

Minutes of the Audit and Risk Assurance Committee Meeting Held on 2 October 2019

Location	Present	In Attendance
8 Weymouth Street London W1W 5BU	John Beckerleg (Chair) Mark Bottomley Alison White, Chair of the Board (observer)	Karen Holmes, Registrar Marc Stoner, Head of Finance and Resources Simon Howard, Head of Professional Standards Rob Jones, Head of Registration Kristen Hewett, Operations Manager Lucy Curling, Grant Thornton (items 3 to 6.4 and items 7 and 9 only) Paul Rao, Grant Thornton (items 3 to 6.4 and items 7 and 9 only)

Pre-meeting session:

The Chair of the Board ran a pre-meeting session on the risks faced by ARB. The plan would be to test the current organisation risk register with the outcomes of the discussions with a view to revising the risk register and establishing the current Board's ownership of ARB's risk profile.

Notes were taken as to how the new risk register template might be populated and will be actioned by the Head of Registration, with a view to taking a new risk policy and risk register to the Board for consideration at its December 2019 meeting.

1. Apologies

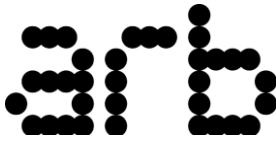
There were no apologies for absence.

2. Declarations/Conflicts of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 25 April 2019

The Committee minutes of the meeting held on 25 April 2019 were approved.



4. Matters Arising (not on the agenda)

Action 1 (management of investments): The Head of Finance & Resources confirmed that a tender exercise for ARB's investment broker would be posted on Contracts Finder by Friday 4 October.

Action 2 (Audit Committee effectiveness review): The Committee Chair confirmed his interest in networking opportunities and asked that events with comparable organisations where possible be considered.

Action 3 (RIBA): It was confirmed that a RIBA liaison meeting was scheduled for week commencing 14 October and that there had been some good conversations around collaborative working between ARB and the RIBA.

Action 8 (financial statements) – the Head of Finance and Resources confirmed that he had discussed ARB's financial statements with Crowe (ARB's external auditors) who had carried out a further review to ensure ARB's compliance with the Financial Reporting Manual (FRoM) checklist, and all was in order.

The content of the report was otherwise noted.

Action: Consider opportunities for the Chair and other members of the Committee to observe other Audit and Risk Assurance Committees.

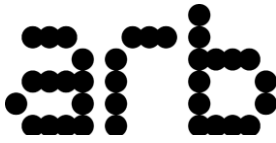
5. Current Risk Register

This item was presented by the Head of Registration who highlighted the following areas:

- There was no movement in terms of risk ratings although there was a heightened awareness among staff around principle risk 1 (ineffective/inadequate preparation for UK's exit from the EU) and principle risk 6 (ineffective stakeholder management).
- The Head of Registration would be meeting with the Head of Qualifications and Governance to re-establish the risks around the criteria and procedures reviews.

The following points were discussed:

- ARB would be carrying out a further risk assurance mapping exercise once the organisation's key risks had been established. It was highlighted that this exercise had previously been carried out by ARB's internal auditors but that on this occasion, the Head of Registration would be leading on it, although Mr Rao of Grant Thornton offered his support if required.
- That there were different approaches to risk assurance mapping, and that the Ministry of Housing Communities and Local Government (MHCLG) might have set ideas on how they would expect to see the mapping exercise carried out. This could be discussed at a planned forthcoming meeting with MHCLG's Chief Risk Officer (date yet to be confirmed).
- That the mapping exercise should be carried out with some useful purpose in mind, for example to be used as a tool to drive different behaviour.



Mr Rao was asked if, in his experience, he knew of an organisation which had carried the mapping exercise particularly well. Mr Rao made the following points:

- That the exercise was usually carried out in one of two ways, either the various staff teams to complete their own assurances, which were then sense checked by the organisation's Head of Risk; or, carry out a round table discussion and review of documentation and then, once a mapping document had been drafted, circulate to the individual teams to agree.
- That it was important that people own the controls and actions, and have the opportunity to say whether they consider the map to be complete
- That the Treasury had drafted some useful guidance on risk assurance mapping which should be reviewed as a helpful starting point.

A member commented that it would be helpful to understand how the mapping document was currently used in the organisation. It was agreed that this would be reported back to the Committee, along with an update on the timeline for this work.

The Committee noted the update in respect of the Risk Register and welcomed the forthcoming work around risk assurance mapping.

Action: Discuss with the Ministry of Housing Communities and Local Government (MHCLG) how they carry out their own risk mapping exercise.

Action: The Executive to report back to the Audit Committee on how ARB uses its existing Risk Assurance Mapping document and to provide an update to the Committee on the timeline for work in this area.

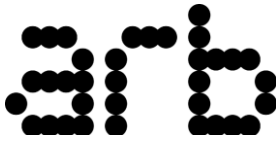
6. 6.1 – Outstanding Recommendations Table

The paper was introduced by Lucy Curling of Grant Thornton. The following actions were queried:

In respect of Registration Processes – Access to the Registration Database (finding 2), a member of the Committee queried the management decision not to restrict access to the database.

The Head of Registration clarified that the main area of risk was user error, and the following mitigation was in place:

- Staff were trained annually on how to use the registration database
- All updates/additions had a username attached to it and each amendment to the registration database could be audited if necessary
- There was a restriction in place so that a registrant's record could be locked if necessary (for example, if an architect was under investigation). Only a select number of people had editing rights for those records
- If the need to restrict access arose for any reason, it was not difficult to do so



It was felt that to restrict access across the wider ARB staff team would present a greater risk, particularly in busy periods where the level of work wouldn't be sustainable if it were only possible for the Registration Team to make amendments to the database.

Ms Curling confirmed that there had been an in depth discussion between the Head of Registration and the audit team and that, on the basis that this was a known risk that had been fully explored and assessed by management, the audit team were happy with the conclusion that was reached.

6.2 – Complaints Handling Internal Audit

The paper was introduced by Lucy Curling of Grant Thornton who confirmed that the audit went well, with particularly helpful discussions held with the Head of Professional Standards and the Investigations Manager.

With regards to finding 5 on the report (follow up checks on misuse of title cases), the Head of Professional Standards confirmed that an updated policy around title misuse had very recently been implemented so that all title misuse cases would now be checked for continued title misuse after case closure. He further commented that finding 2 (quality control) was particularly welcome and that a complaints review process would shortly be put in place. An update on the progress of these findings would be brought to the next meeting.

A query was raised as to why the scope of the audit only included complaints at the point they were accepted, and didn't include those that were rejected. Mr Rao confirmed that the audit was to consider process; it wasn't intended to challenge the decision whether or not a complaint should have been accepted or rejected. It was suggested that there should be an assurance mechanism for decisions as to whether complaints are accepted or not, and the reasons behind those decisions. It was agreed that information on rejected complaints would be provided to the Audit Committee, who would then consider whether any additional challenge around rejected complaints might be necessary.

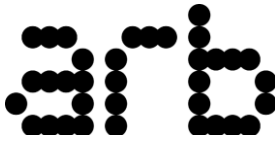
Action: The Executive to provide a further update on the progression of the internal audit findings on complaints at the next meeting.

Action: The Executive to provide information on Professional Standards complaints that had failed to meet the threshold for referral to the Investigations Pool.

6.3 – Follow up testing 2018 Internal Audit Report

This paper was introduced by Lucy Curling of Grant Thornton who confirmed that retesting had been carried out in December 2018, with the report issued in March 2019. It was noted that a high number of audit findings had been successfully completed and that this set a great benchmark for the future.

The content of the report was noted by the Committee.



6.4 – Internal Audit Annual Report 2018

The paper was introduced by Paul Rao of Grant Thornton who confirmed that the report was designed to provide the Committee with a summary of the internal audit work carried out in 2018, which had achieved an overall rating of “moderate”.

A question was asked as to the timing of when the internal audit annual report should be presented to the Committee going forward as, in other organisations, it would be usual for the internal audit opinion and the opinion of the Audit and Risk Committee to be brought together as part of the organisation’s Annual Report statement. It was confirmed that this annual report would normally have been presented at the first meeting of the year, but had been delayed owing to the governance changes that had occurred in 2019.

6.5 – Review of Internal Auditors Performance and Extension of Contract

This item was taken out of order and was actually considered by the Committee between items 2 and 3. Paul Rao and Lucy Curling were not present for this item.

This paper was introduced by the Registrar who highlighted the following:

- Grant Thornton’s contract had been extended by only one year, although it could have been extended by two years at that point in 2018, so as not to bind the new Audit and Risk Committee.
- The Executive considered that Grant Thornton challenged the organisation; and with the introduction of a new Audit Manager, the relationship was working well.
- The recommendation was to extend for a further year (to January 2021) which would still be in the sphere of Grant Thornton’s original appointment, following which we would tender for the service.

It was confirmed that, if the Committee was agreeable to the suggested extension to Grant Thornton’s contract, a timeline to prepare for the tender would be brought back to the next Committee meeting.

The Committee agreed to recommend to the Board that Grant Thornton’s contract be extended until January 2021.

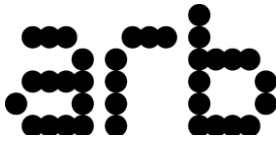
Action: A timeline on the internal audit tender exercise planned for 2020 should be brought back to the Committee.

Action: Recommend to the Board the extension of Grant Thornton’s contract, until January 2021.

7. 2020 Committee Work Plan and proposed Internal Audit

The paper was introduced by the Registrar and Chief Executive and the following points were highlighted:

- The topics for internal audit at Annex B were suggested following conversations



between the Executive and Grant Thornton.

- The suggested area of Governance was an area rolled over from 2019, it was envisaged that the audit would be carried out in or around June 2020 to give the revised governance arrangements time to set in. The remaining areas suggested were business continuity planning, stakeholder engagement and budget setting.
- If selected, the timing of the stakeholder engagement internal audit should be carefully considered to ensure the current stakeholder research has concluded with enough time for findings to be reviewed.

A query was raised around whether fraud had ever been considered as a topic for internal audit. Mr Rao confirmed that the previous Audit Committee had not indicated that there was an appetite for this. It was confirmed that ARB did have a counter fraud policy, and also provided assurance to MHCLG on fraud. The Chair of the Committee requested that the Executive report on the policies that ARB have in place in relation to fraud.

The Committee considered that budget setting should not be the subject of internal audit in 2020, but should be considered for 2021.

It was confirmed that under the Committee's Terms of reference, the internal audit plan was for the Committee to determine and did not need to be presented to the Board.

Action: 'Budget Setting' to be added to the list of potential internal audit topics for 2021.

Action: The Executive to report on the policies ARB currently have in place in relation to fraud.

The Committee agreed that the areas for the 2020 Internal Audit plan should be (in the order listed):

1. Business continuity planning
2. Governance
3. Stakeholder engagement

It was confirmed that the above areas could be kept under review should any additional risks come to light.

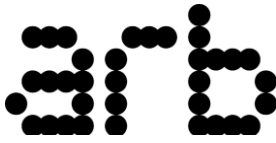
2020 Committee Work Plan

With regards the scope for the Committee's 2020 work plan, it was agreed that this should be considered by write around. It was however noted that the proposed work plan should be cross referenced against the Committee's Terms of Reference.

Action: The Committee's work plan for 2020 to be agreed by write around.

8. 8.1 – Review of External Auditors Performance

This item was taken out of order and was actually considered by the Committee between



items 2 and 3. Paul Rao and Lucy Curling were not present for this item.

The paper was introduced by the Head of Finance and Resources who confirmed the following:

- The current External Auditors (Crowe LLP) were in the final year of their initial three year appointment, although the original contract could be extended by up to two years.
- There were no concerns over the performance of Crowe, who continued to offer value to the organisation.

The following points were discussed:

- The Committee's future consideration of any contract extension, and ensuring that the Committee was mindful of the risk in potentially changing internal and external auditors at the same time. It was agreed that this should be discussed at the Audit and Risk Assurance Committee meeting to be scheduled for March/April 2020.
- The Kingman Report was highlighted, which reported on problems with external auditors in general not being seen to be sufficiently rigorous. It was agreed that it would be helpful to hear from Crowe as to whether they have made any changes to their procedures in light of the report.

Action: Seek feedback from Crowe LLP concerning any changes made to their procedures as a result of the Kingman Report.

8.2 – Scope for 2020 External Audit

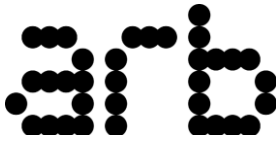
This item was taken in order. For clarity, Paul Rao and Lucy Curling were in attendance for this item.

The paper was presented by the Head of Finance and Resources who confirmed that the scope was broadly similar to previous years.

The following points were discussed:

- Whether there had been any challenge to the focus of the external audit, it was noted that Brexit hadn't been listed as a liability which raised concern as to whether it had actually been considered by the external auditors as a factor. It was suggested that while there might be good reason for it not being included, it would have been helpful to have someone from Crowe attend the meeting so that they could be challenged.
- It was agreed that Crowe should attend at least two meetings per year going forwards, the meeting at which the audit plan was discussed, and the meeting at which they present the final statements.
- It was queried whether the level of materiality had changed. Normally calculated as a percentage of total turnover, the Committee was surprised that it had been calculated by the external auditors on net assets. It was agreed that this would be checked with the external auditors.

Action: The Head of Finance and Resources to query with the external auditors (Crowe)



their consideration arounds risks and materiality.

The Chair of the Committee requested that a time be arranged for him to meet with both the internal and external auditors; this could potentially be tied in with the planning meeting due to be held with the Registrar and the Head of Finance and Resources.

Action: meeting to be scheduled between Committee Chair, and internal and external auditors.

The Committee broadly agreed the scope of the external audit, pending the questions around liabilities and materiality as outlined above.

9. AOB

No other business was raised.

10. Dates of next meetings

TBC