

**Minutes of the 60<sup>th</sup> Meeting of the  
Office for Legal Complaints Audit and Risk Committee**

**Monday 2 October 2023**

**Members Present:**

Harindra Punchihewa, Chair (items 1 and 7)  
Alison Sansome (items 1 to 12)  
Jane Martin (items 1 to 12)  
Martin Spencer (joined meeting at the end of agenda item 7, acting Chair items 8-12)

**In Attendance:**

Elisabeth Davies, OLC Chair – observing (items 9 to 12)  
Paul McFadden, Chief Ombudsman  
Blessing Simango, Head of Finance, Procurement and ICT.  
David Peckham, Head of Operations, Business Transformation and Intelligence  
Aaron Rock, Risk Manager (items 6 and 7)  
Safa Douglas, Executive Support Assistant – observing.

**External Attendees**

Rebecca Palmer, Deloitte  
Ella Firman, National Audit Office  
Jorjie Woodroffe, Government Internal Audit Agency  
Matt Ellis, Government Internal Audit Agency  
Kasim Raja, MoJ, ALB Centre of Excellence – observing.  
Margie McCrone, LSB – observing.

**Apologies:**

Laura Stroppolo, Head of Programme Management and Assurance  
Matthew Hill, Legal Services Board  
Alex Clarke, National Audit Office

**Minutes:**

Kay Kershaw, Board Governance Manager

**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. To maintain quorum throughout the meeting the order of agenda was adjusted and the following items were deferred to the ARAC meeting in January 2024:
  - Deep Dive of the case management system and process
  - Annual Security policy framework: self-assessment.

- Annual cyber security report.
  - Information rights and security incidents.
4. The minutes of the meeting reflect the order in which agenda items were discussed.
  5. Alison Sansome declared that she had taken on a new role as a lay panel member for the Association of Chartered Accountants.

**ACTION: The Board Governance Manager to record the details of Alison Sansome's new role on the Board's Register of Interests.**

6. There were no other declarations or conflicts of interest reported.

**Item 2 – Previous minutes**

7. The minutes of the ARAC meeting held on 15 June 2023 were **approved** as a true and accurate record of the meeting.

**Item 3 - Previous actions and matters arising**

8. ARAC **noted** the update on previous actions.
9. There were no matters arising.

**Item 4 – External audit update.**

10. Since the last ARAC meeting, the 2022/23 Accounts had been signed off.
11. External Auditors would soon commence planning for the 2023/24 Audit of Financial Statements, taking into account any lessons learned from the 2022/23 Financial Statements Audit. An audit timetable would be presented at the next ARAC meeting.
12. To ensure continuity and minimise any information gaps following personnel changes in the External Audit Team, Deloitte's Audit Partner would be available to provide support and advice during the 2023/24 Audit of Financial Statements.
13. ARAC **noted** the External Audit update.

**Item 5 – Annual Report and Accounts 2022/23: Lessons learned.**

14. The Head of Finance, Procurement and ICT presented a report on the lessons learned from the 2022/23 Annual Report and Accounts process, advising that there had been good collaboration across LeO to support the preparation of the front-end report, with clear, concise key messaging upfront driven by the early Board workshop in February.
15. The lessons learned would be taken into account to improve the 2023/24 Annual Report and Accounts process, these included:

- Introducing a log of information requests and responses to be stored in a single repository to support information sharing and reduce the risk of repeated information requests.
  - Extracting monthly snapshots of raw data which would be collated to support the front-end report and could be verified by the Auditors and reduce the number of queries.
  - The introduction of an add-on to the accounting system, for online invoice authorisation by the end of the financial.
  - Joining MoJ forums to understand and implement any changes on the Annual Reporting Framework.
16. The ARAC Chair suggested creating an outline of the key data, in addition to the financials, that would need to be included in the 2023/24 Annual Report and Accounts; this data could then be shared with Auditors for early review once it was available.
- ACTION: The Head of Finance, Procurement and ICT to consider creating an outline of the key data, in addition to the financials, that would need to be included in the 20203/24 Annual Report and Accounts.**
17. External Auditors **confirmed** that they were content with the lessons learned.
18. ARAC **noted** the lessons learned from the 2022/23 Annual Report and Accounts process.

### **Item 6 – Risk Assurance**

19. The Chief Ombudsman(CO) presented the Risk Assurance report, updating ARAC on the position at the end of Q2 for strategic risks and issues. The following points were drawn to ARAC’s attention:
- All strategic risks, strategic issues and mitigating actions were tracked, monitored and regularly reviewed by risk owners and the Executive.
  - The scores for all strategic issues and most strategic risks remained static
  - The score for the strategic risk relating to the implementation and application of the new Scheme Rules had reduced from 12 to 9; this risk would continue to be closely monitored by the Executive along with other strategic risks.
  - The number of business unit risks had increased. The number of high scoring business unit risks had reduced. The appointment of the new Performance and Business Intelligence Manager would alleviate some of the Business Unit Risks.
  - The internal audit of Management Reporting had received a substantial audit opinion. A draft internal audit report on Cyber Security provided a provisional substantial audit opinion.
  - The number of Internal Audit actions had reduced.

- Ten Internal Audit actions remained overdue; a detailed update on these actions had been included in the Risk Assurance report to demonstrate to ARAC that they were being progressed.
- The overdue actions relating to the audit of Recruitment would be completed in Q3 following the completion of a review of the end-to-end recruitment process and RemCo's approval of a new Recruitment, Selection and Promotion Policy in November.
- The overdue action relating to the audit of Procurement would also be completed in Q3 following the Executive's approval of a new Procurement Policy.
- The overdue actions relating to the audits of Financial Management and Payroll were being progressed and would be completed before year end.

20. ARAC members thanked the Executive for the Risk Assurance report and the assurance it had provided on the risk assurance process.

21. Reflecting on the static nature of the scores for strategic risks and issues, questions were raised about the effectiveness of mitigating actions. The Executive was urged to consider what more could be done to reduce the scores and advised that consideration would be given to escalating risk to the Board for a detail discussion if the scores had not reduced by the next ARAC meeting in January.

**ACTION: The Executive to consider what more could be done to reduce the scores for strategic risks and issues before the next ARAC meeting in January.**

22. In discussion about the relationship between strategic risks and issues and internal audit actions, ARAC members questioned whether the overdue internal audit actions, particularly those relating to the audit of Recruitment, were exposing the organisation to any additional risk. Considering this, the Executive was urged to expedite the completion of these actions.

23. In response, the CO clarified that there was no direct relationship between the overdue actions arising from the internal audit of Recruitment and the strategic risks and issues; the audit actions related to the appropriateness of LeO's approach to recruitment as distinct to some of the strategic risks and issues which related to LeO's ability to recruit because of the labour market challenges.

24. The CO confirmed that the overdue internal audit actions arising from the audit of Recruitment would be completed in Q3; these actions had been delayed because of conflicting priorities within the HR Team which meant that resource had to be redirected to other areas of HR's work. All other internal audit actions would be completed before the year end.

25. It was **recommended** that future updates on internal audit actions provided an explanation of why the audit action was overdue, what was being done about it and a date when the action would be completed.

**ACTION: The Head of Programme Management and Assurance to ensure that future updates on overdue internal audit actions explained why an audit action was overdue, what was being done about it and provided a date by when the action would be completed.**

26. The CO **agreed** to meet the ARAC Chair to discuss further potential improvements that could be made to risk management and reporting, risk tolerance ranges and their relationship to risk appetite.

**ACTION: The ARAC Chair and CO to discuss further potential improvements that could be made to risk management and reporting, risk tolerance ranges and their relationship to risk appetite.**

27. ARAC **noted** the Risk assurance update.

### **Item 7 – Internal Audit update**

28. Progress was being made on delivering the 2023/24 internal audit plan. The following key points were drawn to ARAC's attention:

- The audit of Management Reporting had received a substantial audit opinion; two low priority recommendations had been made. The scope of the audit included: reviewing of the effectiveness of the Agreed Data Set (ADS) as a performance framework; the effectiveness of Power BI dashboard as a method of reporting and distributing the ADS; revisiting the 2021/22 audit on Performance Reporting. Auditors had noted the considerable progress that had since been made.
- A draft audit report on Cyber Security has been issued; this provided a substantial audit rating.
- The audit engagements on Grievances and Staff Complaints and Reputation-Stakeholder Engagement were in progress.

29. ARAC and the CO had been pleased by the substantial audit opinion received following the audit of Management Reporting, commenting that it reflected the hard work and considerable progress that had been made since to 2021/22 audit of Performance Reporting. One of the recommendations from this audit had been to commission a self-assessment of the success of the Power BI dashboard, the CO advised that this provided an opportunity for LeO to engage with key stakeholders to explore whether the dashboard was meeting their needs.

30. The ARAC Chair was advised that some of the service standards relating to the audit of Management Reporting had not been met. This was because the BI Manager had left part-way through the audit and there had subsequently been a delay in finalising the management responses; this had not had a detrimental impact on the audit.

31. In response to a query, Head of Operations, Business Transformation and Intelligence agreed to check the accuracy of the completion date stated for recommendation 3.1 on page 10 of the Management Reporting audit report.

**ACTION: The Head of Operations, Business Transformation and Intelligence to check the accuracy of the completion date stated for recommendation 3.1 on page 10 of the Management Reporting audit report.**

32. Internal Auditor, Jorjie Woodroffe, reported that this would be her last OLC ARAC meeting before moving on to a new role, commenting that since taking the role in March 2021 she had observed how much LeO/ OLC had transformed and was committed to good governance and best practice.
33. On behalf of the ARAC Committee, the ARAC Chair thanked Jorjie for the support and challenge provided to the OLC/LeO and wished her every success in her new role.
34. ARAC was advised of the interim arrangements that GIAA had put in place until a new Internal Auditor would take over in the Autumn.
35. ARAC **noted** the Internal audit update.

#### **Item 8 – Financial Governance**

36. The Financial Governance report was presented by the Head of Finance, Procurement and ICT. The following key points were made:
  - The outturn forecast was for an underspend of £68k at year-end. This was 0.41% of the current year's budget and within 1% of the MoJ's tolerance level. The Executive considered this forecast underspend to be manageable and controls were in place to ensure that the budget was fully utilized by year-end.
  - Actual expenditure at the end of August was £18k overspent (0.2% of budget). With no additional budget provided, the Cabinet Office directive to pay all eligible staff a one-off payment of £1500 in July had been absorbed within existing budget and this had netted off the underspend arising from high attrition levels and the 3.5% difference between the 8% requested (budgeted) pay award and the approved 4.5%.
  - A collaborative approach continued to be taken towards budgeting and forecasting; monthly financial review meetings took place with budget holders and dedicated Executive Team finance meetings took place to review capital and operational forecasts and to consider timely mitigating actions to address any budget variance. The mitigating actions taken to date were working well.
  - To ensure the accuracy of the accounts, monthly balance sheet reconciliations were undertaken as part of the month end process. All items listed on the balance sheet had a supporting listing.
37. In response to a question, ARAC was advised that the key risk to the budget forecast was an underspend caused by further attrition. Contingencies were in

place, including overtime and additional recruitment in Q4 to ensure that any such underspend would be utilised.

**38. ARAC noted the Financial Governance Report.**

### **Item 9 – 2024/25 Budget setting assurance principles**

**39.** A report on the 2024/25 Budget setting assurance principles was presented by the Head of Operations, Business Transformation and Intelligence the following key points were drawn to ARAC's attention:

- The six agreed Budget setting assurance criteria for the 2024/25 Budget and Business Plan submission had been based on those used in previous years.
- To ensure the implementation of a more robust Budget setting assurance process, lessons learned from the previous year's process had been taken into account along with further lessons learned during the year, including those relating to the continued monitoring of the Budget by budget holders and the trajectory setting process.

**40.** ARAC sought to understand the key variables that might impact the 2024/25 Budget and Business Plan before it was finalised. In response, the following points were made:

- Increases in demand and contacts at the front-end; the impact of Scheme Rules changes on demand; Investigator FTE; and the size of the Pre-Assessment Pool at year end would have the most impact on the assumptions underpinning the 2024/25 Budget and Business Plan.
- All assumptions underpinning the 2024/25 Budget and Business Plan had been rigorously tested to ensure their accuracy, this included testing the best, worst, and likely case scenarios in addition to extreme and cumulative scenarios.
- Consideration had been given to why some of the 2023/24 Business Plan assumptions that had not been accurate and learning from this had been taken into account; the worst-case scenario for attrition in 2023/24 Business Plan had become the likely- case scenario for the 2024/25 Business Plan and some new assumptions had been introduced.
- The assumptions underpinning the 2024/25 Budget and Business Plan had been considered by the Performance Sub- Group.
- Monthly reforecasting would take place.
- The 2024/25 budget setting process had been more robust than previous years; key information and templates had been provided to budget holders to help guide them through the process and the Finance Team had met with budget holders to review and check the accuracy of the assumptions.

- The information provided by budget holders had had been used by the Finance Team to prepare the draft consolidated budget which had been reviewed by the Executive.

41. In response to questions, ARAC was advised that the 2024/25 Budget made provision for an increase in staff resource of six FTE, four of these posts would be to support work on Learning and Insight, and provision for a below the projected inflation pay award of 5% in line with discussion that had taken place with other Arms Length Bodies.
42. ARAC discussed the implications of the proposed 5% pay award on the strategic risks and issues associated with attrition and recruitment, noting that such an award would not elevate staff salaries to the position they would have been in had the pay Remit Guidance not restricted LeO's ability to pay staff the 8% pay award provided in its 2023/24 Budget. Considering this and acknowledging what was already being done within LeO's control to mitigate these risks, ARAC urged the Executive to consider what more could be done to address the pay imbalance and mitigate attrition.
43. ARAC **noted** the update on the 2024/25 Budget setting assurance principles.

#### **Item 10– Attestations and single tenders report**

44. The Head of Finance, Procurement and ICT presented the Attestations and single tenders report, drawing ARAC's attention to one attestation in respect of the content preparation for the 2022/23 Annual Report and Accounts and other publications that would be issued throughout the year.
45. In previous years, the content preparation for the Annual Report and Accounts had been undertaken in house; this had relied on staff working overtime to complete the work. Consideration was being given to whether external support would be required to assist with the preparation of next year's Annual Report and Accounts and if so, adequate time would be allowed for a full procurement process to take place.
46. ARAC **noted** that attestations and single tenders report.

#### **Item 11 – Escalations to Board**

47. There were no items for escalation to Board.

#### **Item 12 - Any Other Business**

48. There was no other business.