change of Government on the Annual Report and Accounts timetable.
- Some issues had been experienced as a result of using an external design agency to design the Annual Report and Accounts which had created additional internal pressures. Consideration would be given to in-house design in the future.
- In line with a recommendation from previous lessons learned, an agreed data set for the annual report and accounts had been implemented to ensure data integrity.
- Reflecting on the Executive's suggestion to introduce service level agreements, ARAC members stressed that it would be more important to ensure good communication and good working relationships between all involved parties to ensure a smooth Annual Report and Accounts process in the future and to ensure that the collective lessons learned were considered so that ARAC received the required level of assurance at the agreed points in the timetable.
- The ARAC Chair acknowledged that there would always be pressure points in the timetable and stressed that it would be important for all concerned to work together to mitigate any risk of slippage and to understand each other's pressure points to make the process as smooth as possible.
- The ARAC Chair stated that the Committee should be notified if there was anything it could do to be more flexible, but stressed that in order to fulfil its role to the Board, the audit report must be finalised in time for it to be considered at ARAC's June meeting.

29. ARAC **noted** the lessons learned by the Executive on the 2024/25 Annual Report and Accounts process.

Item 8 – Financial governance

30. The financial governance paper, reporting on the financial position at the end of August 2024, was presented by the Head of Finance, Procurement and ICT. The following key points were drawn to ARAC's attention:

- The underspend pressure had mainly been driven by delays and challenges in recruiting new and replacement corporate staff, with some positions being filled by existing internal staff. The full year forecast as of 31 August 2024 had been for a £75k underspend, but this had increased in September to £118k. The Executive was closely monitoring the underspend, and mitigating actions were being implemented to ensure that the variance remained within tolerance.
- The list of potential mitigating actions is reviewed every month after closing the accounts and updating the forecast. The list would next be reviewed at the end of October/ beginning of November when consideration would be given to the implementation of further mitigating actions to ensure that the budget variance remained within tolerance.
- £66.4k of aged debtors was awaited from the MoJ in respect of the 'True up' for the Family Services' licence to occupy; these funds were expected imminently.
- The amount of bad debt written off continued to be an issue. At the end of August 2024, £47k of bad debts had been written off, 92% of this had been attributable to SRA regulated firms. The amount of bad debt had increased in September to £51k. Bad debts continued to be closely monitored, and provision had been made for bad debts on the 2025/26 budget.

31. ARAC discussed the shortfall in income resulting from the bad debts and the impact on levy income and on expenditure, and how the associated risks would be managed. In response, the Executive explained that the risks would be mitigated by utilising the underspend and so there would be no adverse impact on expenditure in 2024/25. LeO was alert to the fact that any reduction in income may adversely impact expenditure in 2025/26. To mitigate the risks associated with the increasing trend in bad debts, provision had been made on the 2025/26 budget.

32. A discussion took place about the opportunities, as distinct to the risks, that an underspend provided. ARAC **noted** that an agile, timely approach was adopted by the Executive to managing the underspend and the opportunities it presented; this ensured that the underspend was utilised in a way that maximised its impact on delivering the business plan and strategic objectives.

33. ARAC **noted** the update on financial governance.

Item 9 – 2025/26 Budget Setting Assurance Principles

34. ARAC considered a report setting out measures that had been taken to ensure the budget setting assurance principles set by the ARAC Chair earlier in 2024 had been adhered to.

35. The following points were drawn to ARAC's attention:

- An incremental process was adopted for setting the 2025/26 budget, involving all budget holders and the Executive.
- The budget setting process had commenced earlier than usual in July, this had allowed the Executive to review all cost centres, including baselines and additional budget requests.
- Performance projections had been scrutinised and challenged by the Executive and Performance Sub-Group.
- The accuracy of the budget numbers had been independently verified by the Interim Finance Manager, who had no other involvement in the budget setting process.
- The Executive had considered several budget options, focussed on delivering the strategic objectives, and had agreed on three options which were shared with the OLC Board at its workshop in September for further consideration.

36. ARAC **noted** the report on the budget setting assurance principles and the way the three criteria were being used as part of the budget setting process.

Item 10 – Attestations and singles tenders report

ARAC **noted** the attestations and single tender report which provided details of two single tender justifications for the period April to September 2024.

Item 11 – Information rights and security incidents

37. A report on information rights and security incidents was presented by the Deputy Chief Ombudsman.

38. In discussion, the following points were made:

- A small variance in quarterly data for information rights and security incidents was to be expected.
- Quality assurance reviews had identified inconsistencies in the way some operational staff completed security checks. This had resulted in an increase in the number of 'near misses' reported for Q2. Action had been taken to ensure that all operational staff followed the correct security checking process to mitigate any further risks, and compliance would be monitored as part of the ongoing quality assurance reviews and by the Security Forum. There was no evidence of repeat offenders,

but action would be taken with individuals who repeatedly failed to comply with the security checking process.

- An exercise to benchmark the number of statutory requests received by LeO against other Ombudsman schemes had been undertaken. The initial findings indicated a significant variance across the different schemes depending on their size, which made it difficult to draw any conclusions. Further work would be undertaken to understand how other ombudsman schemes managed statutory requests to ensure that LeO followed best practice.

39. ARAC **noted** the Information rights and security incidents report.

Item 12 – Annual update on business continuity

40. A paper updating ARAC on business continuity was presented by the Head of Operations, Business Intelligence and Business Transformation.

41. In discussion, the following points were made:

- The business continuity plan (BCP) had been updated in 2023 in response to a deep-dive review and the recommendations made by GIAA following the 2021 internal audit of business continuity. The BCP was now more robust and incorporated planning for critical infrastructure, including IT, data compromise, and the loss of staff.
- All actions from the deep dive and internal audit of BCP had been completed.
- It was recommended that consideration was given to BCP planning for the loss of critical functions, such as HR or finance.

Action: The Executive to consider BCP planning for the loss of critical functions, such as HR or finance.

- The BCP had been successfully enacted earlier in the year in response to a problem with the water supply to LeO's Birmingham office.
- LeO was appraised of nationwide disaster recovery planning and scenario testing through its subscription to the MoJ's continuity and disaster recovery forum.
- In the event of a loss of access to LeO's IT systems, the burden of disaster recovery would be on the IT supplier. Some suppliers shared their BCP with LeO as part of the tendering process and data impact assessments were undertaken by LeO before contracts were awarded. LeO chose its IT suppliers carefully to ensure the highest level of assurance and governance was in place to mitigate risks to its operations and data security.
- All disaster recovery leads had undertaken civil service training to ensure that they were aware of their responsibilities. A structured

process was in place which ensured that key decisions were made by the right people at the right time and there was cascade process for information sharing. For serious incidents affecting business continuity, such as a pandemic, the command team would be re-convened.

42. ARAC **noted** the annual business continuity planning report, commenting on the good level of attention that was being given to the BCP and suggesting that regular planned scenario testing was undertaken to the right level of assurance.

Item 13 – Annual cyber security report

43. The annual cyber security report was presented by the Head of Operations, Business Intelligence and Business Transformation.
44. The ICT Manager updated ARAC on a range of enhancements that had been made in 2023/24 help reduce cyber security risks and strengthen LeO's security framework.
45. In discussion, ARAC sought to understand the type of cyber security perpetrator that might target LeO and their intent; how responsive LeO and its suppliers would be to a cyber security attack and emerging threats; the risk to wider government of a cyber security attack on LeO.
46. In response to a question, ARAC was advised that LeO followed NCSC guidance on cyber security, along with guidance from other organisations, and this was reflected in LeO's cyber security policies.
47. The ARAC Chair reflected on how best to benchmark LeO's cyber security and resilience standards and questioned whether certain certified schemes might provide the required level assurance on this. In response, the ICT manager reported on the appropriateness of some certified schemes; advised that engagement was already taking place with the MoJ on a scheme that would demonstrate LeO's cyber security protection, and confirmed that some benchmarking was undertaken across the industry to provide assurance on cyber security testing and training.
48. Following discussion, the ARAC Chair asked the Executive to liaise with the MoJ, GIAA and NAO to identify the best way of benchmarking LeO's cyber security and resilience standards with other similar organisations, and report back to ARAC on this at its meeting in May 2025.

ACTION: The Executive to liaise with the MoJ, GIAA and NAO to identify the best way of benchmarking LeO's cyber security and resilience standards with other similar organisations, and report back to ARAC on this at its meeting in May 2025.

49. ARAC noted the annual report on cyber security commenting on the good work that was being undertaken on this.

Item 14 – Annual Review of ARAC Terms of Reference

50. ARAC members were asked to conduct their annual review of the Committee's Terms of Reference (ToRs) and to provide their comments and recommendations for changes to ensure that the ToRs remained up to date and effective. The following points were made:

- Having reflected on whether there were any avoidable areas of duplication between ARAC's specific responsibilities listed on its ToR and those of the Board, the ARAC Chair commented that where there were areas of unavoidable duplication, it would be important to agree an effective way of dealing with them at both Committee and Board level.
- Consideration should be given to updating ARAC's specific responsibilities to incorporate its role in reporting to the Board on the strategic risk register and those risks and issues that were outside of tolerance.
- There was value in providing written summary reports to the Board on key matters discussed by the OLC's Committees. Consideration should be given to presenting this information in a format that was not just a repeat of the minutes.
- There was value in sharing the minutes of ARAC meetings with the wider Board to raise awareness of the key matters that had been discussed and so that Board members could raise questions at the relevant point in a future Board meeting.

51. In terms of the next steps, ARAC members and representatives from the LSB, MoJ, Internal and External Audit were asked to provide any further feedback on the ARAC ToRs to the OLC Chair, ARAC Chair and Head of Programme Management and Assurance, so that it could be considered as part of a wider review of OLC governance documents which would be discussed at December's Board meeting.

ACTION: ARAC members and representatives from the LSB, MoJ, Internal and External Audit were asked to provide any further feedback on the ARAC ToRs to the OLC Chair, ARAC Chair and Head of Programme Management and Assurance.

Item 15 – Escalations to the Board

52. There were no specific items for escalation to the Board. A written report from the ARAC Chair summarising the key points of discussion would be shared with the Board.

Item 16 - Feedback from external attendees and ARAC members on the meeting.

53. There was no feedback on the meeting from external attendees.

Item 17 – Any other Business

54. There was no other business discussed.