

**Minutes of the Forty-Sixth Meeting of the
Office for Legal Complaints Audit and Risk Committee
Monday 29 June 2020, by video call**

Members Present:

Shrinivas Honap, Chair

Rebecca Hilsenrath

Annette Lovell

In attendance

Elisabeth Davies, OLC Chair

Rebecca Marsh, Chief Ombudsman (CO)

Brendan Arnold, Director of Corporate Services (DCS) and SIRO

Michael Letters, Financial Controller

Siobhan Fennell, Head Ombudsman

Alex Moore, External Affairs Team Leader

Laura Stroppolo, Business Planning Manager

Chris Davis, Government Internal Audit Agency (GIAA)

Ella Firman, National Audit Office (NAO)

Steven Corbishley, National Audit Office (NAO)

Nuwan Indika, BDO, External Audit

David Eagles, BDO, External Audit, by telephone

Matthew Hill, CEO, Legal Services Board (LSB)

Robert Grant, Ministry of Justice (MoJ)

Apologies:

Alison Wedge, Ministry of Justice (MoJ)

Board Secretary:

Kay Kershaw

Item 1 – Welcome, apologies and preliminary matters

1. The Chair welcomed those in attendance and introductions took place.
2. Apologies were noted.
3. The meeting was quorate.
4. There were no declarations of interest reported.

Item 2 – Internal Audit: final 2019/20 annual report and opinion.

5. Chris Davis presented GIAA's annual report and opinion, which provided a limited opinion on the framework of governance, risk management and control within the OLC for 2019/20.

Item 3 – Update on Internal Audit actions

6. ARAC received an update on the actions arising from the audits on payroll and financial management (payments).
7. Of the eight actions arising from the payroll audit, seven actions have been completed and one has been partially completed and awaits input from an external provider before being fully completed. Steps were being taken to pursue this action with the external provider and ARAC would be kept updated on the progress being made.

ACTION: The Financial Controller to ensure that ARAC is kept updated on the progress being made to address the remaining action from the payroll audit.

8. Of the 14 actions arising from the Financial management (payments) audit, 12 have been completed and two were reported as outstanding; a verbal update from the Financial Controller confirmed that one action was completed prior to the meeting and the other is to be completed by the end of quarter 2.
9. Chris Davis requested updates on the action arising from other internal audits and it was agreed that this information would be send to him by 15 July.

ACTION: The Financial Controller to arrange for an update on all other outstanding actions from Internal Audits to be issued to Chris Davis by 15 July.

10. The draft Terms of Reference (ToRs) for the audits on Corporate Governance and the Risk Management and Assurance Framework have been shared with the CO to review and agree. The final ToRs would be shared with the OLC Chair.

Item 4 – External Audit update and Audit Completion Report on the 2019/20 Financial Statement Audit.

11. External Auditors presented the Audit Completion Report on the 2019/20 Financial Statement Audit.
12. The report stated that it was anticipated that a recommendation would be made to the Comptroller and Auditor General to certify the 2019/20 financial statements with an unqualified audit opinion, without modification in respect of both regularity and the true and fair view of the financial statements.
13. The audit of financial statements was substantially complete, subject to the completion of four actions relating to the recoverability of case fee receivables, internal review process, Annual Report and Accounts disclosures and accounts disclosures.
14. Whilst recognising the challenges faced by the OLC including key staff changes, loss of corporate knowledge and remote working, the report highlighted concerns about the

quality of the financial statements presented for audit. This had resulted in the need for additional audit resource and the audit fee was increased by £6k.

15. The newly appointed Financial Controller shared his observations of the internal processes for preparing financial statements and gave his initial assessment of improvements that needed to be made. He advised ARAC that steps were now being taken to introduce more frequent and robust financial checks in order to improve the quality of the accounts and that documented processes, setting out clear segregation of duties, would be developed.
16. Auditors reported that further work was required to obtain sufficient assurance that long overdue case fee debts were recoverable. The Audit Completion Report would be updated and re-circulated to ARAC for approval once this work had been done and the letter of representation would be updated accordingly.
17. In discussion, the DCS reported that a strengthening response to dealing with aged case fee debts was being developed. As part of that work, the Chair asked for a clear provisioning policy for dealing with aged case fee debts to be developed.

ACTION: Financial Controller to develop a provisioning policy for dealing with aged case fees.

18. ARAC considered the unadjusted misstatement set out in the identified misstatements section on page 17 of the report. ARAC **noted** that, in line with previous years, the Executive did not propose to adjust for the perceived misstatement regarding its policy to carry the effects of the first rent free period arising from the lease for its office premises to the profit and loss account. This was because adjusting a long-established policy may confuse users of the accounts and the amount (£20,000) was not material. Having considered this, ARAC **endorsed** the Executives decision not to adjust for this perceived misstatement.
19. ARAC **noted** the Audit Completion Report on the 2019/20 Financial Statement Audit.

Item 5 – Final 2019/20 Annual Report and Accounts sign off

20. Having reviewed the 2019/20 Annual Report and Accounts, ARAC unanimously agreed to **recommend** to the OLC Board that it approves and signs off 2019/20 Annual Report and Accounts.
21. The Chair requested that an Annual Report and Accounts lessons learnt exercise was conducted and that the findings were reported at the next ARAC meeting in October.

ACTION: The Financial Controller to conduct a lessons learnt exercise and report the findings at the next ARAC meeting in October. Board Secretary to add to the ARAC forward plan.

Item 6 – Any other business.

22. The Chair requested that the minutes of the ARAC meeting held in May were circulated out of Committee and for comments to be sent to him.

ACTION: Board Secretary to circulate the minutes of the ARAC meeting held in May out of Committee for comments.