Meeting: Legal Services Board

Date: 24 March 2026

Item: Paper (26) 69

Title: Annual Report of ARAC 2025/26

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Status: Official

Introduction: Purpose of the paper

1. The Terms of Reference (ToR) for the ARAC provide that:

   'The Chair of the Committee will produce and present to the Board on an annual basis a report summarising the activities of the Committee and the outcomes of its work. This report will be presented to the meeting of the Board that is scheduled to consider and agree the LSB's Annual Report and Accounts for the preceding financial year'.

2. This paper presents a final report about the activities of ARAC during the period 1 April 2025 to 31 March 2026 to provide sufficient assurance to the Board that there were effective arrangements in place to provide assurance on risk management, governance and internal control. This report will help inform the LSB's *Annual Report and Accounts 2025/26*.

3. The current ToR are attached at **Annex A**. (Last reviewed as part of the 2025 LSB's Governance Manual Review – agreed by the Board on 27 November 2025).

Recommendation

4. The Board is invited to **note** ARAC's Annual Report for 2025/26.

Annexes

Annex A – ARAC Terms of Reference
Annex B – ARAC Work plan

ARAC Annual Report 2025/26

Overview of the Committee and its ToR

1. The principal responsibilities of the ARAC are to review and to offer its views about such matters as may be referred to it by the Board or the Accounting Officer, or such other relevant matters as the Committee may determine, in accordance with its agreed ToR.

2. [The Corporate governance in central government departments: code of good practice](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609903/PU2077_code_of_practice_2017.pdf)[1] requires Boards to ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. In this respect, Boards are required to be advised independently by an Audit Committee and an internal audit service.

3. The principal responsibilities of the Committee are set out in agreed ToR, which are published on the LSB's website. These responsibilities include, as appropriate, receiving and considering reports from both independent internal and external auditors, respectively Crowe LLP (the Internal Auditor) and the National Audit Office (NAO – the External Auditor).

Membership and attendees

4. The Chair and other members of the Committee are appointed by the Board, in accordance with the Legal Services Act 2007 and the Committee's ToR. The quorum for a meeting of the Committee is three members.
5. The Membership and attendance of the Committee in 2025/26 were:

Lizzie Peers (Lay) (Chair)	4/4
Clare Brown (non-Lay)	3/4
Gary Kildare (Lay)	4/4
Kate Briscoe (Lay) (Member till 30 September 2025)	0/1
Marta Philips (independent member)	4/4

6. Representatives from Crowe LLP, NAO and the MoJ were represented, as appropriate, at meetings of the Committee. Their attendance together with that of the LSB executive was as follows:

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1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609903/PU2077_code_of_practice_2017.pdf

Craig Westwood (Board Member, Chief Executive and Accounting Officer) (till 30 September 2025)	0/1
Richard Orpin, (Interim CEO from[2])	4/4
Matilda Quiney (Director, Corporate Services)	4/4
Danielle Viall (General Counsel)	3/4
Femi Otukoya (Head, Finance, IT and Procurement)	4/4
NAO (External auditors)	4/4
Crowe (Internal auditors)	4/4
Ministry of Justice	3/4

7. The Secretary to the Committee was the Corporate Governance Lead. Other LSB colleagues attended as necessary, for example colleagues attended to present deep dive reports on specific areas of risk. Other SLT members have also attended to observe meetings.

Observance of Terms of Reference

8. The ToR require the Committee to meet at least three times a year. During 2025/26, the Committee met four times, on the following dates:
    - 9 June 2025
    - 29 September 2025
    - 18 November 2025 (a meeting scheduled to consider the draft budget)
    - 3 March 2026
9. In accordance with its ToR, the Committee monitors its own effectiveness in discharging its functions and in 2026 evaluated its effectiveness via the NAO guide. The areas for improvement were presented to the Committee at their March 2026 meeting.

10. The Committee operated in a manner considered to be compliant with its ToR. When the Committee is not quorate it will ratify its decisions via compliance with the Committee's ToR.

11. The Committee confirms to the Board that the ToR attached at **Annex B** remain current and that no changes are necessary at this time.

Main activities

12. The Committee's regular activities in 2025/26 included:

[2] Richard Orpin served as Interim Chief Executive from 16 May 2025 until 12 January 2026, at which point he was appointed permanently to the position of Chief Executive.

- sitting as a Finance Committee to scrutinise the LSB budget;
- review and scrutiny of the LSB's Annual Report and Accounts 2025/2;
- review and scrutiny of the activities of the External Auditor;
- review and scrutiny of the activities of the Internal Auditor;
- review and scrutiny of the LSB Governance Manual; and
- oversight of the Committee's business programme, ToR and its effectiveness/performance.

13. Specific activities and matters considered in 2025/26 included:
    - Review of the Procurement Policy.
    - Started a review of the Corporate Risk Register and wider risk management framework. This activity took the place of the annual review and scrutiny of risk management and controls, including the annual review of the LSB Risk Management Statement.

14. Members also met in private sessions with the Internal, External auditors and Accounting Officer, in rotation throughout the year.

Audit services

15. Internal and external audit services were provided, respectively, by Crowe LLP and NAO.
16. The NAO used an external audit firm, Deloitte LLP to undertake the detailed work to support the C&AG's opinion for the 2024/25 audit, presented to the June 2025 meeting.
17. An update on the interim audit for 2025/26 was presented to the March 2026 meeting ahead of the start of the year-end audit in April 2026. The NAO has contractual arrangements and safeguards in place to ensure that framework partners are independent, competent and objective.
18. The auditors were represented, as appropriate, at all meetings of the Committee.

Internal Audit

19. The Committee noted the *Internal Audit draft three year audit plan*, covering from 2025/26 to 2027/28 at its meeting on 3 March 2025.

20. The internal audit work programme for 2025/26 covered:
    - Accounts Payable (including Fraud Analytics) – *Full assurance*
    - Cybersecurity (Backups and Disaster Recovery) – *TBC*
    - Action Follow-Up – *N/A*
    - Management Time and Audit Committee Attendance – *N/A*

21. The Committee concluded that the executive has responded positively to audit findings and has taken, or is in the process of taking, action to implement agreed recommendations from all Internal Audit reports. Progress against internal audit actions are tracked and reported on at each Committee meeting.

External Audit

22. The Committee noted the contents of the NAO's Audit Completion Report for the previous year 2025/26 at its meeting on 9 June 2025, at which it was reported that:
    - the audit work had been completed and an unqualified audit opinion, without modification, would be given by the Comptroller and Auditor General (C&AG).
    - there were no concerns in relation to fraud risk.

23. The Committee is due to receive and consider the NAO's Audit Completion Report 2025/26 at its meeting on 2 June 2026.
24. A final draft of the LSB's Annual Report and Accounts 2026/27 is due to be considered by the Committee at its meeting on 2 June 2026. The Report will then be laid before Parliament before the summer recess, with the Board approving the Report, following any further amendments as a result of final scrutiny by the Committee.

Assurance processes

25. The Chief Executive meets members of the Senior Leadership Team individually on a weekly or fortnightly basis, as appropriate for each member. SLT members hold similar meetings with their reports and ensure that controls are in place on an ongoing basis. The SLT meets formally on a weekly basis to approve policies, review exceptions, identify and act on lessons learned, to review the corporate risk register (monthly) and undertake a forward risk review every quarter.

26. The Committee considers that ongoing management review and communication, supported by the findings of audits and MoJ oversight, give sufficient evidence to provide the Accounting Officer with assurance that systems are sufficiently robust and that the exceptions are materially insignificant.

Committee terms of reference, performance and reporting

Terms of reference

27. The Committee's current ToR were agreed by the Board at their meeting on 18 November 2025, following a review as part of the scheduled annual review of the LSB's governance arrangements.

Performance

28. The Committee has previously agreed that it will assess its own performance and effectiveness against good governance practice such as amongst other things the 'Audit and Risk Assurance Committee Handbook'[3] and 'The Audit Committee Effectiveness tool[4] every other year.

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[3] Audit Committee Handbook' (HM Treasury, published May 2013, updated 4 April 2016).

[4] Audit and Risk Assurance Committee effectiveness tool (National Audit Office, May 2022).

29. The ARAC performance review (undertaken using the NAO effectiveness tool which asked Committee attendees to rate 163 statements on a scale of 1 – 3. with both members and attendees completing the assessment took place in early 2026. The top level findings and recommendations:

    a. Responses were rated on a Red/Amber/Green (RAG) system. The average score (when considering responses that received 3+ responses) was 2.09/3 – Good Practice (Amber).

    b. The Committee excelled (Green) at the statements *'All members and attendees make valuable contributions to meetings*' and '*ARAC acts in an inclusive and respectful manner, avoids 'group think', and provides an appropriate balance between challenge and support.*'

    c. There were 17 statements that received a Red rating and recommended actions were considered as high or low priority.

    d. Of the high priority recommended actions a few focused on the Committee's approach to risk – assessing and managing risk.

    e. Another key area that received Red ratings was statements that related to inducting, training and developing Committee members to ensure they had the appropriate skills and knowledge.

30. The ARAC Chair has attended MoJ Arms-Length Body ARAC Chairs' meetings when they occur and feeds back on key points covered.

Reporting

31. Oral reports of all meetings of the Committee were presented to the subsequent meeting of the Board, presented by the Chair of the Committee, or a nominated deputy.

32. In addition, this written report about the activities of the Committee in 2025/26 will be presented to the Board at its 24 March 2026 meeting.

Forward look to 2025/26

33. The Committee will continue to operate in accordance with its agreed ToR and annual business programme (**Annex B**).

34. Finally, the Committee will continue with efforts to further improve its own performance.

Conclusion

35. The Committee concluded that its activities in 2025/26, including its regular challenge of the executive and the auditors, were sufficient to provide assurance to the Accounting Officer and Board that the LSB had effective arrangements in place in relation to risk management, governance and internal control.

Recommendation

36. The Board are invited to **note** the annual report of ARAC 2025-26.

Annex A

Terms of Reference
Audit and Risk Assurance Committee (ARAC)

Responsibilities

1. The Board has established an Audit and Risk Assurance Committee to review, scrutinise and offer its views about such matters as may be referred to it by the Board or the Accounting Officer or such other relevant matters as the Committee may determine, in accordance with these Terms of Reference.

2. These matters may include, but are not limited to:

- risk management, financial and other controls, and the Governance Statement and assuring itself that the risk management policy is effective and consistent with the Board's policies and appetite towards risk;

- considering and scrutinising a draft of the annual budget of the LSB;

- the accounting policies, the accounts and the annual report of the LSB, including the process for reviewing the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditor;

- proposals for tendering for internal audit services and recommending to the Board the appointment of internal auditors;

- the purchase of non-audit services from contractors who provide audit services;

- the planned activity and results of both internal and external audit;

- the adequacy of management's response to issues identified by audit activity, including the external auditor's management letter;

- assurances offered by the Executive relating to the corporate governance requirements for the LSB;

- an annual review of the Corporate Governance Manual before recommendation to the Board for approval;

- an annual review of Board Members' and senior colleagues' expenses;
- the adequacy of the LSB's implementation of and compliance with functional standards;

- assurance on the arrangements for cyber security and data protection;

- anti-fraud policies, anti-bribery and whistle-blowing processes and arrangements for special investigations; and

- the outcomes of its periodic reviews of its own effectiveness and these terms of reference.

General

3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit. For the avoidance of doubt, this includes advice on matters where action or improvement is needed including:

    - on specific issues where the Board is the decision taker; and

    - on matters delegated to the Chief Executive where there is a substantive difference of view.

Authorities

4. The Committee is authorised by the Board to:

- investigate any activity or topic covered by these Terms of Reference;

- request any information it requires from the colleagues, all of whom are directed to co-operate with any request for such information;

- obtain at the expense of the LSB, external financial, legal or other independent professional advice or training, subject to budgets agreed by the Board; and

- appoint, remove and approve the terms and conditions of appointment of professional advisers to the Committee.

Membership

5. The Committee and its Chair will be appointed by the Board from amongst its ordinary, non-executive Members and the period of appointment to the Committee shall be agreed by the Chair of the Board.

6. A majority of the Committee’s Members will be lay persons.

7. The Chair of the Board may not be a member of the Committee.

8. The Chair of the Committee may not also be the Chair of the Remuneration and Nomination Committee.

9. At least one ARAC member should hold a suitable financial qualification or background. If a Board Member is unavailable to be appointed to the Committee, or if such skills need to be added to the Committee for any other reason, the Board may appoint a suitably qualified non-Board member as an adviser to the Committee. The adviser will be appointed for a three-year term.

Access

10. The Committee will hold private meetings with each of the following at least once per year.
    - Internal auditors (usually at the March meeting)
    - External auditors (usually at the June meeting)
    - Accounting Officer (usually at the October meeting)

11. The internal and external auditors will have free and confidential access to the Chair of the Committee.

Meetings

12. The Committee will meet at least four times a year. An indicative annual cycle of non-exhaustive agenda items is provided at Annex A. Meetings will be scheduled to coincide with key dates within the reporting and audit cycle covering financial and control matters - this includes an appropriately scheduled meeting to review the annual report and accounts prior to submission to the LSB Board for approval.

13. The ARAC Chair may convene additional meetings as deemed necessary. A Board Member or the internal and external auditors may request the Chair of the Committee to convene an additional meeting of the Committee.

14. The quorum for a meeting of the Committee will be three Members composed of a majority of lay members, attending in person or by telephone or video-conferencing facility and decisions may be made or ratified following a suitable exchange of correspondence.

15. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

16. Where a meeting is not quorate it will nevertheless go ahead, with decisions to be ratified via a Decision Notice and correspondence, or at the next meeting of the Committee or the full Board, as appropriate.

17. Where necessary, in order to make sure that Committee members are aware of the nuance of a particular debate, a resolution may be circulated to all Committee members after a meeting and a decision taken by email. A decision might be delayed to a subsequent meeting where there is any doubt as to the decision taken.

18. The Accounting Officer, Director, Corporate Services, Head, Finance, IT and Procurement, General Counsel and normally not more than two representatives of each of the internal and external auditors and Ministry of Justice will attend meetings of the Committee except where ARAC sits as a Finance Committee at which only ARAC Members and LSB executive are required to attend.

19. The Board Chair shall attend no more than one ARAC meeting in each year as an observer, thus strengthening the independence of the Committee. Other

colleagues will attend meetings at the invitation or direction of the Committee or the Accounting Officer.

20. The Committee will have the right to direct those attending a meeting to withdraw to facilitate the open and frank discussion of particular matters. The Committee may direct all colleagues to withdraw during private discussions with either or both the internal and external auditors.

21. The Corporate Governance Manager, in the capacity of Board Secretary, will be secretary to the Committee. Papers will be circulated to the meeting seven days in advance unless otherwise agreed with the Chair of the Committee. Draft minutes of each meeting will be shared with the Chair of the Committee for nominal approval before being circulated by the Corporate Governance Manager to the Committee. This will occur within 10 working days of each meeting.

Conflict of Interest

22. A Committee member or attendee who becomes aware of a potential conflict of interest relating to matters being discussed by the Committee should give prior notification to the Chair or, if this is not possible, declare this at the meeting and – where necessary – withdraw during discussion of the relevant agenda item.

Reporting to the Board

23. The minutes of the Committee will be circulated to the Board after the Committee has approved them.

24. The papers of each meeting will be circulated to the Board in advance of each Committee meeting and Board Members have a standing invitation to attend meetings in an observer capacity. The exception to this is the Chair of the Board which is dealt with elsewhere within these terms of reference.

25. The Chair of the Committee will present a written or oral report about each meeting of the Committee to the next appropriate meeting of the Board.

26. The Chair of the Committee will produce and present to the Board on an annual basis a report summarising the activities of the Committee and the outcomes of its work. This report will be presented to the meeting of the Board that is scheduled to consider and agree the LSB's Annual Report and Accounts for the preceding financial year. A draft of the ARAC annual report will be circulated to the Internal and External Auditors for comment.

Annual review of remit and performance

27. The Committee will assess its effectiveness and the skills it requires to discharge its functions on a two-yearly basis and will also review these Terms of Reference annually. It will submit recommendations for any proposed changes to the Board for approval. The Committee's duties and activities shall be disclosed in the LSB's Annual Report and Accounts.

28. These terms of reference will be reviewed on an annual basis.

Annex B – ARAC Work Plan

AUDIT AND RISK ASSURANCE COMMITTEE INDICATIVE ANNUAL CYCLE OF AGENDA ITEMS				
Standing items	**May / June**	**Oct**	**Nov**	**Mar**
Approval of previous minutes	√	√	√	√
Matters arising and outstanding action points	√	√	√	√
Oral update on fraud assurance	√	√	√	√
Any other business	√	√	√	√
Agenda items				
Corporate risk register	√	√		√
Budget proposal for the next financial year		√	√	
Budget update for the next financial year				√
LSB annual report and accounts for the previous financial year - draft	√			
LSB annual report and accounts for the current financial year - update				√
LSB annual report on expenses for the previous financial year	√			
Internal audit report for the previous financial year	√			
Internal audit plan for the next financial year				√ -
Internal audit update				√
NAO external audit report: completion report for the previous financial year and management letter	√			
NAO external audit update: lessons learnt from the previous year's audit and changes to guidance and issues that may affect the LSB for the current financial year audit		√		
NAO external audit planning report for current financial year				√

LSB Governance Manual annual review			√	
LSB risk management strategy annual review		√		
ARAC annual report - draft				√
Review of the effectiveness of ARAC	√			
Annual data management audit				√
FOI Act LSB Annual Report	√			