

## Minutes of the Audit Committee Meeting Held on 16 March 2017

---

Location	Present	In Attendance
8 Weymouth Street London W1W 5BU	Suzanne McCarthy, Chair Carol Bernstein Jason Bill Ros Levenson Sue Roaf	Karen Holmes, Registrar Marc Stoner, Head of Finance and Resources Emma Matthews, Head of Qualifications and Governance Rob Jones, Head of Registration (Item 2); Kris Hewett (Observer, Items 1-5)  Paul Rao, Grant Thornton  Naziar Hashemi and Tim Redwood, Crowe Clark Whitehill (Item 7)

Draft – Chair Approved

---

### 1. Apologies

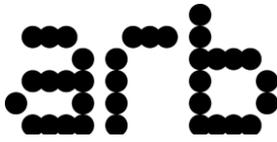
There were no apologies for absence. It was noted that no representative from the Department for Communities and Local Government (DCLG) would be attending the meeting.

### 2. Deep Dives – Registration

The Head of Registration gave the second part of a presentation regarding the Registration Team's work, the operational processes that the Team was responsible for and the risks associated with these. As with the first half of the presentation, the controls which were in place to mitigate the risks and the actions which had been taken to anticipate the relevant risks to date were also outlined.

Despite explaining that thorough checks and balances were undertaken before any individual was admitted to the Register, the lack of an appropriate power under the Architects Act 1997 to remove an individual from the Register if they had been registered in error was highlighted as a risk. The Committee agreed that the DCLG's attention should be drawn to this and if changes were being made to the Architects Act in the future, this should be looked into and addressed.

The Committee welcomed the presentation and thanked the Head of Registration for such a thorough and informative insight into the Registration Team's work. Notwithstanding the issue regarding the Registrar's ability to remove an individual registered in error, the Committee noted that it had been reassured that robust processes were in place to mitigate risk in this area.

**Actions:**

**Operational Management Group to highlight to the DCLG that the Architects Act 1997 does not contain an appropriate power to remove an individual registered in error and that this should be looked into and addressed when the legislation is next updated/adjusted.**

The Committee agreed that the first part of the programme of Deep Dives for 2017/2018 should be as follows:

June 2017 – Prescription

October 2017 – Complaints

January 2018 – Governance

The Committee agreed that it should then review the position again in late 2017/early 2018 and agree the programme for the remainder of 2018 at that point.

**Actions:**

**Operational Management Group to ensure that Deep Dive presentations regarding Prescription, Complaints, and Governance are provided to the Committee in accordance with the agreed timetable.**

**Audit Committee to review and establish the programme for the remainder of 2018 in late 2017/early 2018.**

**3. Minutes**

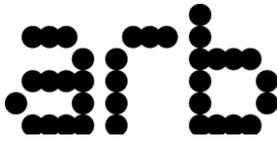
The Committee approved as an accurate record the minutes of the meeting held on 27 January 2017.

**4. Matters Arising**

The Chair provided updates and took the Committee through the paper setting out the progress which had been made in relation to the matters arising from the previous meetings. The updates were noted.

**5. Risk Register**

The Registrar introduced the Risk Register, stating that this was the existing Register, containing the same information which had previously been noted by the Committee in January and was presented to the Board in February 2017. The Committee noted



the current Risk Register.

## 6. Risk Management Review

### i. Risk Register Review Proposals

The Registrar introduced the paper and explained the process which had been undertaken by the Executive in order to produce the proposed revised approaches to the format and risk rating within the Risk Register. It was noted that the Operational Management Group had also undertaken a thorough review of the risks, and agreed where risks could be combined; deleted and/or updated. The Committee was asked to discuss the options available and provide feedback as to which proposals should be taken forward so that an updated version of the Risk Register could be brought back to the Committee in June for consideration with a view to presenting it to the Board at its July 2017 meeting.

After discussion, the Committee agreed that the updated Risk Register should follow the format and risk rating approach taken in Annex C. It was agreed that the Register should include the strategic and corporate risks the organisation faced, but that the Operational Management Group should also include any additional information/risks as it deemed appropriate. It was noted that the Group should look carefully at the risks surround the organisation's inability to deliver its statutory functions and rationalise the risks regarding IT provision/support.

It was agreed that the Board should be provided with an update about the review of the Risk Register at its meeting in May 2017.

#### **Actions:**

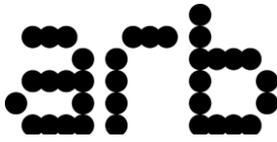
**Taking account of the Committee's feedback, the Operational Management Group should develop and finalise an updated version of the Risk Register based on the format and risk rating outlined in Annex C.**

**The revised Risk Register should be brought back to the Audit Committee for review in June 2017, with a view to presenting it to the Board at its meeting in July 2017.**

**The Operational Management Group should provide the Board with an update regarding the review of the Risk Register at its meeting in May 2017.**

*Kris Hewett left the meeting at this point.*

### ii. Review of the Risk Management Strategy



The Committee noted the current Risk Management Strategy and acknowledged that any amendment to the way in which the Risk Register was structured would need to be reflected in the Strategy. It was agreed that the Strategy should be updated and brought back to the Committee for consideration in June 2017.

**Actions:**

**The Operational Management to update the Strategy in accordance with the changes that are made to the Risk Register and bring the revised Strategy back to the Committee for consideration in June 2017.**

The Head of Finance and Resources drew the Committee's attention to some of the changes which were being made within the Finance Bill and which would have an impact on ARB and its tax arrangements. It was noted that the changes would come into effect from 20 April 2017. It was also noted that public bodies subject to the Freedom of Information Act would need to look at all suppliers to determine whether they fell within the scope of the revised tax arrangements. It was reported that this could have a significant impact on ARB's costs and potentially posed an operational risk to ARB if a number of ARB's suppliers fell within scope of the changes. It was likely that IT suppliers would be impacted most. It was noted that the Head of Finance and Resources was currently reviewing a list of all of ARB's suppliers. It was anticipated that out of 244 suppliers, around 20 could be affected by the changes. It was confirmed that none of ARB's suppliers, to date, had confirmed that they wished to withdraw their services as a result of the changes, but that it was possible that these suppliers were unaware of the changes and their implications. It was noted that further work and engagement with ARB's suppliers would be undertaken and an update would be brought back to the Committee in June 2017.

**Actions:**

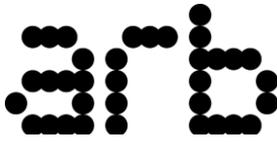
**The Head of Finance and Resources should provide an update regarding the impact of anticipated changes to ARB's tax arrangements on its suppliers in June 2017.**

*Naziar Hashemi joined the meeting.*

## **7. 2016 Audited Financial Statements and Governance Report**

Naziar Hashemi presented the findings of the 2016 audit to the Committee and highlighted the following key points:

- The accounts and governance statement had been prepared in line with the requirements set out in the Government's Financial Reporting Manual (FRM);



- The level of materiality continued to be appropriate and that there were no unadjusted items identified during the audit which were above a trivial level;
- The external auditors were proposing to provide a clean audit report and it had been a good audit;
- The auditors were satisfied with the assumptions used in relation to the capitalisation of IT development and the amounts capitalised;
- Dilapidation costs of £10,800 had been included;
- Two individuals had oversight of journal entries; this was appropriate given the size of the organisation and given the level of other controls, e.g., management accounts, which were in place; and
- The statements in the draft letter of representation to be provided by the Board were unchanged from prior years.

It was noted that in cases where ARB was nearing its insurance limits, information and updates were provided to the Board through the Registrar's Report.

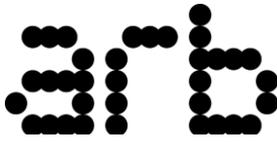
Ms Hashemi drew the Committee's attention to a discrepancy that had arisen during the audit field work when comparing income received in relation to the annual retention fee and the actual number on the register at the year end. The income suggested that there were 360 more registrants' payments received than the number on the Register. It was noted that there were two ways of calculating the number of individuals on the Register, manually via the Registration Lists and also electronically via the Registration Database. It was noted that this was a historic issue and that the Head of Registration was looking into it to ensure it did not occur again in the future. The Operational Management Group was also investigating this issue further but was satisfied that there were no implications that the financial statements were materially misstated.

*Tim Redwood joined the meeting.*

The Committee considered the Registrar's Report regarding the Performance and Accountability Report, as well as the Report itself. Further to suggestions made by Committee members in advance of the meeting, the Head of Finance and Resources circulated an update version of the details setting out Board members' allowances and expenses for 2016.

It was noted that a Committee member had submitted a series of questions to the Head of Finance and Resources regarding the financial statements and the accompanying reports. The Head of Finance and Resources responded to the queries and provided responses and updates accordingly.

The Committee reviewed the draft Annual Report and the 2016 financial statements together with the letter of representation was unchanged from last year. The Committee agreed to provide the details of any typographical errors and/or textual changes to the Annual Report and the notes to the financial statements to the Registrar/Head of Finance and Resources. Subject to these being further considered, the Committee agreed that there were no significant matters in respect of the



disclosures or changes to the accounting policies in the 2016 financial statements or the proposed letter of representation which it wished to bring to the attention of the Board.

*In line with best practice, members of staff, (Karen Holmes, Emma Matthews and Marc Stoner) left the meeting.*

The Committee had a private session with the external auditors who confirmed that they had experienced no problems with carrying out their audit and that the Executive had assisted throughout the process as required.

*Members of staff, (Karen Holmes, Emma Matthews and Marc Stoner) re-joined the meeting.*

**Actions:**

**The Head of Finance and Resources/Registrar should correct any typographical errors and/or make any textual changes as appropriate; subject to these being further considered, the Annual Report and 2016 Financial Statements, together with the letter of representation should be presented to the Board for approval at its meeting in May 2017.**

*Naziar Hashemi and Tim Redwood left the meeting.*

## **8. Internal Audit**

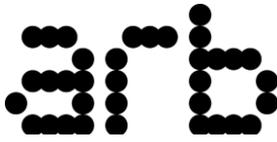
Paul Rao introduced the proposed Internal Audit Plan for 2017.

After discussion and consideration of the proposals the Committee agreed to go ahead with the plan as set out in the paper. It was therefore agreed that the internal audits of the Scheme of Delegation and ARB's Insurance arrangements should take place during 2017, in addition to the audit of Contract Tendering which was already underway.

**Actions:**

**Paul Rao/Grant Thornton should liaise with the Registrar to prepare internal audit scopes and to agree timeframes for the audits of ARB's Insurance Arrangements and the Scheme of Delegation.**

The Registrar introduced the updated on previous internal audit recommendations. It was noted that of the 19 recommendations, 11 have been completed and eight



were remaining. The Committee was provided with the following updates:

Item 4.7 (Inconsistent information communicated via the ARB website). It was noted that the new website was due to be publicly launched at the end of March 2017; a soft launch had already been undertaken.

Item 4.1 (E&D Activity Report). It was noted that the Head of Professional Standards had joined an inter-professional group; any useful information gathered from other similar bodies would be brought back and used to move this area forward. It was agreed that the target date for achieving this should be set.

4.2 (Assurance Mapping). It was noted that this would be on the Committee's agenda for discussion at its June 2017 meeting.

Investment Management/Investment Policy. It was noted that the recommendations had partly been completed in February 2017.

Investment Management/Monitoring and Control. It was noted that the Head of Finance and Resources was in the process of gathering information, and would be meeting with Grant Thornton during the week commencing 13 March 2017. It was noted that ongoing training and development would be needed.

Investment Management/Retendering Exercise. It was noted that further work was needed regarding the content and format of the tender documentation; once this had been carried out, the tender documentation would be taken forward to the Board for approval and then issued. The Head of Finance and Resources confirmed that he felt that he had access to the relevant expertise to undertake this work.

Human Resources. Performance Appraisal Process. It was noted that the Operational Management Group was working on this subject.

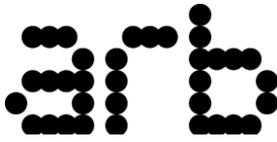
Cyber Security. Logging and Monitoring. It was noted that this work would be completed in April 2017.

Cyber Security. Internet Security Filtering. The Registrar reported that two systems were being piloted over the next two weeks; a further update would be included in the report for the next Committee meeting.

## 9. Committee's Terms of Reference

The Registrar introduced this item, confirming that Annex A set out details as to how the Committee had met its terms of reference over the last year. In considering any areas for improvement, it was agreed that there should be a standing item covering 'Declarations/Conflicts of Interest' at the beginning of each meeting.

### Actions:



**The Registrar should ensure that future agendas include an item on 'Declarations/Conflicts of Interest'.**

The Committee discussed whether investments should fall under its responsibilities and be included in the Terms of Reference. The Committee decided that no changes should be made to the Terms of Reference in relation to this area and investments should remain the responsibility of the Board.

The Committee agreed that a minor adjustment should be made to the following area of the Terms of Reference so that at least one member of the Committee was required to have financial or audit experience:

'The Chair or one other member should have recent significant and relevant financial or audit experience.'

The Committee also agreed that the terms of reference should be adjusted to reflect the increased minimum number of meetings the Committee had agreed to hold each year.

It was noted that this proposed changes would need to be forwarded to the Board for approval.

**Actions:**

**The proposed adjustments to the Terms of Reference should be taken forward for approval by the Board at its meeting in May 2017.**

*Paul Rao left the meeting.*

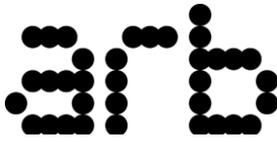
## **10. Review of Effectiveness Internal Auditors**

The Committee noted the paper which reviewed the effectiveness of the Internal Auditors. The Head of Finance and Resources reconfirmed that he felt that he had access to the appropriate expertise in relation to investments, but was waiting for Grant Thornton to deliver. Notwithstanding this, both the Registrar and the Head of Finance and Resources reported that the Internal Auditors were effective and ARB was receiving value for money in this area.

## **11. External Auditors Tender**

The Head of Finance and Resources introduced the paper.

The Chair confirmed that she would like to make some changes to the proposed process and establish an appointments panel.



After discussion, it was agreed that the appointments panel should review the applicants against the criteria. All applicants meeting the criteria would be interviewed by the panel. The panel would make a proposal to the full Audit Committee so that it could then decide what firm should be recommended to the Board for appointment. The final decision regarding the appointment would lie with the Board. It was agreed that the panel should consist of the Chair, the Registrar, the Head of Finance and Resources and Carol Bernstein. Committee members were asked to provide any comments/feedback in respect of the draft tender documentation to the Registrar/Head of Finance and Resources.

**Actions:**

**Committee members should pass any suggested changes to the tender documentation to the Registrar/Head of Finance and Resources as soon as possible.**

**The Head of Finance and Resources should establish the panel and move the process forward in accordance with the relevant timeframes.**

**12. Regular Reports to the Board**

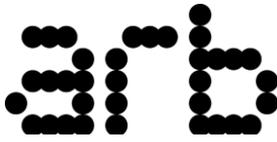
The Committee noted the draft Annual Report 2016. Committee members were asked to provide any typographical errors and/or textual adjustments to the Registrar as soon as possible. It was also agreed that the missing areas should be completed.

**Actions:**

**Committee members should pass any typographical errors and/or textual adjustments in relation to the Committee's Annual Report to the Registrar as soon as possible; any missing areas should be completed so that the report can be included in the Board's papers for its May 2017 meeting.**

It was agreed that the following areas should be highlighted as part of the Committee's next update to the Board:

- Deep Dives
- Review of the Risk Register and Risk Management Strategy
- Financial Statements and associated reports
- Effectiveness of the Internal Auditors
- Tender exercise for the External Auditors



**13. Any Other Business**

There was no other business.

**14. Dates of next meetings**

15 June 2017, 10am

10 October 2017, 10am

It was noted that all future meetings would run until 2.30pm.