

**Minutes of the thirty-first meeting of the
Office for Legal Complaints Audit and Risk Committee**

Wednesday 11 January 2017

1.00 pm – 4.00pm

Legal Ombudsman, Birmingham

Present:

Michael Kaltz, Chair
Professor Philip Plowden, member

In attendance:

Kathryn Stone OBE, Chief Legal Ombudsman (CLO)
Rob Powell, Director of Corporate Services (DCS)
Emma Cartwright, Head of Finance
Simon Tunnicliffe, Head of Operations
Caroline Mendes da Costa, NAO (*via conference call*)
David Eagles, Partner, BDO (*via conference call*)
Chris Davis, Government Internal Audit Agency
Jenny Pickrell, MoJ Sponsor Team (Observer)
Julie Myers, Corporate Director, Legal Services Board (Observer)
Nikki Greenway, Head of IT (*item 6 only*)

Apologies:

Tony King, member
Nick Hawkins, Chief Executive (CEO)
Steve Corbishley, NAO

Board Secretary:

Helen White

Preliminary issues:

The ARAC Chair noted that the meeting was technically not quorate. He stated that any items which required a decision would be ratified and documented by the three ARAC members out of committee.

Item 1 – Welcome and apologies:

1. The Chair welcomed and thanked those in attendance. The Chair noted apologies for absence had been received from Tony King, Nick Hawkins and Steve Corbishley.

Item 2 – Minutes of previous meeting:

2. The minutes of the meeting of 6 October 2016 were approved. This decision would be ratified outside the meeting by the three ARAC members.

ACTION:

The Board Secretary to obtain ratification from ARAC members of the decision to approve the minutes of 6 October 2016.

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. Discussion took place on the post audit satisfaction surveys undertaken by GIAA. It was agreed that these surveys would be completed by all parties in the organisation involved in the audit. The point of contact for the completion of these surveys would remain as the CEO's office. It was further agreed that the ARAC members would be surveyed annually.

ACTION:

The CEO to note that the post audit satisfaction surveys would be circulated by the CEO's office to all parties in the organisation involved in each audit.

Internal Audit to issue an annual survey to the members of ARAC

5. Discussion took place on the business combined insurance. ARAC members discussed generally the level of detail of the coverage provided by the MoJ in place of the previously commercially-purchased business combined insurance. ARAC members felt it was for the OLC Board to determine the acceptability of the level of risk implied by any lack of clarity in the MoJ's letter. Jenny Pickrell noted the concerns raised by ARAC members and undertook to discuss this with Andrew Gravener from the MoJ outside the meeting.

ACTION:

Jenny Pickrell to discuss the letter of indemnity with Andrew Gravener.

6. It was agreed that the Head of Finance would forward to Edwin Josephs at the LSB the email exchange which she had had with the ARAC Chair which sets out the accounting entries for the recharge mechanism for the insurance. Those present noted that the amount of the Levy was a matter for the LSB and that therefore it was for the LSB to be satisfied that the charge to the P&L shown in the OLC's books is properly leviable.

ACTION:

The Head of Finance to forward the email correspondence to the LSB and to relay to ARAC the LSB's response.

7. Discussion took place on the risk scale attributed to data incident reports. The ARAC Chair questioned whether the impact and sensitivity of the risks were assessed, as recommended by the ICO. It was noted that this would be discussed further during the Data Handling agenda item (item 4).
8. It was noted that the DCS had discussed the internal audit plan with Chris Davis from GIAA and it had been agreed that the audit work on Estates had been replaced with an audit on the 'Modernising LeO' programme. The Procurement audit had originally been scheduled for Year 3 and would now be brought into Year 2.
9. It was noted that the revised Audit Plan would be circulated to ARAC members for comment out of committee and brought to the April ARAC meeting for approval.

ACTION:

GIAA to circulate the revised three year audit plan to ARAC members out of committee.

The updated three year audit plan to be tabled at the April ARAC meeting.

10. Discussion took place on the 'system of assurance' work being undertaken within other ALB's. Chris Davis reported that it had been agreed that the scope of the corporate governance audit would include work to assist the OLC in producing an assurance map and framework. The DCS stated that he had examples of good practice from other organisations.

Item 4 – Data Handling Incident Report

11. Members noted the data handling incident report which had been circulated and read in advance by attendees.
12. The CLO reported that a number of steps had been taken to increase staff awareness of data handling which included positive links with the ICO and robust measures for any data breaches, including disciplinary action where appropriate. She noted that there would never be a point where the OLC had zero data incidents and reminded members that at the October ARAC meeting, Alison Wedge from the MoJ had stated that she thought the number of incidents reported by the OLC appeared low.
13. The Head of Operations stated that the Executive had focussed their actions on three areas; the importance and understanding of data incidents, the role of the SIRO in the process; and work being undertaken to ensure data reporting became an everyday activity rather than a quarterly report for ARAC.
14. The ARAC Chair congratulated the Executive on progress made to improve data handling awareness. He also noted that there are other organisations handling larger quantities of personal data which have a zero tolerance approach to data

incidents and a strict learning process if any incident does occur. The ARAC Chair urged against complacency and felt that the target number of incidents should be significantly lower than currently experienced. Prof Plowden noted that the number of incidents currently being reported was in line with the figures from the same period last year. He stated that the number of incidents reported in the next quarter would reflect whether the recent increase was a 'blip' driven by system issues or reflected a wider issue.

15. The DCS stated that there was work to be undertaken to put the right structure in place to support him in his role of SIRO. This included reinstating the Security Forum, appointing an ITSO and being clear about what was expected from information asset owners.
16. It was noted that the next Security Forum would discuss the process for handling data incidents that arise from errors with regulators' data.
17. Discussion took place on the risk scale attributed to data incident reports. It was agreed that as SIRO, the DCS would review the internal assessment process undertaken.

ACTION:

The DCS to review the internal assessment process undertaken on data incidents.

Item 5 – Risk Strategy and Strategic Risk Register

18. Discussion took place on the risk and opportunities strategy which included the organisation's risk management policy. It was noted that this would be tabled for formal sign off at the OLC Board in January, at which meeting the annual risk workshop would also be held.
19. It was agreed that the DCS would revise the draft risks and opportunities strategy to reflect that the Head of Finance would report to ARAC any operational risk with a score of 15 or more.
20. The DCS reported that in response to Board feedback, the Corporate Risk Register had been updated to ensure it had the correct balance between internal and external risks. It was noted that the strategic risk register would be updated following the January OLC Board risk workshop.
21. Discussion took place on the ownership of risks. It was noted that GIAA had suggested there should be individual owners for each risk. Prof Plowden queried whether this was the right approach for all risks and requested that the Executive consider this further.

ACTION:

The DCS to consider whether individual risk owners is the right approach for all risks.

22. Discussion took place on whether to add inherent risk to the risk register. The DCS stated that including this was good practice which the organisation should consider. The ARAC Chair noted that other organisations of which he had knowledge did not include inherent risk as part of the Corporate Risk Register. He also noted that the Corporate Risk Register was already so full that it could be read in hard copy only if printed on A3 and he asked that it not be further cluttered.
23. Julie Myers reported that the LSB had run a pilot which introduced inherent risk to the risk register. She stated that this was found to be very useful as it emphasised the controls for mitigating risks.
24. It was agreed that inherent risk would be included as a separate sheet to the Risk Register.

ACTION:

The DCS to include inherent risk as a separate sheet to the Risk Register.

Item 6 – Review of IT Risks

25. Nikki Greenway, Head of IT, joined the meeting to update members on the strategic and operational IT risks and the actions being taken to manage them.
26. Discussion took place on the timetable for the infrastructure procurement programme. The Head of IT reported that the tender went out as planned in November under the MoJ's RM1058 network services framework. She stated the team had been working with MoJ colleagues on bid clarification questions with supplier presentations scheduled for mid-February.
27. It was noted that following supplier presentations formal discussions could commence with the incumbent supplier to discuss the transition.
28. The ARAC Chair questioned whether all areas of risk had been covered in relation to the possibility of a change of supplier and what that would mean for continuity. The Head of IT confirmed that this risk was being actively managed. A safe transition was important to ensure day to day business was not affected.
29. The DCS reported that the infrastructure was key to the new CMS working properly. He stated that whilst the potential change of supplier was a risk, it was also an opportunity and that the internal team were working with MoJ Digital colleagues to successfully manage the transition.
30. Chris Davis reported that an audit was underway on ICT Contract and Procurement which would focus on the preparations for transition to ensure appropriate lessons had been learned. He stated that the fieldwork had been completed and the emerging findings were being finalised with the draft report

due early February. This report would support the preparation for the planned transition in March. It was agreed that the DCS would provide an update in his report to the January OLC Board and also circulate updates out of committee.

ACTION:

The DCS to provide an update on the infrastructure transition in his report to the January OLC Board and also circulate updates out of committee.

31. The ARAC Chair reported that he had met Linda Costello from GIAA to discuss how internal audit could add more value to the organisation. He stated that GIAA may be able to provide specialist resource to work with the internal team during the period between bid evaluation and the opening of negotiations. It was noted that the DCS would work with GIAA to progress this.

ACTION:

The DCS to work with GIAA to source specialist resource to work with the internal team on the infrastructure bid.

32. The ARAC Chair thanked the Head of IT for her update.

Item 7 – Update on Internal Audit Actions

33. The DCS presented the summary of progress against internal audit findings for the audits conducted in 2015-16.
34. He reported that the majority of the areas were on track, except for procurement and business continuity where the completion dates had to be extended. He stated that he was reviewing how procurement would be delivered within the organisation and that the procurement actions would be finalised by the end of March.
35. Discussion took place on the naming protocol introduced to ensure documents within the CMS were marked accordingly. It was agreed that the DCS would provide further information out of committee on this point.

ACTION:

The DCS to provide an update out of committee on the naming protocol introduced to ensure documents within the CMS were marked accordingly.

Item 8 – Internal Audit Reports

36. Chris Davis updated members on the Final Report for the Internal Audit of Performance Data. He stated that ARAC's comments had been taken on board and additional pages added to the report to address the points raised.
37. He stated that the next phase of work would focus on the documentation being prepared for the data dictionary and relationship tables and how these would feed

into the validation rules and reporting protocols. The DCS stated that separate work was being undertaken to develop a proper assurance framework for the data, which would be reported to the OLC in March.

38. Prof Plowden expressed concern that the organisation had been in operation for eight years and had a huge reservoir of information which was not adequately categorised to be able to use within the research function. He stated that part of his remit was to drive the research element within the organisation but this had not been possible due to the data limitations. He stated that whilst the report focussed on how the data was validated it also had a broader set of implications for the organisation.
39. Discussion took place on the next audit to be conducted on Corporate Governance. The ARAC Chair stated that the work undertaken by the DCS on the implementation of the recommendations from the governance review had provided valuable assurance for Board members. He stated that ARAC members would value sight of the terms of reference for the Governance Audit to understand how the audit would enhance the work already undertaken by the DCS.

ACTION:

GIAA to circulate a copy of the ToR for the Governance Audit to ARAC members.

40. Chris Davis stated that the Governance Audit would look to provide further assurance for ARAC on two other strands; namely the set up and governance for the 'Modernising LeO' programme and also a review of risk management through a process of mapping and assurance frameworks.
41. It was noted that the Financial Control Framework audit would take place at the end of March.

Item 9 – External Audit Update / Annual Report and Accounts

42. David Eagles, BDO Partner, stated that the aim had been to bring the Audit Plan to this ARAC meeting but this had not been possible. He stated that he was working with the Head of Finance on the timescale for the visits.
43. Discussion took place on the timing for the internal audit activity being undertaken by GIAA and whether this would impact the external audit timetable. David Eagles confirm most of their work involved effectiveness testing which would include looking at the work undertaken by GIAA.
44. The DCS stated that this may affect the governance statement but he remained confident that the timetable could be managed.
45. Julie Myers confirmed that whilst the LSB have no role in approving the Annual Report and Accounts, they could require the OLC to include certain areas. She

stated that the OLC's Annual Report and Accounts would go to the LSB in advance of the Comptroller and Auditor General.

46. David Eagles stressed that it was critical that the draft Annual Report and Accounts were produced in early May for both the narrative and financial statements.
47. Jenny Pickrell stated that in order to lay the Annual Report and Accounts before the summer recess would be dependent on getting a grid slot, which could not always be guaranteed.
48. The ARAC Chair requested that appropriate version control, tracking and proofreading were utilised during the production of the Annual Report.
49. It was noted that David Eagles would confirm the name of the new OLC audit manager within the next few days.

ACTION:

David Eagles to confirm the name of the new OLC audit manager.

Item 10 – Corporate Policy Management

50. The DCS reported that he had reviewed the corporate policy management within the organisation and that as SIRO, he was particularly concerned about the information security and policy environment.
51. Discussion took place on the number of policies within the organisation. The DCS stated that there remained policies which were no longer required. He stated that work would be undertaken to differentiate between policies and guidance.
52. Members agreed to support the proposal from the DCS to cease IS027001 accreditation and move to compliance with the Security Policy Framework. This has been indicated by Tony King in advance of the meeting. The DCS confirmed that this approach would provide the necessary assurance and align the organisation with government expectations.
53. It was noted that this decision would be ratified outside the meeting by the three ARAC members.

ACTION:

The Board Secretary to seek ratification from ARAC members of the decision to support the move to compliance with the Security Policy Framework.

54. Discussion took place on the draft Information and Data Protection Policy. The ARAC Chair stated that it was key that this policy be easily readable and therefore understood by staff.

55. The ARAC Chair noted that guidance from ICO had been included in the draft in such a way as to make the policy hard to understand for the less experienced reader. He suggested that the policy be a short, easy read making clear to all members of staff how data protection requirements impacted on their jobs; if the Executive felt that it was also necessary to include ICO guidance or legislation, this could be by way of appendix if hard copy or by hyperlinks on the intranet version.

56. It was agreed that the DCS would revise the policy and circulate out of committee for comment.

ACTION:

The DCS to revise the Information and Data Protection Policy and circulate out of committee to ARAC members for comment.

Item 11 – ARAC Terms of Reference Review

57. The ARAC Chair outlined the proposed changes to the ARAC Terms of Reference and sought feedback on the principles outlined in the paper.

58. Discussion took place on the requirement in the current ToR for ARAC to obtain CEO approval before seeking external professional advice where ARAC consider it necessary. It was noted that the fetter, which the ARAC Chair suggested is not found in private sector organisations, was probably put in to the original ToR to protect the position about financial approvals. However, the DCS suggested that removing the reference to CEO approval would not pose a financial risk as ARAC would still need to act according to the principles of MPM and our financial delegations and could clarify compliance independently of the CEO should this be appropriate. Julie Myers noted that to the best of her recollection there is no such fetter in the LSB ARAC ToR – she will confirm this.

ACTION:

Julie Myers to confirm the wording used within the LSB’s ARAC terms of reference relating to the seeking of external professional advice.

59. Discussion took place on the addition of Reserve Members. The ARAC Chair stated that this would be included to mirror Para 58 of the OLC Operating Framework.

60. The CLO suggested an amendment to the Attendee List to outline attendance of “either the CLO or Head of Operations”. Also to add the ability for ARAC to ask for ad hoc representation from Internal Legal.

61. It was agreed that any additional comments would be circulated to the Board Secretary via email.

Item 12 – Financial Approvals

62. The Head of Finance presented the Financial Approvals paper. She stated that there was now a much clearer process and understanding between the OLC and MoJ.
63. It was noted that the report had been expanded to not only include expenditure but also approvals.
64. The DCS reported that Andrew Gravener from the MoJ was visiting the OLC at the end of January at which point a discussion would take place on the anomalies in the delegations from the MoJ.

Item 13 – Any Other Business

65. The ARAC Chair noted that this would be Prof Plowden's last ARAC meeting as his term finished in March 2017. On behalf of ARAC members, he thanked Prof Plowden for his helpful input throughout his tenure.

Next meeting

66. The date for the next ARAC meeting would be Wed 12 April in London.

Helen White
Board Secretary