

Minutes of the Audit and Risk Assurance Committee Meeting Held on 24 January 2020

Location	Present	In Attendance
8 Weymouth Street London W1W 5BU	John Beckerleg (Chair) Mark Bottomley Chris Wood	Karen Holmes, Registrar Marc Stoner, Head of Finance and Resources Rob Jones, Head of Registration Kristen Hewett, Operations Manager Paul Rao, Grant Thornton (items 1 to 7 only)

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 2 October 2019

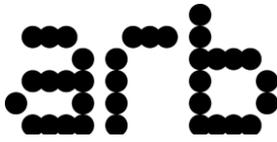
The Committee minutes of the meeting held on 2 October 2019 were approved.

4. Matters Arising (not on the agenda)

Action 3 (Current Risk Register): The Committee Chair reported that a meeting had been held with the Ministry of Housing, Communities and Local Government (MHCLG) risk team. The MHCLG risk team shared their risk taxonomy which provided an interesting analysis of where risk might arise.

Action 4 (Internal Audit – Professional Standards Complaints): The Committee discussed the data presented at annex A to the matters arising report and queried whether, given the number of rejected complaints, ARB provided enough information to potential complainants to explain what ARB could investigate. It was confirmed that there was published guidance on the ARB website and that this was an area on which the staff team constantly reflected, to ensure the information provided was as clear as possible.

A Committee member queried the process for review of a rejected complaint; it was confirmed that if the Professional Standards team rejected a complaint about an architect, a review could be carried out by the Registrar and Chief Executive. It was explained that



there was no ombudsman to consider matters of rejected complaints, but that complainants could contact their MP or the Ministry for Housing, Communities and Local Government if the complainant felt that their complaint had been incorrectly rejected. Committee members were assured that ARB had clear standards of acceptance and internal peer review structures in place in an effort to ensure complaints were not wrongly rejected.

Action 8 (Scope for 2020 External Audit): The Committee Chair was concerned that the response received from the Board's external auditors (Crowe LLP) did not sufficiently deal with the specific points raised around materiality and changes to practice resulting from the Kingman report. With regards to materiality, the Committee Chair commented that net assets were predominantly concerning accrued fee income, and that as this was a technical issue, he would like to understand the rationale.

With regard to the query around the Kingman Report, the auditor had explained that this report was focussed on the Financial Reporting Council. However the query raised at the October 2019 ARAC meeting was felt to be broader and sought to understand the changes Crowe LLP were making to reflect the current scrutiny of external audit.

The content of the report was otherwise noted.

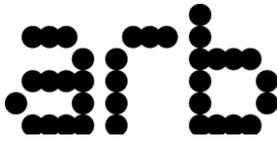
Action: The Head of Finance and Resources to request further clarity around the materiality point and the Kingman Report with Crowe LLP; to be dealt with either at the next ARAC meeting, when Crowe LLP will be in attendance, or offline.

5. Risk Management

Current Risk Register

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

- The key change to risk to the organisation since the risk register was last reported was the now known outcome of the general election, and the European Union Withdrawal Agreement Bill having passed through Parliament.
- With regards principle risk 5 (failure of statutory function), while the general election and the European Union Withdrawal Bill had resulted in more clarity from Government as to what was expected from ARB over the next year, since this was a very broad area of risk, it was not felt that this clarity warranted a reduction to the current risk score.
- With regards to principle risk 7 (financial sustainability), the 2020 retention fee process had completed and while the level of EU national architects removed for non-payment was slightly higher than in previous years, it did not represent a previously feared mass exodus. That generally, we were where we expected to be in terms of retention fee payments and had not experienced any substantial drop in income. As a result, the risk score around this area had been lowered.
- That the Brexit risk register had now been streamlined to demonstrate only several key risks.



The following points were discussed by the Committee:

- Whether the risk around likelihood of political uncertainty (principle risk 6) was ever likely to reduce. It was noted that this risk extended beyond Brexit and encompassed areas such as outcomes following the Hackitt Review, so it was unlikely to alter.
- The Registrar and Chief Executive reported that now we were in the Brexit transition period, there was a definite expectation for ARB to continue to participate in discussions around Mutual Recognition Agreements, to up the pace of those discussions and to widen the discussions to include government's list of priority countries. That a conversation would need to take place between MHCLG and the Board as to expectations around prioritisation of work.
- With regards principle risk 4 (unavailability of staff), a Committee member queried why that risk had not been reduced more, given the Board's agreement of seven new posts. It was reported that this risk was likely to remain unchanged as the risk covered two areas, the first was around staff morale and retention, and the second area was around recruitment. It was confirmed that, as a number of staff roles required technical knowledge, if members of staff left there was potentially a considerable learning curve for new starters. For this reason the risk had remained static.
- The Committee Chair requested that going forward; target dates were attributed to the "planned actions" detailed in the final column of the Risk Register, as this would help the Committee hold the Executive to account.
- It was commented that the current live issues appeared to be around cyber, and around climate change. The Registrar and Chief Executive reported that the Architects Climate Change Network had recently written to ARB to request that ARB make a statement around declaring a climate change emergency. It was suggested that the Board should have a conversation around were ARB to make such a statement, what action could it take.
- Paul Rao of Grant Thornton reported that there had been an interesting article in a recent Audit & Risk Magazine on the climate emergency topic which he would share.

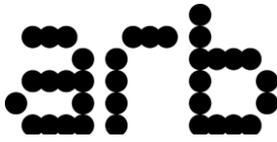
ACTION: Add target dates to the planned actions in the Risk Register; to be added as standard going forward.

ACTION: Article from Audit & Risk Magazine to be shared with Committee.

Risk Assurance Mapping

The paper was introduced by the Head of Registration who reported the following:

- That, since the last ARAC meeting, the Head of Registration and the Committee Chair had discussed the scope of the mapping exercise.
- That a Risk Assurance Mapping exercise had last been carried out by Grant Thornton in 2017, but that it was now felt that we should carry out more work in



this area, as detailed in the draft mapping document and implementation plan as contained in the papers.

The Committee discussed the following points:

- The Committee Chair highlighted that it was the role of this Committee to provide assurance to the Board, and that Risk Assurance Mapping was an important exercise to enable that assurance to be provided. That the document should be seen as a working document, and would be used as a tool to talk through the assurances the Committee was being provided with.
- A query was raised over how the document would work in practice; it was clarified that as part of the mapping exercise, the Executive would list the policies that were in place, and provide a commentary around the level of assurance in place under each of the headings.
- It was suggested that where the heading had been subject to an internal audit, the document should link to the relevant findings report.
- The Chair of the Committee raised a question around the assurance rating being given, and highlighted that, using strategic objectives as an example, he was looking for assurance that first, there was a strategic objective, second how did the Executive ensure the objective could be met and third, how was the objective built into a work plan. The mapping document should therefore include an assurance around the way things would be delivered and likewise, if there was an inhibitor to being able to provide that assurance, there would need to be a mechanism by which that could be reported to the Board.

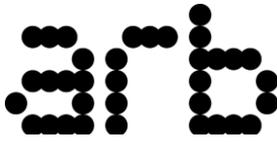
6. 6.1 – Outstanding Recommendations Table

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

- That as detailed at annex A to the paper, some of the actions had passed their due dates but had not yet been completed, that those overdue actions were largely IT related. It was noted that the reason for any delay had also been provided in the table by way of an update on each item.
- In respect of the outstanding actions relating to Registration, the Executive were in the process of developing a significantly different back end application management system, which was due to rollout in June 2020. That this would likely be followed by scoping replacement systems for the professional standards case management system and the prescription system.

The following points were discussed:

- A Committee member queried who agreed the extension to the target dates for internal audit outstanding actions; it was confirmed that these were agreed between management and the internal auditors, and reported to the Committee at each meeting by way of the update in the internal audit outstanding recommendations table and cover paper.
- By way of process, it was confirmed that a report on the internal audit outstanding



recommendations was brought to every Audit and Risk Assurance Committee meeting, and that re-testing was carried out by the internal auditors on an annual basis.

6.2 – Internal Audit Report – Payroll and Expenses

The paper was introduced by Paul Rao of Grant Thornton who confirmed that the audit went well, with particularly helpful discussions held with the Head of Finance and Resources. It was considered that there were strong controls in place in this area of the business, which resulted in an overall audit rating of 'moderate'. The report outlined two areas for minor improvement, the first around creating some guidance for staff members who had use of corporate credit cards, the second around updating policies and procedures to reflect current practice.

It was highlighted to the Committee that the report required a slight amendment to the wording at the end of the second bullet point of the Executive Summary which currently read:

“For example the Attendance, Travel and Expenses policy notes that the chair of the board may claim £375 per day for attendance, however we have observed a memo agreed by the Chair of the board which validates that this is no longer the case and that since the appointment of the new Chair of the Board the amount has increased to £400 per day. Similarly, the SDA should be updated to reflect that the Chair of the Board is no longer required to ratify Board member claims”

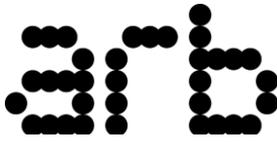
It was agreed that this wording be amended to read:

“For example, the Attendance, Travel and Expenses policy notes that the Chair of the Board may claim £375 per day for attendance, however we have observed evidence which validates that this is no longer the case and that since the appointment of the new Chair of the Board the amount has increased to £400 per day. Similarly, the Scheme of Decision Making should be updated to reflect that the Chair of the Board is no longer required to ratify Board member claims, a change evidenced by way of a memo agreed by the Chair of the Board”.

Paul Rao further highlighted that the above wording also featured in the Grant Thornton Annual Report; and confirmed that both the Payroll and Expenses report, and the Annual Report would be formally re-issued with the amended wording.

6.3 – Internal Audit Annual Re-testing

The paper was introduced by Paul Rao of Grant Thornton who confirmed that 14 out of 21 agreed actions due had been completed at the time of retesting. Paul Rao highlighted that as well as the actions highlighted in the re-testing report; in 2019 Grant Thornton had also carried out a management review of the General Data Protection Regulation (GDPR) implementation. It was reported that seven out of a total of nine findings had been remediated in respect of the GDPR review. For completeness, the Executive agreed to add the outstanding recommendations from the GDPR review to the outstanding



recommendations table.

6.4 – Internal Audit Annual Report 2019

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 2019. The Annual Report had achieved an overall rating of “moderate”, with no red ‘high’ rated audit findings identified.

The following points were discussed:

- The Registrar and Chief Executive outlined ARB’s current approach to internal audit, which was to cover off the areas of risk, and to suggest internal audits were carried out on areas of the business where the Executive believe improvements could be sought. That as we only carry out a limited number of internal audits per year, it was felt that this approach achieved best value.
- That it would be helpful if the Committee could have a conversation as to whether it wished to continue on the above basis, but also whether the allocated budget remained sufficient in this area. It was agreed that this should be added to the Committee’s July agenda, so that if an increase in budget was considered necessary, it could be factored into the 2021 budget discussions, usually held around September.
- A Committee member queried the piece of work referenced in the annual report around ‘Impact Research Reporting’ and what that actually entailed. Paul Rao confirmed that this was a desk research exercise, which looked at other organisations and how they measured and reported management information. That a paper was then presented to management to inform ARB’s future work on measuring impact.

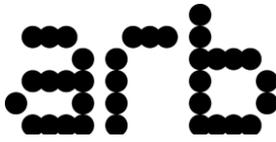
6.5 – Timeline for Internal Audit tender exercise to be carried out in 2020

This item was taken out of order and was actually considered by the Committee after item 7. Paul Rao of Grant Thornton was not present for this item.

This paper was introduced by the Registrar and Chief Executive who confirmed that annex A to the paper set out the full suggested timeframe for the tender, but highlighted that the plan was for the Committee to make a decision as to which firm to recommend for appointment at its July 2020 meeting, ready to be presented to the Board for decision at its October 2020 meeting. It was noted that a conversation would need to be had around the approach and budget for internal audit going forward, that those conversations would need to be taken into consideration when tendering.

The Committee agreed the suggested timeline for the internal auditor tender, as presented at annex A to the paper, and agreed that the Executive would liaise with the Chair of the Committee on the tender documents outside of this meeting. The Committee also agreed to extend the July 2020 meeting to allow time for presentations from shortlisted tenderers.

Action: Outstanding GDPR actions to be added to the internal audit outstanding



recommendations table.

Action: Internal Audit strategy and budget to be added to the April Audit and Risk Assurance Committee agenda for discussion.

Action: Extend meeting time for July meeting to allow for presentations from shortlisted Internal Audit tender candidates.

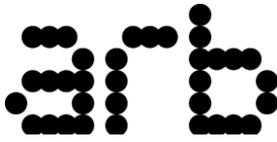
7. 2020 Committee Work Plan

The paper was presented by the Registrar and Chief Executive.

The following points were discussed:

- It was queried whether the proposed Committee work plan had been cross referenced against the Committee's Terms of Reference. It was confirmed that an exercise had been carried out to map the work plan against terms of reference, and that the Committee Chair had been provided with this document. It was agreed that this would be shared with the Committee members.
- It was confirmed that a report would also be presented back to the Committee's July meeting as to what work had been carried out throughout the year to ensure the Terms of Reference were being met. In addition, a Committee effectiveness session had been pencilled in for July; that it might be helpful to pre-empt this session with a short survey.
- The Registrar and Chief Executive encouraged the Committee to let the Executive know if it felt it needed further information or assurance throughout the year, and to provide ongoing feedback on the papers presented to it.
- The Registrar and Chief Executive confirmed that the staff team was currently carrying out a piece of work internally to review how ARB's Financial Statements were presented; this was with a view to providing the Committee with further assurance that we were adhering to the Government Financial Reporting Manual (FReM). In addition, we were looking to refresh the way the Governance Statement was written, whilst ensuring it remained in line with reporting requirements under FReM.
- It was clarified that ARB prepared both Financial Statements with the required content under FReM, and a digital annual report; the latter of which linked back to the Financial Statements.
- It was agreed that the independent member of the Committee should be sent the digital annual report as standard, as well as being provided with the management accounts papers (as presented to the Board), and budget papers.
- Paul Rao commented that with regards the presentation of annual reporting, the presentation of the Chartered Institute of Management Accountants was a good point of reference (<https://www.cimaglobal.com/About-us/Annual-Review-and-Report--Statements/>).

Action: The Operations Manager to circulate to the Committee the proposed work plan, mapped against the Committee's Terms of Reference.



Action: Ensure that going forward, the independent member of the Committee is provided with the digital annual report, as well as the management accounts papers (as presented to the Board), and budget papers.

8. AOB

No other business was raised.

9. Dates of next meetings

22 April 2020

31 July 2020

9 November 2020

CONFIDENTIAL