

**Minutes of a meeting of the Audit, Risk and Assurance (“the Committee”) held on
3 March 2026 at 13.00 by Teams**

Present: Lizzie Peers, Chair
(Members) Clare Brown
Gary Kildare
Marta Phillips, Independent co-opted member

In attendance:

From LSB:

Richard Orpin, CEO
Femi Otukoya, Head, Finance and IT
Heather McLoughlin, Corporate Governance Manager (Minutes)
Matilda Quiney, Director, Corporate Services
Danielle Viall, General Counsel
Donella Williams, Corporate Project Manager (Items 07 and 12)

Observing

Richard Lloyd, Lead Review of Public Bodies Review

From National Audit Office (NAO):
Ali Morgan

From Deloitte:
Nicola Wright, Deloitte - External Auditor, Partner

From the Ministry of Justice (MoJ):
James Shaynor
Kate Pellatt

From Crowe:
Bri Luscombe, Crowe – Internal Auditor, Senior Manager

Item 03 - Welcome | Apologies

01. The Chair asked external guests to introduce themselves to Richard Lloyd, Lead Reviewer for the Public Bodies Review.
02. The Chair welcomed James Shaynor, Ministry of Justice (MoJ) to his first committee meeting and asked members to introduce themselves.

Item 04 - Declarations of interest relevant to the business of the Committee

03. There were no declarations of interest relevant to the business of the Committee.

Item 05 - Internal Audit update

04. The Chair invited Crowe to provide an update to the Committee on progress against the audit plan. Crowe reported that the accounts payable audit had been completed and that LSB had received a rating of full assurance. Planning work had commenced on both the action follow-up audit and the cyber security audit.
05. The Committee noted the positive audit outcome for the accounts payable work and LSB's strong existing processes, including well-documented procedures and clear segregation of duties.
06. The Committee sought clarification on how the proposed introduction of a purchase order (PO) system aligned with these findings, noting that major system changes could introduce new risks. Crowe advised that while a PO system could support planning and expenditure controls, implementation needed to be proportionate and carefully designed for LSB. The Executive confirmed that there was still an intention to introduce a PO system, but resourcing constraints had delayed implementation. The Committee was assured by the Executive confirming that the introduction of a PO system would be carefully planned to mitigate any risks.
07. The Committee discussed the management of inactive suppliers, with a suggestion that a 12-month removal threshold might provide a stronger control than the existing 24-month approach.
08. The Committee discussed the update and final report.

Item 06 - NAO / Deloitte interim external audit update

09. NAO/Deloitte reported that interim year testing had been undertaken to reduce pressure on the year-end audit. As in previous years, the work focused on controls and business processes relevant to the audit strategy, alongside testing that could not be completed at year end. The Committee was informed that the external auditors had liaised closely with the Executive, and that all planned interim work had been completed. No issues had arisen from the interim year testing, and NAO/Deloitte confirmed that they remained on track to meet the year-end timetable.
10. The external auditors confirmed that the same audit team as completed the 2024/25 audit would be used for the 2025/26 audit and that timeframes and resourcing had been agreed. The Committee requested that any emerging

issues identified by the external auditors be raised with the Committee for consideration at the earliest opportunity.

11. The Committee were informed by NAO that audit fees were expected to rise by a double-digit amount. It was noted that fees across public bodies were broadly consistent with the cost of delivering audit work. The auditors advised that the sector had experienced increases linked to revised auditing standards introduced in 2021/22, which had raised quality requirements. The Committee reiterated previously raised concerns regarding whether the external audit fees were proportionate with the size and low risk-profile of LSB.
12. NAO noted that proportionality was recognised within the audit framework and continued to be an area of active discussion, but emphasised the requirement to recover the full cost of audit delivery. The Executive highlighted the importance of receiving early confirmation of any fee increases due to the organisation's budget planning cycle.
13. The Committee discussed the update from the external auditors.

Item 07 - LSB Annual Report and Accounts 2025/26 timetable

14. The Corporate Project Manager introduced the item and outlined the timeline for the Annual Report and Accounts presented in the paper.
15. The Committee noted the importance of avoiding delays caused by late comments and agreed that the Board should be sighted on drafts early via email with clear deadlines. The Committee also discussed the need to clarify arrangements for assurance letters and the handover process in light of the forthcoming new LSB Chair.
16. The Committee noted the timetable for publishing LSB's ARA 2025/26.

Item 08 - Draft Annual Governance Statement 2025/26

17. The Corporate Governance Lead introduced the item and informed the Committee that this was an early draft of the Annual Governance Statement 2025/26 that would be included in the ARA. The Committee was reminded that changes would be made to the statement after the financial year end.
18. The Committee highlighted a few areas that need particular attention before the final draft would be approved. In particular they were:
 - Number of meetings and attendance rates
 - Further information to be included on cyber security trust

- That the statement describing how LSB takes into account risks in the market of people who need legal services should focus on key risks rather than all risks.
 - The statement should not say that the LSB manages risks as that implies that risks are fully mitigated. Rather that the Executive focuses on specific risks.
 - Wording around Board annual evaluations as LSB did not conduct one in 2025/26.
19. In order to reflect best practice, the Committee suggested for the next round of ARA preparations a paper be produced for ARAC review setting out: any key changes to accounting policies; the key areas in the accounts of significant estimation of management judgement and the approach to be taken to reaching these; and a short statement setting out why management consider it is appropriate to apply going concern basis to the preparation of the accounts.
(Action)
20. The Committee discussed the draft Annual Governance Statement 2025/26.

Item 09 - Draft Annual Report of ARAC 2025/26

21. The Corporate Governance Lead introduced the item and reminded the Committee that this was an item annually presented to the Committee for approval, before being presented to the Board.
22. The Committee noted some minor changes needed before presentation to the Board. The Committee also requested that further information on the ARAC effectiveness review, including some recommendations and actions, be included.
(Action)
23. The Committee agreed the Annual Report of ARAC 2025/26 and its presentation to the Board.

Item 10 - ARAC Effectiveness review

24. The Corporate Governance Lead shared a presentation with the Committee and informed the Committee that the presentation would be shared with members following the meeting. The Committee was reminded that an ARAC effectiveness review was undertaken using the National Audit Office framework, comprising a substantial set of questions. It was previously completed in 2023.
25. The Corporate Governance Lead summarised the key findings as:
- Responses were scored on a scale of 1–3, with some respondents opting to leave questions blank where they felt they lacked knowledge.

- The review achieved a 46% response rate from invited Committee members, Executive colleagues and regular external attendees, which was acknowledged as lower than expected.
 - The volume of questions—over 200—may have contributed to the low response rate. As a result, statements with fewer than 50% responses were removed from the analysis.
 - Summary graphs generated from the NAO template indicated stronger performance in areas such as membership, roles and responsibilities, and scope, with weaker performance in skills and experience, and communication and reporting. Some categories, including continual improvement, received too few responses to draw reliable conclusions.
 - A RAG-rating approach was applied to statements meeting the response threshold to highlight areas of strength and areas requiring improvement. Strengths included inclusivity, respectful challenge and the balance of support and scrutiny by ARAC.
 - Weaker areas included the development of Committee skills and experience, induction arrangements for new members, and aspects of communication and reporting.
 - Sections relating to climate reporting (that scored low) were noted as potentially disproportionate for an organisation of LSB's size.
26. A range of improvement actions was proposed, covering topics such as risk-based deep dives, induction and training for new members, and further work on risk management processes.
27. The Committee discussed the potential benefits of adopting a more proportionate model in future, drawing on examples used by smaller organisations, such as shorter surveys aligned to NAO themes, structured interviews with key stakeholders and the use of digital tools to support analysis. The Committee was invited to provide further examples or suggestions for alternative effectiveness review approaches, including opportunities for more qualitative feedback. It was agreed that the Corporate Governance Lead would agree a focused list of recommendations and actions, review different methodologies and propose a new approach to the ARAC Effectiveness Committee in autumn 2026. **(Action)**
28. The Chair thanked the Corporate Governance Lead for the presentation and respondents for completing the toolkit.
29. The Committee noted the presentation.

Item 11 - LSB Corporate Risk Register

30. The Director of Corporate Services introduced the item and explained that progress on reviewing and updating the corporate risk register had been delayed due to personal circumstances. It was noted that only minor changes had been made to the Risk Management Strategy, which was being presented for annual review.
31. The Committee discussed several risks requiring clarification or improvement. This included:
- The high level description of Risk 11, concerning regulators' capacity, did not fully align with the detailed risk entry. It was suggested that learning could be drawn from other regulators of regulators, such as the PSA, to ensure LSB's approach remained robust.
 - That Risk 11 was outside of appetite while all mitigations were rated green, which was considered inconsistent and requiring review of how the risk was documented and presented.
 - That in Risk 12b, the underlying data —such as increases in complaints to the Legal Ombudsman—was not clearly reflected in the narrative. It was also highlighted that the risk narrative appeared to conflate two issues: diversifying the profession and the impact of a non-diverse sector on consumers. The Committee asked that the intended risk focus and outcome should be articulated more clearly.
 - The appropriateness of green ratings where risks remained outside appetite and discussed the need to strengthen approaches to assessing the effectiveness of mitigations
32. It was agreed that Risk 11 and Risk 12b would be further reviewed and amended as needed. **(Action)**
33. The Committee discussed recent regulatory matters, including PM Law, and noted that these incidents had implications for LSB's own regulatory oversight. The Committee questioned whether the current risk descriptions sufficiently reflected concerns about LSB's own effectiveness in regulating regulators, rather than placing emphasis solely on the performance of frontline regulators.
34. It was noted that a new, more intelligence led approach to regulatory oversight had been agreed by the Board at their meeting in February 2026 and that mitigations would need updating once the revised RPA came into force. The Committee requested a deep dive on Risk 11 to be presented at the next ARAC meeting in June 2026 **(Action)**
35. The Committee reflected on the wider application of risk appetite and the basis on which target scores had been set. Members proposed further work to ensure shared understanding of risk appetite and its influence on risk evaluation,

including how cumulative effects—such as the Post Office, Axiom and PM Law matters—might impact other risks, such as Risk 22.

36. The Committee was invited to identify emerging risks, with suggestions including AI-related threats and cyber security, including vulnerabilities within partner organisations. It was proposed that ARAC hold a dedicated session (on behalf of the Board) before the next ARAC meeting. This meeting would examine organisational risks in more depth and how these risks can be mitigated in a proportionate and focused approach. This aligned with planned work to develop a more effective and practical risk management tool for the organisation.
(Action).
37. The Committee discussed the Corporate Risk Register and noted the Risk Management Strategy.

Item 12 - Counter fraud, cyber security and data protection/compliance update

38. The Head of Finance, IT and Procurement informed the Committee that cyber security had been included on the internal audit plan but had been deferred to the current quarter. This was because LSB had received funding from HM Treasury to participate in a “Purple Team” exercise to test organisational cyber resilience, which took place between mid January and mid February 2026.
39. The Committee was informed that two exercises had been undertaken. The first was a phishing simulation, where an email offering free conference tickets was designed and sent to staff. The exercise was delayed as the external team encountered difficulties bypassing LSB’s email security systems, which took approximately two weeks to overcome. Once the phishing email was issued, staff reacted appropriately, with concerns flagged immediately, and no individuals clicked on the link.
40. The second exercise focused on the risk posed by a malicious insider or former employee. Two LSB corporate laptops and user profiles were created, representing differing levels of access. The testers were able to access some financial data and identified several files containing passwords for social media accounts, though attempts to use these were limited by multi-factor authentication. Further testing of SharePoint permissions indicated the need to strengthen controls on download capabilities. It was recommended that LSB adopt Microsoft Entra to improve monitoring of both corporate and personal devices. It was confirmed that LSB would engage with its IT service providers to review device security, access arrangements and protections for the use of personal devices.

41. The Committee welcomed the findings and emphasised the need for timely implementation of the recommendations. It was agreed that the report would be shared with the Committee and that clear timeframes for actions would be established. The Committee also asked that this work be referenced in the ARA, alongside the forthcoming review of cyber essentials and the internal audit scheduled for the same week.**(Action)**
42. The Committee noted the update.

Item 13 - Minutes of the previous meetings - 18 November 2025

43. The Committee **agreed** the minutes as drafted.

Item 14 - Noting of items considered out of committee since 18 November 2025

44. No items to note.

Item 15 - Action tracker

45. It was noted that the top two items had been on the Action Tracker for a considerable amount of time. The Executive was asked to review how these actions should be managed and reported to the Committee. **(Action)**

Item 16 - AOB

46. The Director, Corporate Services informed the Committee that, working with David Winks at MoJ, a review and final draft of the MoJ Framework document had been agreed, subject to an annex with details relating to senior pay at LSB. The Annex on senior pay would be shared with the Remuneration and Nomination Committee ahead of approval by ARAC, then Board clearance. Once MoJ approve the MoJ Framework on their side, it would then be sent to HM Treasury for final approval.

With no further business to discuss the Chair of the Committee closed the meeting at 14.58.