

Board meeting

Subject:

Audit and Risk Assurance Committee Annual Report -
2024

Board meeting:

21 May 2025

Agenda item:

15

Action:

- For noting ☒
- For discussion ☐
- For decision ☐

Purpose

The Committee provides a written report to the Board annually on its activities. This paper sets that annual report.

Recommendations

The Board is asked to note the Audit and Risk Assurance Committee (ARAC) Annual Report for the period 1 January to 31 December 2024 .

Annexes

None.

Author/Key Contact

Tom McDermott, Audit and Risk Assurance Committee Chair

1. Confidential Session

- 1.1. All Committee items are taken in confidential Session.
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2. Background and Key points

- 2.1. Audit and Risk Assurance Committee Annual Report – 1 January to 31 December 2024

Membership

- 2.2. During the reporting period the Committee membership has been:

- Thomas McDermott (Chair, Lay Board Member)
- Cindy Leslie (Lay Board Member)
- Mark Bottomley (Architect Board Member)
- Will Freeman (Architect Board Member)
- Dónall Curtin (Independent Member)

Meetings

- 2.3. The Committee held five meetings between 1 January and 31 December 2024:

- 23 January 2024
- 26 April 2024
- 20 May 2024 (limited to discussing the annual report and accounts)
- 24 July 2024
- 23 October 2024

The Committee was quorate for all meetings.

Attendees

- 2.4. Representatives from TIAA, ARB's current internal audit firm, attended all appropriate agenda items in the reporting period and the Committee was provided with the opportunity to hold meetings in private with audit leads from both the external and internal auditors.
- 2.5. The Board's external audit firm, HW Fisher, attended the meetings held on 26 April 2024 and 20 May 2024 and 23 October 2023.

- 2.6. The Committee held a confidential discussion with HW Fisher at the start of the 26 April meeting, this was to allow the external auditors to raise any concerns around the external audit.

Terms of Reference

- 2.7. The contents of this paper have been mapped against the Committee's Terms of Reference (ToR) to assist in the preparation of this report.

Chair's activity

- 2.8. The Committee Chair is part of the Ministry for Housing, Communities and Local Government (MHCLG) Audit and Risk Assurance ALB Chairs Forum. There have been fewer meetings held recently due to MHCLG vacancies. The Committee Chair attended two meetings in the reporting period.

Regular reporting to the Board

- 2.9. The Committee provided regular feedback to the Board through its minutes and, as appropriate, oral updates. The last Committee annual report was presented to the Board in May 2024, which covered the period January to December 2023.

Internal Audit

- 2.10. ARB's internal audit firm, TIAA, provided a Summary Internal Controls Audit Report at each meeting of 2024; these reports contained important updates, briefings and insights on various topics including known frauds, legislative updates on the Procurement Act 2023 and progress of the Data Protection and Data Information bill. As well as being shared with the Committee, updates were also shared with ARB staff where relevant
- 2.11. The Committee also heard from the internal audit partner on updates to the Global Internal Audit Standards, and the impact it might have on the ARAC's work; this resulted in an update and compliance checklist being reviewed in advance of the implementation of the new standards.
- 2.12. Four subject specific internal audits were undertaken in the reporting period:

Audit 1: Assurance review of Risk Management

- 2.13. This looked at the ARB's arrangement for identifying and monitoring the mitigating controls for two of the key risks included on the organisation risk register, and how risk management is embedded across the organisation. Three operational findings were made which related to consideration of a fraud specific risk register and some development of policy / procedure and all findings were agreed. A **substantial assurance** was provided, the definition of which is *"There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved"*.

Audit 2: Assurance review of Budgetary Control and Financial Reporting

2.14. Owing to the issues experienced with the accuracy of financial statements and the reporting of management accounts, the scope of this review was extended and looked at whether there were suitable financial policies and scheme of delegation in place. The audit considered the budget preparation process including the training and assistance provided to budget holders, the procedures to support budget holders in preparing a budget and the process by which budgets were approved and subsequently monitored. Finally, the timeliness of financial reporting to the Board and to the Committee, and the financial reporting arrangements. The audit resulted in a **limited assurance** as the review found that while there were budgetary and financial controls and associated reporting in place, exceptions were identified. It was identified that budget performance as reported was not always accurate, complete and in real time which was attributed to system capabilities and lack of finance team resource, and no common practice of senior management review of Management Accounts before reporting to the Board or Committee. The review identified four important, four routine and four operational actions, all of which were agreed.

Audit 3 – Assurance review of Health & Safety

2.15. This review looked at ARB's approach in the arrangements for managing Health & Safety requirements and focused on remote working health assessments / lone working arrangements and monitoring, first aid and fire marshal provision at Gray's Inn Road office and any associated training for staff (following the office move). It also looked at any reporting of H&S issues to the relevant Board / Committee and external third parties for RIDDOR notifications. This secured an overall assessment of a **substantial assurance** and key findings including a review of the organisation H&S policy and lone working policy.

Audit 4 – Learning and Development (fieldwork carried out in 2024, report submitted to ARAC in January 2025)

2.16. The scope was to consider ARB's approach in ensuring the adequacy of the arrangements for managing the learning and development requirements of the organisation, it focussed on the learning opportunities available, the staff appraisal process and also supervision and training. The audit secured a **reasonable assurance** assessment. Key findings from the audit included recommended updates to the staff intranet to reflect all available offers and resources, ensuring staff can find the information and to implement a structured post-training evaluation process.

2.17. Throughout the year the Committee also tracked the progress actions arising from internal audit findings and held the Executive to account where actions were delayed. A report detailing the last five years of audit findings was also prepared for and reviewed by the Committee.

2.18. ARB's internal audit firm, TIAA, provided its 2024 Annual Report to the Committee in January 2025 which reported on the control environment at the ARB. A total of 33 days of professional service time was allocated to the above internal audits, with a total of 17 recommendations made over the four audit reports. In the 2024 Internal Audit Annual Report provided by TIAA, the Head of Internal Audit's opinion provided that *"TIAA is satisfied that, for the areas reviewed during the year, the Architects Registration Board had reasonable and effective risk management, control and governance in place"*.

External audit

- 2.19. 2024 saw the first year of working with ARB's new external audit firm, HW Fisher. Owing to the timing in relation to signing of the contract, the Committee agreed the audit planning report by write round rather than at one of its meetings.
- 2.20. The 2023 ARB draft financial statements were subject to robust discussion at the Committees April and May 2024 meetings, at which the Committee raised concerns and provided feedback and questions around some of the figures, assumptions and detail contained therein. The Committee also provided suggestions on the drafting and content of the Annual report.
- 2.21. The Committee's discussions and suggestions resulted in a request that an updated, annotated version of the Annual Report and Financial Statements was circulated by write round, with a further meeting convened solely to discuss the amended financial statements in May 2024. This was required before the Committee would be content to recommend the draft Financial Statements to the Board for approval. The Committee was clear in its view that the process for producing the financial statements needed to change and improve significantly for the 2024 Annual Report and Financial Statements.
- 2.22. The external audit lead from HW Fisher was present at the April and May Committee meetings, and the financial statements were reported on and ultimately approved at the Board meeting held on 17 May 2024.
- 2.23. HW Fisher also attended the Committees October meeting, where the scope and planning for the 2024 external audit was discussed, and an initial timeline and associated project plan reviewed.

Risk

- 2.24. Throughout 2024, the Committee with the support of the Executive continued to alert the Board to new or increased risks faced by the organisation, and it worked closely with the Executive to gain assurance that in all cases the risks were being managed appropriately.
- 2.25. The Committee interrogated the organisation risk register at each standard scheduled meeting in 2024. This resulted in detailed discussion around fraud risks in particular, an area which while no fraud had occurred at ARB, had also been

highlighted for importance by the MHCLG Counter Fraud team. This resulted in the creation of a dedicated fraud risk register which was reviewed by the Committee at its October meeting.

2.26. The Committee fed back on having some difficulty in reviewing the organisation RR in its current format and made recommendations around alternative programmes that might be considered, something to be taken forward in 2025.

2.27. Areas of heightened risk discussed and reviewed in 2024 included:

- updates on the income generated from the 2024 retention fee cycle
- data management and security
- resourcing and reliance on key staff members/areas of resource
- updates and associated risks around the property move from Weymouth Street which occurred in 2024
- continued discussion around infrastructure of IT, not just transformation related but also business as usual
- financial reporting, in respect of the audited accounts, the management accounts and the findings from the internal audit and independent reviews carried out in this area

2.28. The Committee also continued to receive updates from the CEO on the on-going IT Transformation Programme, 'Eos', and progress on CRM phase two, which includes development of a case management system within CRM for Professional Standards.

2.29. Levels of reporting, particularly in terms of complaints, data breaches, cyber issues and whistleblowing were also highlighted; this has led to statistics in these areas being regularly reported at Committee level in 2025, to help quickly identify any potential systematic issues.

Conclusion

2.30. Throughout 2024, as well as the considerations listed above, the Committee has also had input and oversight into work on ARB's Whistleblowing and Data Protection policies, as well as reviewing the performance and contract status of ARB's internal Audit Partner (TIAA) and Investment Broker (Rathbones).

2.31. It has also received all sets of Management Accounts (as presented to the Board) as part of its papers, both for the benefit of the independent Committee member but also to allow for further interrogation and discussion where necessary.

2.32. As well as internal audit, there were also two independent reports commissioned in the latter part of the year, one looking at the financial capability and capacity, and the second at financial governance. The ARAC chair met with both reviewers, and fed into those reviews, and the CEO met the Committee in private session to update on proposed changes to the executive team following a report from Buzzacotts on the capability and capacity of the finance function.

- 2.33. The Committee discussed the role of the Audit and Risk Assurance Committee and its independence from the Board (while remaining accountable to it); and the importance of the 'three lines of defence' model in managing assurance.
- 2.34. TIAA, ARB's internal audit firm, have provided their annual report covering the period January to December 2024, a summary of which is contained at paragraph 2.18.
- 2.35. Taking the work of 2024 into account, the Committee can provide the Board with reasonable assurance that internal controls and risk management at ARB have operated successfully throughout the reporting period.

Programme of work for 2025

- 2.36. The Committee has agreed its outline workplan for 2025.
- 2.37. A consultancy firm is working alongside our new interim head of finance, to support with the preparation of the 2024 financial statements, with the draft financial statements and annual report to be prepared ready for the April 2025 Committee meeting.
- 2.38. A future internal audit plan has been agreed by the Committee and includes Accreditation Methodology focussed on visits, an update on the delivery of the IT Transformation Programme, an assurance review of financial processes, data assurance, security and integrity and dedicated follow up following the 2024 Financial Reporting audit.

3. Resource Implications

- 3.1. The cost of internal and external audit functions are contained within the current budget for 2025.
- 3.2. The Committee holds most meetings online to minimise costs and to give consideration to any EDI requirements.
- 3.3. There is a resource requirement in terms of staffing, both in the planning of internal and external audits and in the time taken for fieldwork and the implementation of agreed actions.
- 3.4. The amount of time and the level of staff required can be factored in when planning audit dates and additional resource has been allowed for the external audit which should mitigate the pressures however, as dates are set early on they may not account for unexpected fluctuations in workload/staff availability.
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4. Risk Implications

- 4.1. The Board has ultimate responsibility for risk, it is therefore important that it has confidence in the work and oversight of the Audit and Risk Assurance Committee.
 - 4.2. 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
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5. Equality and Diversity implications

- 5.1. None identified specific to the ARAC annual report, however all risks are assessed with EDI implications in mind.
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6. Recommendations

- 6.1 The Board is asked to note the Audit and Risk Assurance Committee (ARAC) Annual Report for the period 1 January to 31 December 2024.