

Meeting	OLC Board Meeting	Agenda Item No.	5
		Paper No.	134.3
Date of meeting	25 July 2024	Time required	10 Minutes

Title	ARAC Update
Sponsor	Hari Punchihewa, ARAC Chair
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary	
<p>The paper provides the OLC Board with the key actions, escalations, and assurances from the May ARAC meeting.</p> <p>ARAC received assurance in the following areas:</p> <ul style="list-style-type: none"> • Risk, audit and governance • Assurance Map (annual review) • Internal audit • External audit • Annual Report & Accounts progress • Financial Governance • Budget and Business Plan Lessons Learned • Fraud (annual review) • Attestations and Single Tenders • Information rights and security (quarterly review) <p>For completeness, the minutes of the May ARAC meeting are included in the July Board meeting pack.</p>	
Recommendation / action required	
<p>Board is asked to:</p> <ul style="list-style-type: none"> • Note the ARAC update 	
Equality Diversity and Inclusion	
EDI implications	Yes
<p>In keeping with the Legal Ombudsman’s commitment to inclusivity, this paper will be published on LeO’s website.</p>	

Freedom of Information Act 2000 (Fol)	
Paragraph reference	Fol exemption and summary
Full paper	N/A

May ARAC update

1. Assurance provided

Risk Assurance Report

The committee received assurance on the year end position of the 2023/24 strategic risks and issues (including their management and movement); the proposed 2024/25 strategic risks and issues; new approach to risk reporting for 2024/25, which takes account of previous OLC Board feedback.

Two strategic issues (staff attrition) and one strategic risk (Edward House lease) had reduced in scoring at the end of Q4. Wider risks remained stable and scoring remaining the same as the previous quarter. Two new risks were added to the 2024/25 strategic risk register (insufficient resources to deliver the impact objective and inability to absorb demand). ARAC heard that all target risk scorings have been considered and agreed by the Executive and will be included for discussion at the Board risk workshop.

The Executive presented a new approach to risk reporting for 2024/25, a further evolution and development of the current model and one based on risk tolerance and driven by the agreed risk appetite position. MoJ fed back positively on progress in developing our approach to risk management including positive engagement with the central MOJ risk team. OLC's approach demonstrated clear signs of maturity in risk management and was considered advanced compared with other public bodies.

Annual Assurance Map

A summary was provided on overall annual assurance, the process by which all business functions are assessed via a 3-line of defence model which forms an overall RAG with supporting narrative for each. Following last year's review, three areas had moved from amber to green (HR, ED&I and External Affairs). A further three areas had been highlighted requiring further improvement (counter fraud, contract management and commercial, and information management).

The committee were pleased to see the direction of travel and that further improvements were being made to the reporting of the assurance map going forward.

Internal Audit

The final audit of the 2023/24 audit plan was presented (Customer Feedback) which received a moderate rating. This concluded the 2023/24 audit plan.

GIAA shared that an indicative 'moderate' audit opinion would be provided for inclusion of the 2023/24 Annual Report & Accounts. The basis for this assessment was questioned by ARAC members and the Chief Ombudsman given the high proportion of 'substantial' ratings through the year. GIAA presented the rationale for the annual opinion and stated this had been based on the OLCs performance over

the last 3 years and is not restricted to the last 12 months. ARAC members felt this approach to assessing the annual opinion wasn't necessarily made clear to ARAC and to the Board which left the members with some confusion. GIAA informed that they are reviewing this process anyway with possible review of the rating categories and committed to keep us fully informed on this development.

The 2024/25 audit plan was underway, with the Governance audit in its fieldwork stage. A further scoping meeting for the audit on ED&I had been planned.

Progress on Annual Report & Accounts & External Audit

The committee considered progress against accounts and supporting schedules being shared with external audit.

The committee heard that the external audit had commenced and there were no issues to report so far. There had been an increase in the provision of the dilapidations of £166k which was funded from net bank interest as it was higher than budgeted due to increased interest rates.

All supporting evidence for the audit was submitted in advance of the audit commencing. Meetings between audit and LeO colleagues have been diarised to ensure the programme of work remains on track. NAO confirmed that the audit would be completed in time to meet with the agreed timetable.

Financial Governance

The committee noted the year end budget variance which was within MoJ's 1% tolerance level. All controls and mitigations had been implemented during the year to reduce the risk of fraud and ensure the accounts are accurate.

MoJ had confirmed that the Cabinet Office pay remit for 2024/25 would not be confirmed until the end of summer. ARAC heard how this presented a risk in terms of end year underspend given that the timescale for re-prioritising any gap between the final pay remit settlement and LeO's budgeted 5% pay award would not be possible to recover in the limited time available.

Two single tender justifications were presented to the committee for the period January-March 2024.

Annual Fraud update

Through 23/24 LeO had undertaken rigorous checks and reviews in relation to fraud which was shared with MoJ on a quarterly basis. Since the year end review, a revised anti-fraud, bribery and corruption policy has been approved and published on LeO's internal policy page. The committee noted there were no known instances of fraud in 23/24, or to date.

Budget & Business Plan Lessons Learned

The committee noted the success in delivering both a Budget & Business Plan and 3-year strategy, which included the early planning of key meetings and stakeholder

events. The Executive were invited by the Legal Services Board to feed back on suggested changes to the Budget Acceptance Criteria by early June. The committee welcomed the commitment to make continuous and incremental improvements to the process. Since then the latest proposals for improvements of the process were considered by the Chair of ARAC.

Information Rights & Security Report

The Committee considered a report on Information Rights & Security, providing assurance on data and Freedom of Information (Fol) and Subject Access Requests (SARs). A summary of this is included in the minutes of the meeting.

Decisions & Escalations to the Board

No papers required a decision from the committee. There were no items highlighted for escalation to the Board.