

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

**Tuesday 20 October 2015**

**09.30am – 11.25am**

**Legal Ombudsman, Birmingham**

**Present:**

Michael Kaltz, Chair  
Professor Philip Plowden, member  
Tony King, member

**In attendance:**

Catherine Lee, OLC Accounting Officer (Director General, Law and Access to Justice)  
Nick Hawkins, Chief Executive  
Ian Brack, Chairman's Assistant  
Paul Partridge, Head of Finance  
Freda Sharkey, General Counsel  
Robert Grant, BDO (representing NAO)  
Marc Rainforth, Head of Audit Operations, MoJ IAA

**Apologies:**

Kathryn King, Interim Chief Ombudsman  
Caroline Mendes da Costa, NAO

**Observing:**

Edwin Josephs, Director of Finance and Services, Legal Services Board

**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.

Staff reported a potential declaration of interest regarding agenda item 8.

**Item 1 – Welcome and apologies:**

1. The Chair welcomed and thanked those in attendance. The Chair noted apologies for absence had been received from Kathryn King and Caroline Mendes da Costa.

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

2. The minutes of the meeting of 22 July 2015 were approved, subject to one minor change.

**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. The ARAC Chair reported that he had received the revised Whistleblowing policy from the General Counsel but that it was not yet in a form which he would be happy to see brought to ARAC. It was noted that the ARAC Chair would make editing notes and comments and circulate the document to Tony King and Prof Plowden for comment outside of committee.

**ACTION:**

**The ARAC Chair to make edit notes and comments on the current draft Whistleblowing policy and circulate to ARAC members for comment outside of committee.**

5. The ARAC Chair reported that following discussion with the RemCo Chair, it was agreed that there would be an “external financial crime” guidance note for staff to assist with the identification of financial crime amongst cases which came before them. Internal incidences of suspected financial crime would be dealt with via existing disciplinary policies.
6. In the absence of the Interim Chief Ombudsman, the Chairman’s Assistant would update members on progress about the introduction of an e-mail ‘handshake’ as discussed in the July meeting.

**ACTION:**

**The Chairman’s Assistant to update members on progress regarding the introduction of an e-mail ‘handshake’ as discussed in the July meeting.**

7. The ARAC Chair provided a verbal update on the letter written to the previous OLC Accounting Officer and the subsequent response from the current OLC Accounting Officer, Catherine Lee.

8. It was agreed that to resolve the issue of pre-signed cheques, all the existing cheques would be destroyed and going forward payments would be made via bank transfer.

**ACTION:**

**The Director of Corporate Services to proceed with the destruction of the pre-signed cheques and ensure all payments going forward were made via bank transfer.**

9. Discussion took place on the financial transaction limits and the status of the OLC as a “legal person”, separate from the Crown, with the capacity to contract and which has regularly entered into contracts throughout its existence. Catherine Lee agreed to seek further clarification on this point.

**ACTION:**

**The OLC Accounting Officer to seek further clarification regarding the financial transaction limits and the status of the OLC as a statutory body.**

10. Discussion took place on the capital budget, and it was noted that the OLC had no capital budget for 2015. The Director of Corporate Services reported that whilst there were certain contractual capital commitments from the previous year which were due to be completed in 2015, the organisation was avoiding any further capital spend.
11. It was noted that the OLC would need to submit its 2016/17 budget proposals to the LSB for approval before the 2016/17 MoJ budget allocation would be known. Edwin Josephs undertook to highlight this to colleagues at the LSB. It was noted that the OLC budget would need to include certain items of capital expenditure, e.g. laptops. It was agreed that early notification to MoJ of both capital needs and requirements to enter into contracts above the current FTL’s would assist the Sponsor team in its work planning and minimise the risk of the difficulties which have arisen this financial year.

**ACTION:**

**Edwin Josephs to highlight the issue around the 2016/17 budget proposals.**

12. It was noted that the IAA Audit Manager would discuss the detailed audit workplan for the People/HR Audits with the ARAC Chair.

**ACTION:**

**The IAA Audit Manager to discuss the detailed audit workplan for the People/HR Audits with the ARAC Chair.**

13. The interim Director of Corporate Services would liaise with the sponsor team to see if a response had been received from their procurement colleagues concerning the proposals for disaster recovery.

**ACTION:**

**The interim Director of Corporate Services to liaise with the sponsor team to see if a response had been received from their procurement colleagues concerning the proposals for disaster recovery.**

#### **Item 4 – Comments regarding items presented for information**

14. Members approved the revised ARAC Terms of Reference. It would now be tabled to the OLC Board for final approval.

#### **ACTION:**

**The revised ARAC Terms of Reference were approved and would now be tabled to the OLC Board for final approval.**

#### **Item 5 – Risk**

15. Discussion took place on the corporate risk register which ARAC members found complex and difficult to understand. As previously agreed amongst the three members of ARAC, the Risk Register will move to a more traditional format which is, in fact, similar to that used by the MoJ.
16. Discussion took place on the two options proposed for compiling a Corporate Risk Register, having regard to the Operational Risk Registers within the organisation. It was agreed that the Corporate Risk Register should be the same in format as the Operational Risk Registers (which would therefore need to change); the Corporate Risk Register would include the Operational risks which are Red or Black and also all those risks the impact of which would be “catastrophic” even if the likelihood is low. Members felt it important that the committee were sighted on the movement of risks and how risks were changing across the organisation. It was noted that this key information could be highlighted in the risk register cover sheet. It was also important for ARAC to review the strategic risks as well as the operational risks and ARAC would expect an overlay of strategic risks on top of the escalated operational risks.
17. It was suggested that a scoring system would be needed which would be instantly recognisable to both the LSB and MoJ. A common approach would be needed although it was recognised that the organisations would have different tolerance levels for risk.
18. It was noted that Marc Rainforth would provide examples of risk registers from similar sized ALB’s.

#### **ACTION:**

**Marc Rainforth to provide examples of risk registers from similar sized ALB’s.**

19. The interim Director of Corporate Services would finalise the updated risk register, taking into account the feedback given. He requested ARAC members to continue to feedback any further points over the next few weeks. It was further noted that the Corporate Risk Register is due to be presented to the OLC Board on 9 December and that the deadline for a complete version, approved by the ARAC members, was approximately 6 weeks' ahead.

**ACTION:**

**The interim Director of Corporate Services would finalise the updated risk register in good time to allow ARAC members to review it before the deadline.**

**ARAC members to continue to feedback any further points to the interim Director of Corporate Services.**

20. It was noted that the Chief Executive would need to develop the organisation's risk strategy document over the next few months.

**ACTION:**

**The Chief Executive to develop the organisation's risk strategy document.**

21. Discussion took place on the risks within the existing corporate risk register. Members noted that now the permanent Chief Executive was in post, he could focus on the recruitment needed to permanently fill the interim roles on the management team.
22. Discussion took place on the planned move of the IT systems into a cloud platform. It was noted that work was also due to commence in November to migrate the e-mail exchange into the same Microsoft online environment. The e-mail migration project was delayed and had therefore been given a red risk rating. Discussion took place on whether the delay would have an impact on the business. The General Counsel confirmed that her team had reviewed the risk in light of the EU Court of Justice ruling on 'safe harbour' data transfer.
23. Members noted that the contract for the support of the IT system would need to be re-procured (via G-Cloud) as it was due to expire in April 2016. Nikki Greenway, the Head of IT, would work on the re-procurement specification. The interim Director of Corporate Services confirmed that the sponsor team were aware of the timetable for the re-procurement. The interim Director of Corporate Services was requested to update the ARAC members between meetings as the re-procurement continued.

**ACTION:**

**The interim Director of Corporate Services to update ARAC members between committee meetings as the re-procurement of the contract to support the IT system continued.**

24. It was noted that the performance risk related to case volumes would be discussed in further detail at the main OLC Board.

#### **Item 6 – Data Handling Incident Report**

25. Members noted that a Privacy Impact Assessment had been undertaken by the General Counsel's team which made certain recommendations to the business. These had also been discussed at the Security Forum.
26. Members raised concern about the lack of an audit trail in the new case management system which was having an impact on the number of data incident reports.

#### **Item 7 – Internal Audit Update**

27. Discussion took place on the audit needs assessment which would be used to plan the audit work for the coming year. The internal auditors reported that they would work with the Chief Executive to develop the plan which would be presented to ARAC in April.

#### **ACTION:**

**The Board Secretary to note that the Audit Needs Assessment would be presented to the April ARAC.**

28. It was noted that a draft internal audit report on the review of policies had been issued in September but that this was still being finalised. ARAC requested sight of the report as soon as the final report was completed with management's responses.

#### **ACTION:**

**The interim Director of Corporate Services to share the internal audit report on the review of policies with ARAC as soon as the final report has been completed with management responses.**

#### **Item 8 – External Audit Update**

29. Members noted the external audit report. It was noted that BDO were close to completing their audit of the financial statements. Work was still needed to review the content of the draft annual report and governance statement.
30. It was noted that a meeting had been held earlier that morning with the external auditor to discuss the current status of their audit. The ARAC Chair reported that a complete review of the accruals was being undertaken internally which would be shared with the external auditor.

31. It was noted that discussions would continue between the external auditor and interim Director of Corporate Services on the accounting method for future income on case fees. The external auditor reported that they had challenged management on the nature of its estimation techniques.
32. The OLC Accounting Officer provided a verbal update on the regularisation of staff benefits.

#### **Item 9 – OLC Draft Report and Accounts**

33. Discussion took place on the process needed to meet the timetable which enabled the Annual Report and Accounts to be laid in January 2016. It was noted that the December OLC Board may need to appoint a sub-committee to sign off the accounts out of committee.
34. Members noted the legal requirement for a copy of the Annual Report and Accounts to be presented to the LSB.

#### **Item 10 – Business Critical Project Report**

35. Members noted the business critical project report. Discussion took place on the case management system and in particular the number of P1 incidents which arose due to external supplier issues. It was noted that the Head of IT was investigating whether the outages were occurring due to the way data was stored in the system or whether the architecture or processes utilised in the system were exposing the organisation to risks from external suppliers.
36. It was noted that the Head of IT was personally issuing regular staff communications on the system issues. These updates were improving staff confidence in the management of the system.

#### **Item 11 – Progress on Policies**

37. Members noted that RemCo had proposed an alternative method of approving the policies. The OLC Board had requested that the Chairman's Assistant propose a method of approval to meet all the committees' requirements.
38. Discussion took place on the level of detail ARAC wanted when policies were presented for approval. The ARAC Chair confirmed that as the governance policies were so critical, it would be necessary for ARAC to see the detail.

39. Edwin Josephs reported that the LSB would be happy to share their policies on the basis of there being common elements. This offer was welcomed by the executive.

**ACTION:**

**The Board Secretary to follow up on offer from LSB initially to ascertain which policies are available to be shared.**

40. The Chairman's Assistant reported that there was a proposal in his paper to the OLC Board that whilst CEO oversight remained critical, a staff member would need to be nominated to coordinate the process. The Chief Executive would take this forward.

**ACTION:**

**The Chief Executive to take forward the most effective ownership of the policy review process.**

**Item 12 – Governance Review Update**

41. It was noted that the fieldwork had been completed and the draft report was now being finalised for submission by the end of the month.

**Item 13 – Any Other Business**

42. The ARAC Chair reported that the January ARAC date would need to change as the meeting would not be quorate. The Board Secretary would circulate alternative dates.

**ACTION:**

**The Board Secretary to propose an alternative date for the January ARAC meeting.**

**Next meeting**

43. The date for the next ARAC meeting would be confirmed shortly.

Helen White  
Board Secretary