

The Office for Legal Complaints
The Minutes of the 63rd Audit and Risk Committee Meeting
Thursday 13 June 2024

Members present:

Harindra Punchihewa, Chair

Alison Sansome

Georgina Philippou

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

Stephanie Godbold, Head of Communication, Engagement and Impact (Items 5 - 9)

Tom Harris, Deloitte (Items 1 -4)

Alex Clarke, National Audit Office (Items 1 -4)

Sarah Hutchinson, Government Internal Audit Agency

Steve Hodgson, Government Internal Audit Agency

Kasim Raja, MoJ ALB Centre of Excellence – observing.

Holly Perry, LSB – observing.

Kay Kershaw, Board Governance Manager (Minutes)

Apologies

Matt Ellis, Government Internal Audit Agency

Sylvia Fudge, NAO

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.
4. There were no declarations of interest.

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

5. The minutes of the ARAC meeting held on 20 May 2024 were approved, subject to minor typographical amendments.
6. ARAC **noted** the update on previous actions.
7. There were no matters arising.
8. In line with ARAC's Terms of Reference, ARAC members had met with Internal and External Auditors in a private meeting on 13 June 2024. This had been a positive meeting in which internal and external auditors commented on the improvements and progress that had been seen through audit engagements in the last year and had provided positive feedback on the level of engagement with LeO / OLC.

Item 3 – Internal audit update

9. ARAC was updated on the progress being made on the 2024/25 audit plan, the following points were made:
 - A draft report of the audit of governance had been issued to the Executive for agreement.
 - The audit of Equality, Diversity and Inclusion had been scoped and the Terms of Reference were soon to be shared with the Executive.
 - The 2024/25 internal audit plan remained on track for completion within the agreed timescales.
10. GIAA had provided a moderate annual audit opinion for 2023/24. This was positive and provided assurance on the framework of governance, risk management and control within the OLC.
11. The ARAC members queried the basis for arriving at this opinion when there had been very positive outcomes of the audits completed during the year. It was explained by GIAA that the annual audit opinion had been based on the holistic view of the assurance reviews and internal audit outcomes over the last 3 years. Further, the extent to which audit recommendations had been implemented and the wider control environment had been taken into consideration by GIAA when providing its annual audit opinion.

12. The following key points arising from 2023/24 audit engagements were drawn to ARAC's attention:

- Audit engagements in 2023/24 had provided evidence of continued improvement based on audit outcomes, with fewer recommendations being made and evidence of effective and timely action being taken to implement them.
- Further progress being made on embedding governance, risk management and assurance frameworks, building on the work undertaken in 2022/23.
- There had been a notable improvement in governance since 2021.
- The Performance Management Framework provided a clear and comprehensive picture on performance within the OLC. Recommendations had been made to ensure data validation was appropriate and fit for purpose.
- There was scope to strengthen and enhance the analysis and reporting of customer feedback from customer satisfaction surveys.

13. In response to questions about whether GIAA's annual report had adequately reflected the positivity of the 2023/24 annual opinion; whether the size of the audit plan had been a limiting factor when forming the annual opinion and if so whether this had been discussed with ARAC before the decision was made to reschedule one of the audit engagements to 2024/25; and, whether the legacy tail of the 2020/21 limited audit opinion was expected to be a factor in future annual audit opinions, the following points were made:

- The 2023/24 annual report had provided a balanced narrative reflecting the positive audit findings that had been seen over the last three years.
- Whilst the size of the 2023/24 audit plan had been small, it had provided sufficient work during the year for GIAA to provide a 'rounded' opinion. ARAC had not challenged the size of the audit plan on the grounds that it was sufficient for the GIAA to assess and provide a reflective annual opinion.
- It was not possible for GIAA to cover all areas of strategic risk in one year. The 2023/24 audit engagements had provided a snapshot of some areas of the organisation and therefore it had been important to consider the outcome of these audit engagements in context alongside the outcomes of audits undertaken in previous years when forming its annual audit opinion.
- A year on year improvement had been observed since the limited annual opinion had been provided in 2020/21; if this improvement trajectory was to be maintained during 2024/25, it was anticipated that the legacy tail would disappear by the end of the year.

- Approximately ninety percent of the annual audit opinions provided by GIAA across government were moderate.
14. The ARAC Chair reported on discussions that had taken place in a meeting with GIAA which included the need for more clarity upfront on the wider view being taken by GIAA on assurance activities and outcomes over a three year period when forming its annual opinion; how a two or three year audit programme, as distinct to a formally agreed comprehensive one year audit programme, would provide a wider perspective on assurance; and, the consideration being given by GIAA to differentiating between 'fragile' and 'stronger' moderate audit opinions within a very limited ratings in place at present.
15. ARAC **noted** the update from GIAA and conformed that it was **content** with GIAA's moderate annual opinion for 2023/24.

Item 4 – External audit update

16. External auditors presented the audit completion report on the 2023/24 financial statements drawing ARAC's attention to the following points:
- The external audit of the 2023/24 financial statements had progressed smoothly but remained subject to the completion of a limited number of audit actions, including the completion of one adjustment to the financial statements relating to the classification of the dilapidation provision for the Legal Ombudsman's Birmingham office lease.
 - Materiality based on expenditure had increased from £334k to £335k.
 - Auditors had not identified any adjusted misstatements in excess of the £6000 reporting threshold.
 - There had been no evidence of management override of controls; final reviews of journal testing were in progress but currently there was nothing of concern to bring to ARAC's attention.
 - No evidence of fraud had been identified during the course of the audit.
 - Two unadjusted misstatements had been identified relating to the reclassification of corporation tax and the capitalisation of the dilapidations provision. The reclassification of corporation tax was not material and auditors were content for this not to be corrected. The dilapidations provision required a technical adjustment to the treatment of the dilapidations provision to be capitalised and amortised over the current lease period ending August 2024 to ensure compliance with IRFS16.
 - The need to resolve this accounting technicality had created a small delay to the audit completion timetable.
 - Subject to the satisfactory completion of the remaining audit actions and procedures, auditors anticipated recommending to the Comptroller

and Auditor General (C&AG) that the OLC's 2023/24 financial statements should be certified with an unqualified audit opinion, without modification in respect of both regularity and the true and fair view on the financial statements.

- With the General Election scheduled for 4 July 2024, Parliament was now prorogued; it was anticipated that Parliamentary business would resume after the Kings Speech and State Opening of the new Parliament on 17 July 2024. Considering this, a revised timetable had been agreed with the MoJ.
- Auditors now aimed to conclude all remaining audit actions and procedures so that the Comptroller and Auditor General (C&AG) could provide a shadow certification and confirm that their audit opinion could be issued once Parliament resumed, subject to any final post balance sheet event checks.
- The accounts could then be signed by the Chief Ombudsman, as Accounting Officer, and then sent to the C&AG for their actual certification which was expected to take place around 11th to 17th July 2024.
- It was anticipated that the OLC's Annual Report and Accounts would then be laid in Parliament between 18 July and summer recess, however this remained subject to some risk, including the post-election pressures in achieving Ministerial sign off.
- Auditors formally thanked the Head of Finance, Procurement and ICT and their team for the support provided throughout the audit.

17. The Head of Finance, Procurement and IT reported that the audit team had been experienced and their approach had been rigorous. LeO had provided timely responses to auditors' requests for supporting documentation.

18. In discussion, ARAC was advised that costings for the dilapidations provision for the Birmingham office had been shared with the auditors. Having considered the costings, auditors would meet with the Head of Finance, Procurement and IT to discuss the accounting adjustments that would need to be made. This was expected to be done very quickly following this meeting.

19. The financial statements would be reviewed once the adjustments had been made and auditors would then complete their final audit checks. It was anticipated that this work would take no more than a week to complete; confirmation of the timeline would be shared with OLC/LeO by the end of the day.

20. If adhered to, this timeline would ensure that ARAC had sufficient time to review the accounts, sign them off and recommend them to the Board for approval so that they could be certified in line with the C&AG's timetable set out above. The ARAC Chair stressed the importance of ensuring that the accounts were accurate before they were shared with ARAC for sign off.

21. The ARAC Chair reported that a decision would be made in discussion with the Board on the process for ARAC to sign off 2023/24 accounts and to provide its formal recommendation to the Board for approval.
22. Having completed their final checks, auditors confirmed that an audit findings paper would be issued to the OLC/ LeO to confirm that the remaining open audit items had been closed and to provide an update on the control findings from 2022/23 and any new ones identified following the 2023/24 financial statements audit.
23. ARAC was advised that the costings for the dilapidations provision would have an impact on the final end of year statements, resulting in either a c£33,000 underspend or a c£119,000 overspend position depending on which estimate for the provisions was adopted; either position was within the 1% tolerance set by the MoJ.
24. The net effect of this would be very minor in terms of the draw down of levy funding at the end of the year.
25. ARAC discussed the impact of the General Election and how any delay in Ministerial sign off, which was outside of the OLC's control, might jeopardise the OLC's Annual Report and Accounts being laid in Parliament before summer recess. ARAC was advised that LeO, the MoJ and Auditors were closely monitoring this risk and would ensure that contingencies were in place for an alternative timeline should laying be required in September. In the meantime, all parties would be as prepared as possible to lay the Annual Report and Accounts before the summer recess in line with the original audit timetable.
26. ARAC **noted** that that post balance sheet reviews would be required if it were not possible to lay the Annual Report and Accounts in Parliament before the summer recess.
27. Reflecting on lessons learned so far from the 2023/24 audit of financial statements, the ARAC Chair **recommended** that LeO engaged with auditors as early as possible ahead of future audits to clarify any technical accounting issues or changes to accounting standards to agree the necessary treatment to ensure that any risk to the audit timetable was mitigated.
28. ARAC had been pleased that overall, the audit of the 2023/24 financial statements had gone smoothly and was now in its final stages and **noted** the external audit update.

Item 5 – Annual report and accounts 2023/24

29. With the audit of financial statements not yet completed, ARAC considered the following two options available to the Committee for the review and sign off of the accounts for recommendation to the Board:
 - Option one: ARAC to sign off the accounts for recommendation to the Board today, subject to the changes required in respect of the

dilapidation provisions. This option was suggested by the external auditors.

- Option two: ARAC to review and sign off the accounts for recommendation to the Board by circulation or in an additional ARAC meeting once the revisions had been made to the financial statements.
30. The Chief Ombudsman, as Accounting Officer, reported on the close engagement between LeO and the External Auditors which would continue until the audit of financial statements had concluded. Based on the assurances provided by external auditors, and that no risks other than those associated with the dilapidation provision, which was actively being addressed, the Chief Ombudsman confirmed that he would be happy to sign off the accounts as Accounting Officer when it was appropriate to do so.
31. Having considered the potential impact of a further delay associated with option two if ARAC were to sign off the accounts by circulation or at an additional ARAC meeting, the assurance provided by external auditors earlier in the meeting, and the assurance provided by the Accounting Officer, ARAC members **confirmed** that they were content to recommend option one to the Board on the condition that further discussions would need to be held if the changes made to the accounts for the dilapidation provision breached the 1% tolerance set by the MoJ or if any regulations were breached.
32. It was **noted** that only necessary substantive changes would be made to the front-end of the Annual Report at this stage in the process but feedback on further improvements that could be made to the front-end would be welcomed as part of the 2024/25 Annual Report and Accounts process.
33. Details of typographical errors in the Annual Report and a query about the consistency of information presented about past and present OLC members would be shared with the Head of Communication, Engagement and Impact for consideration.
34. Subject to the correction of typographical errors and the resolution of this query, ARAC members **confirmed** that they were satisfied with the Annual Report

Item 6 – 2025/26 Budget and Business Planning

35. The Head of Programme Management and Assurance presented a paper setting out the progress made to date on the 2025/26 Budget and Business planning.
36. In discussion, the following key points were made:
- Lessons learned from the 2024/25 Budget and Business planning had been shared with ARAC in May.

- In response to an invitation from the LSB, LeO had provided feedback on potential changes to the Budget Acceptance Criteria for the LSB and its Board to consider.
- Performance Sub-Group (PSG) meetings had been scheduled to support the budget and business planning process for 2025/26. The focus of these meetings would be on the assumptions, contingency, forecasts and the trajectories underpinning the 2025/26 budget and business plan.
- In discussion with the ARAC Chair, ARAC's Budget Setting Assurance Criteria had been revised; the revisions were being considered by the CO.
- The budget and business planning milestones report had been drafted for consideration by the Executive. This would be shared with ARAC and the Board in due course.

37. ARAC **noted** the update on the 2025/25 budget and business planning.

Item 7 – Feedback from external attendees on the meeting

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

Item 8 – Escalations to the Board

39. ARAC would put forward its recommendation for the process of signing off the accounts to the Board for consideration.

Item 9 – Any other Business

40. The ARAC Chair thanked Auditors and the Executive for their support on the Annual Report and Accounts process.