



Subject ARAC Annual Report (1 May 2020 to 30 April 2021)
Purpose For Note
From Audit and Risk Assurance Committee

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1. Summary

The Committee provides a written report to the Board annually on its activities.

The Board is asked to note the Audit and Risk Assurance Committee's Annual Report to the Board covering the period 1 May 2020 to 30 April 2021.

2. Terms of Reference

The Committee assists the Board in delivering its purpose and objectives by ensuring that the organisation has an effective system of internal control, which gives the Board assurance that the organisation is operating effectively.

The Committee's role is to assist the Board in fulfilling its oversight responsibilities for governance, risk management, internal audit and internal controls, external audit and financial reporting, and mitigating the risk of fraud.

3. Open

Audit Committee Annual Report from 1 May 2020 to 30 April 2021

4. Key Points – Work of the Committee

i **Membership**

During the reporting period the Committee membership has been:

1 May 2020 to 31 March 2021

- John Beckerleg (Chair)
- Mark Bottomley
- Chris Wood (Independent Member)

1 April 2021 to 30 April 2021

- Cindy Leslie (Temporary Chair)
- Mark Bottomley
- Chris Wood (Independent Member)
- Liz Male (Temporary member)

John Beckerleg resigned from the Board with immediate effect on 31 March 2021.

The Committee has also been carrying a longstanding vacancy since May 2019; although it is hoped that the recent appointments made by the Ministry for Housing Communities and Local Government will rectify this.

ii. **Meetings**

The Committee held six meetings between 1 May 2020 and 30 April 2021. The Committee was quorate for most although the Committee chair was absent at the meeting held in January 2021. That meeting was chaired by the independent Committee member, and no decisions were taken.

iii. **Attendees**

Grant Thornton, the internal auditors, attended all appropriate agenda items at the Committee meetings in 2020/2021 (with the exception of the discussions on the auditors' performance).

The Board's external auditors, Crowe LLP, attended the meetings held on, 10 June 2020 and 9 November 2020 and 15 April 2021 although absented themselves for any Committee discussion around their performance.

iv. **Terms of reference**

The Committee's terms of reference have not been amended since the wholesale review carried out as part of the Governance Review in July 2019, although the Committee has considered its workplan and has mapped that plan against its Terms of Reference to ensure adherence. The Terms of Reference themselves will be considered as part of a wider review of ARB's Committees.

v. **Chair's activity**

In November 2020, the external auditors provided the Committee with a pre-meeting session on 'The evolving role of audit & risk committees'.

The external auditors also offer a range of training and webinars, available via a circulated weblink, some of which the former Chair attended.

The former chair was also part Ministry of Housing, Communities and Local Government (MHCLG) Audit and Risk Assurance Chairs Forum. The last meeting of that forum was held in February 2021.

vi. **Regular reporting to the Board**

The Committee provided regular feedback to the Board through its minutes and, as appropriate, oral updates.

Throughout 2020/2021, the Committee continued to alert the Board to any new or increased risks facing the organisation, and it worked closely with the Executive to gain assurance that in all cases the risks were managed appropriately.

vii. **Conclusion**

The Committee has gained a positive assurance rating in relation to the internal audit work carried out during the year, being a **Moderate Assurance** rating (available ratings are Substantial, Moderate, Limited and None). A Moderate rating means that *'some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.'* This is in line with recent years and is further considered to be positive given the impact of Covid-19 on our operations.

The Committee completed a review of the ARB Scheme of Delegation (as approved by the Board in June 2020), and has had sight of a number of ARB policies relating to anti-fraud and anti-corruption policies.

There is always the need to assess the extent of an internal audit programme particularly within a relatively small organisation. It is difficult to justify financially, undertaking a comprehensive review of all activities underpinning risk management, governance and financial control framework each year. The focus for 2020 was adherence to the Scheme of Delegation, deemed an area of higher risk given the changes to processes with the staff team working from home. The second area was around business continuity planning and disaster recovery, where improvements have been identified to strengthen ARB's resilience in the case of a disaster. Both internal audits were carried out remotely, which also proved challenging in its own way. The internal audit service is due to be tendered for in 2021.

Viii **Looking Forward**

A work plan has been agreed by the Committee for the remainder of 2021, with planned internal audit reviews. Given the current situation with regards COVID-19 and the lack of ability to carry out internal audit fieldwork, the work plan will necessarily remain under review.

5. **Resource Implications**

The cost of the internal audits and reviews during this period for Grant Thornton were £48,038. The cost of the external audit for 2020 is £19,620 and payable to Crowe LLP.

6. **Risk Implications**

Risks are identified within the report.

7. Communication

The Committee prepares an annual report for the Board to assist the Board in carrying out its oversight responsibilities. The annual report also gives the Board an opportunity to explore the Committee's work and identify any areas of concern.

8. Equality and Diversity Implications

None identified.

Audit and Risk Assurance Committee Terms of Reference Compliance

Line item	Activity 1 May 2020 to 30 April 2021
<p>The focus of the Committee’s work will be determined by the ARB’s strategic objectives and other organisational priorities. More specifically, the Committee will:</p>	
<ul style="list-style-type: none"> consider and approve the plans for internal and external audit; 	<p><u>External Audit:</u> An audit planning report was presented to the Committee, by Tim Redwood of Crowe UK LLP, at its meeting held on 9 November 2020. The Committee approved the proposal.</p> <p><u>Internal Audit:</u> The internal audit plan for 2020 was discussed and agreed by the Committee at its meeting held on 2 October 2019. In September 2020, the plan was amended to account for an increased workload owing to various Board projects, COVID-19, and changes in personnel. It was agreed that internal audits should be carried out on the Scheme of Delegation, along with the planned audit on BCP/Disaster Recovery, and the annual re-testing. All final reports have now been received.</p> <p>The internal audit plan for 2021 was discussed at the Committee meeting held on 9 November 2020, and was again discussed on the 15 April 2021 and the audit plan varied to better reflect areas which might offer better value.</p>
<ul style="list-style-type: none"> ensure that there are levels of assurance in place which are aligned to the delivery of ARB’s strategic objectives and other organisational priorities and consistent with the risk appetite agreed by the Board; 	<p>The organisation’s Risk Registers are presented at all ARAC meetings for 2020 and 2021, including a dedicated Register for Brexit. During 2020, there was also a COVID-19 specific Risk Register although this has since been closed, and the risks around COVID-19 incorporated into the organisation Risk Register.</p>
<ul style="list-style-type: none"> review the effectiveness of the risk management process, in order that major risks are identified and that mitigation strategies are in 	<p>At the Committees request, the Senior Leadership Group re-considered the design, the wording and the scoring of the Risk Register and the amended</p>

<p>place, and make recommendations about these issues to the Board;</p>	<p>version was considered by the Committee at its April 2021 meeting. Further work will be carried out in this area.</p> <p>Risk is generally included on the Board meeting agendas twice annually.</p>
<ul style="list-style-type: none"> ensure that there are effective and comprehensive arrangements for corporate governance, and make recommendations about these issues to the Board; 	<p>Internal audit of revised governance arrangements is tabled to take place in 2021.</p> <p>Following the resignation of the former Board Chair and Chief Executive, an independent report was commissioned which looked at various Governance matters flagged by the former CEO. This report was made available to the Committee in January 2021 once the Board had the opportunity to agree the recommendations.</p>
<ul style="list-style-type: none"> provide an independent and objective view on the effectiveness of internal controls, and review the Statement of Internal Control. 	<p>At its April 2021 meeting, the Committee reviewed the Audit Findings Report presented by Crowe LLP, and discussed the internal control systems in place. The Committee agreed the controls remained proportionate.</p>
<p>The Committee will also advise the Board and ARB's accounting officer about:</p>	
<ul style="list-style-type: none"> the strategic processes for risk, control and governance; 	<p>The Risk Management Strategy and Risk Register were revised and agreed by the Board in December 2019. Whilst the strategy has not changed during the period, a re-formatted risk register, following previous Committee feedback, was presented to the Committee at its meeting on 15 April 2021.</p>
<ul style="list-style-type: none"> the content of the Governance Statement; accounting policies, the Annual Report and Accounts, (including the process for review of the Accounts prior to submission for audit), levels of error identified, and the Accounting Officer letter of 	<p>The 2020 Financial Statements and Governance statements were considered by the Committee at its meetings held on 15 April 2021.</p> <p>The 2020 Financial Statements and governance statement will then be</p>

representation;	formally approved by the Board at its meeting held on 19 May 2021.
<ul style="list-style-type: none"> • value for money issues; • the results of both internal and external audit, and the adequacy of management responses, including the management letter from External Audit; 	<p>An update report on outstanding internal audit findings is included on all ARAC agendas.</p> <p>New Internal Audit reports brought to the ARAC in a timely manner; internal audit topics covered were:</p> <ul style="list-style-type: none"> • Scheme of Delegation (fieldwork carried out in October 2020 and the report presented to the Committee in January 2021). • BCP/Disaster Recovery (fieldwork carried out November 2020, report presented to the Committee in January 2021). • Follow up testing (fieldwork carried out in December 2020, report presented to the Committee in January 2021).
<ul style="list-style-type: none"> • review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function; 	
<ul style="list-style-type: none"> • assurances relating to ARB's corporate governance requirements; 	
<ul style="list-style-type: none"> • effectiveness in complying with relevant codes of best practice; 	ARB's internal and external auditors regularly attend ARAC meetings and share best practice knowledge, articles and legislative changes where applicable.
<ul style="list-style-type: none"> • recommend to the Board proposals for the provision of internal audit services; the service provided by internal audit and whether it meets the standards specified in Government Internal Audit Standards; 	<p>A review of the internal auditor's performance was considered by the Committee in April 2020 following which the Committee recommended that the Board exceptionally extend the internal audit contract by a further year.</p> <p>The internal audit service will be tendered for in 2021 (due to go out to tender in April 2021).</p>
<ul style="list-style-type: none"> • recommend to the Board proposals for the provision of external 	The external auditor's performance was reviewed by the Committee in

audit services; the service provided by external audit and whether it meets the standards specified within the International Standards on Auditing;	April and November 2020. Following a recommendation by the Committee, the Board agreed to an extension to the external auditors contract, taking the contract to 2022. This was approved at the Board meeting held on 20 November 2020.
<ul style="list-style-type: none"> the extent of cooperation between Internal and External Audit; 	Both sets of auditors attended the 10 June, 9 November 2020 and 15 April 2021 meetings.
<ul style="list-style-type: none"> anti-fraud and anti-corruption policies, whistle-blowing processes and arrangements for special investigations and management's response to any critical incidents; 	A rolling programme of documents have been presented to the Committee in the reporting period including policies on Fraud and Bribery Prevention and Whistleblowing, along with the staff and the Board Code of Conduct. While no urgent amendments were necessary, some adjustments are in the process of being made following input from the Committee and the auditors.
<ul style="list-style-type: none"> information assurance matters, including cyber security; 	<p>Cyber security is listed as a key aspect on the organisation's risk register which is reported to the Committee at each meeting.</p> <p>In addition, at its meetings in October 2020, November 2020 and January 2021 the Committee received progress reports on improvements to the organisation's IT systems.</p>
<ul style="list-style-type: none"> its own effectiveness, and an annual review of its terms of reference. 	<p>At its meeting held in October 2020, the Committee discussed feedback made as part of the Board Effectiveness Review.</p> <p>In April 2021, the Committee mapped its responsibilities under the Terms of Reference, to ensure compliance.</p>
<p>Authority</p> <p>The Board and ARB's Accounting Officer authorise the Committee to investigate any activity within its terms of reference and to access any records, staff and physical properties deemed necessary to assist the Committee to carry out its duties.</p>	<p>This is an ongoing task of the Committee and can be executed when it sees fit.</p> <p>There have been no requests during this period.</p>

<p>The Committee can decide to obtain, in agreement with ARB's Accounting Officer and/or the Board, external professional advice on any particular issue.</p> <p>The Chair of the Committee will have free and confidential access to the ARB Accounting Officer and Director of Finance and Resources.</p>	
<p>Membership</p> <p>The members of the Committee shall be appointed by the Board and shall consist of no fewer than three Board members comprising the Chair of the Committee, one lay member and one registrant member (none of whom will be the Chair of the Board). The Board may also appoint an additional external member to supplement the Committee's skills base and/or provide an additional independent perspective.</p> <p>The Chair of the Committee should have recent significant and relevant financial and/or audit qualifications and experience.</p> <p>A member of the Executive shall act as secretary to the Committee.</p>	<p>The Committee continues to carry a vacancy which may be filled by the recent recruitment carried out by the Ministry of Housing, Communities and Local Government. Liz Male covered that vacancy at the April 02</p> <p>There is also a vacancy of the Chair following the resignation of John Beckerleg from the Board in March 2021. Cindy Leslie covered that vacancy at the April 2021 meeting.</p>
<p>Quorum</p> <p>A minimum of two Board members must be present for the meeting to be deemed quorate.</p>	<p>Owing to the absence of the Committee Chair, the January 2021 meeting was not quorate, but the Committee took no decisions at that meeting.</p>
<p>Meetings and procedures</p> <p>The Committee will meet at least four times a year at times to align with key points in the financial year and governance timetable. The Chair of the Committee, in consultation with the Chair of the Board and the ARB</p>	<p>Six meetings have been held:</p> <ul style="list-style-type: none"> • 10 June 2020 • 31 July 2020 • 15 October 2020

Accounting Officer, may convene additional meetings as deemed necessary.	<ul style="list-style-type: none"> • 9 November 2020 • 14 January 2021 • 15 April 2021
The Committee will conduct a technical review of the annual accounts in conjunction with the Head of Finance and Resources. The Committee will meet regularly in private with the Internal and External Auditors.	The Audited accounts and Governance statements were considered by the Committee at its meeting held on 15 April 2021.
The Committee may ask any other member of staff, or such others as may be appropriate, to attend to assist it with its discussions on any particular matter and may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussions of particular matters.	This is at the Committee's prerogative.
<p>Authority</p> <p>The Board and the ARB Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice. External auditors or internal auditors have the right to raise any issues with the Chair of the Audit Committee or request a meeting with the Committee at any time.</p>	This is at the Committee's prerogative.
<p>Reporting</p> <p>The Chair of the Committee will report to the next meeting of the Board and the minute taker, who will be a member of the Executive, will circulate the minutes to the next Board meeting. The Chair will provide an annual report on the Committee's work to the Board including a statement on the control environment. The Committee's duties and activities will be disclosed in the Annual Report and Accounts.</p>	<p>Minutes of all ARAC meetings have been included in the relevant Board packs.</p> <p>The Internal Audit annual report will be presented to the Committee at its April 2021 meeting.</p>
The Chair will attend the MHCLG forum of Audit and Risk Assurance	

Committee Chairs.	One meeting took place during this period in February 2021.
<p>Papers and Agenda</p> <p>The Executive shall circulate the agenda and papers five working days before each meeting. The Committee will regularly discuss a forward plan of its work, ensuring that proper attention is given to all matters in these terms of reference. The minute taker will circulate the minutes of all meetings to both the members and attendees of the Committee, once they have been approved by the Chair.</p>	<p>This has been complied with throughout the reporting period.</p> <p>A 2021 work plan of the Committee was considered at its January 2021 meeting.</p>
<p>Conflicts</p> <p>Any member or attendee of the Committee 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 the discussion of the relevant agenda item.</p>	<p>There is guidance in place around conflicts of interest.</p> <p>Conflicts are also included at the start of every agenda.</p>