



Subject ARAC Annual Report (1 May 2021 to 30 April 2022)
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 2021 to 30 April 2022.

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 2021 30 April 2022

4. Key Points – Work of the Committee

4.1 Membership

During the reporting period the Committee membership has been:

1 May 2021 to current

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

4.2 Meetings

The Committee held four meetings between 1 May 2021 and 30 April 2022:

20 August 2021
11 November 2021
13 January 2022
20 April 2022

The Committee was quorate for all meetings.

4.3 Attendees

Representatives from either Grant Thornton, ARB's previous internal audit firm and TIAA, ARB's current internal audit firm, attended all appropriate agenda items at the Committee meetings in the reporting period (with the exception of the discussions on the auditors' performance). Both internal audit firms attended the first meeting of 2022 to help facilitate a smooth handover.

The Board's external auditors, Crowe LLP, attended the meetings held on 11 November 2021 and 20 April 2022, although absented themselves for any Committee discussion around their performance. The Committee held a confidential discussion with Crowe, without the Executive present, at the start of the 20 April 2022 meeting, this was to allow the external auditors to raise any concerns around the external audit. No concerns were raised.

4.4 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. The Terms of Reference will be reviewed in 2022, along with the planned Board review of Committee memberships.

The Committee has considered its workplan and has mapped that plan against its Terms of Reference to ensure adherence.

4.5 Chair's activity

The external auditors offer a range of training and webinars covering a number of topics, available via a circulated weblink.

The Committee Chair is also part the Department for Levelling Up, Housing and Communities Audit and Risk Assurance Chairs Forum. The last meeting of that forum was held in March 2022.

4.6 Regular reporting to the Board

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 2021.

The Board has also held two sessions on risk in the reporting period, the concerning the Risk Register, held in September 2021, the second on Risk Assurance Mapping (facilitated by Crowe LLP), held in March 2022.

4.7 Internal Audit

Two internal audits were undertaken in the reporting period. The first was around Accessibility, which considered two of ARB's key services, Registration and investigations processes, as well as the accessibility of ARB's website and how ARB referred to and aligned with the Equality Act in respect of race and disability.

The second audit was on the prescribed exam process and considered the design and adherence to its process. Annual re-testing was also carried out to check progress on outstanding internal audit actions from previous years.

4.8 Risk Register and Consideration of Key Risks

Throughout 2021/2022, 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.

Throughout the year, the organisation risk register has been reviewed at each meeting. In making amendments, consideration was given to the outputs of the Board risk session held in September 2021.

In reviewing the Risk Register, the Committee identified that the risk appetite cited within the document no longer aligned with the ambitions set out in the Board's new five-year strategy. This resulted in a Committee session on risk appetite, which then fed into the Board session on risk appetite held in March 2022.

- 4.9 More recently, the Risk Register has been adapted following a request from the Department for Levelling Up, Housing and Communities (DLUHC) Arm's Length Body (ALB) Governance Team. DLUHC has requested that all ALBs adopt their standard template of Risk Register, to allow for upload to their 'RADAR' risk reporting system. This has been agreed since the design and categorisation were not dissimilar to the ARB version.

- 4.10 Two key risks were identified and interrogated by the Committee:

Review of Software Asset Assurance Review report

A key risk in the year was the findings of the Software Asset Assurance Review report (the report), which highlighted a number of weaknesses in ARB's IT systems. The Committee considered the findings of the report, and highlighted recommendations for mitigation to the Board.

Change in Direct Debit supplier

This risk concerned a change of Direct Debit supplier for the retention fee collection, brought about by the withdrawal of service by the incumbent provider. Assurance was sought as to how the risk was being managed, and the likelihood of any identified risks coming to fruition. The new supplier was in place and systems integrated ready for the 2022 retention fee collection period.

Progress on all outstanding internal audit recommendations have also been reviewed by the Committee at each meeting, with in depth updates invited from the Executive on those areas that had fallen overdue. In particular:

- General Data Protection Regulation
- Registration Processes
- Management Information

4.11 External and Internal Audit contracts

The contract for ARB's internal audit service expired in December 2021. The Committee, with the support of the Executive, interviewed and, following Board approval, successfully recruited a new firm who took post from January 2022.

In addition, on the Committee's recommendation the Board has agreed an extension to the existing external audit contract, in part to allow for a relationship between internal and external auditors to be established.

4.12 Conclusion

In addition to identifying and monitoring key risks at each meeting and successfully appointing a new internal audit firm, the Committee has closely monitored the internal audit work carried out during the reporting period, follow up from it and updates on all outstanding historic findings.

The latest report prepared by ARB's internal auditors provided a limited assurance rating based on the two internal audits carried out in 2021 where one was rated red (accessibility) and one was amber (prescribed exam process). The Committee has requested regular updates from the Executive on the progress of actions stemming from both audits. The high priority findings have already largely been actioned and will be re-tested by the newly appointed internal audit firm in May 2022. The Committee will continue to be provided with regular progress updates from the Executive on both audits.

4.13 Looking Forward

A Committee work plan has been agreed for the remainder of 2022 and a draft internal audit plan has been prepared. Areas for internal audit are likely to cover human resources management, the governance of transformation projects and core financial controls.

5. Resource Implications

The cost of the internal and external audit functions are contained within the current budget.

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 – 1 May 2021 to 30 April 2022

Line item	Action
<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> The scope of the 2021 external audit was discussed by the Committee at its meeting held on 11 November 2021. The draft audited accounts and Annual Report is due to be reviewed by the Committee at its April 2022 meeting, before being presented to the Board.</p> <p><u>Internal Audit:</u> The internal audit plan for 2021 was discussed and agreed by the Committee at its meeting held in November 2020; the plan was subsequently amended in April and August 2021 to ensure the audit topics were relevant to forthcoming workplans and would offer best value. The internal audit plan for 2022 was discussed at the January 2022 ARAC meeting and is due to be finalised at the April 2022 meeting.</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 Register was presented at all 2021/22 ARAC meetings.</p> <p>In August 2021, the Committee provided the Executive with feedback on the Register, in preparation for a Board session on the strategic development of the Risk Register. This also generated discussions around risk appetite, with a detailed ARAC session on risk appetite held in January 2022, in advance of a Board workshop in March 2022.</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 place, and make recommendations about these issues to the Board; 	<p>The Committee also interrogated specific operational risks, along with mitigations, that occurred throughout the year, such as a transfer of direct debit supplier and the potential impact on the retention fee collection, and a detailed review of the Software Asset Assurance Review report.</p>

	Risk is generally included on the Board meeting agendas twice annually, in addition the Board had two workshop sessions, the first in September 2021 and the second in March 2022. Further work on risk appetite will be carried out following the latter session.
<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; 	The Committee has reviewed the Whistleblowing policy, and a new Procurement Policy, both of which have been approved by the Board.
<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. 	NOTE: the Committee will provide a view when the 2021 Financial Accounts are presented to the Board on 18 May 2022.
The Committee will also advise the Board and ARB's accounting officer about:	
<ul style="list-style-type: none"> the strategic processes for risk, control and governance; 	<p>The Committee considers and fully discusses risk at each meeting. Input is also invited from ARB's internal auditors to help to ensure best practice.</p> <p>The Committee had a full discussion on risk appetite at its January 2022 meeting; this fed into the Board session on risk appetite which took place in March 2022.</p> <p>If the any risk reporting structure requires changing throughout the year, recommendations would be made to the Board.</p>
<ul style="list-style-type: none"> the content of the Governance Statement; 	The 2021 Financial Statements and Governance statements will be considered by the Committee at its meeting held on 20 April 2022.
<ul style="list-style-type: none"> 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 representation; 	The 2021 Financial Statements and governance statement will then formally approved by the Board at its meeting held on 18 May 2022.

<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 on outstanding internal audit findings is included all ARAC agendas. The Committee also receives an update on outstanding actions by way of matters arising.</p> <p>Internal audit topics covered between 1 May 2021 and 30 April 2022 were:</p> <ul style="list-style-type: none"> • Accessibility (fieldwork carried out June 2021, report presented to the Committee in August 2021). • Prescribed Examination (fieldwork carried out November 2021, report presented to the Committee in January 2022). • Follow up testing (fieldwork carried out in December 2021, reported presented to the Committee in January 2022)
<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; 	<p>In line with best practice and to ensure value for money, ARB's internal audit service was tendered for in 2021, with a new firm appointed from January 2022.</p>
<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; 	<p>ARB's internal and external auditors regularly attend ARAC meetings and share best practice knowledge, articles and legislative changes where applicable.</p> <p>The Committee reviewed and recommended amendments to ARB's Whistleblowing and Procurement policies.</p>
<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 full tender exercise was carried out for the internal audit service, with interviews held with two firms in November 2021, and then submitted a recommendation to the Board in December 2021. Following that process, TIAA were appointed with effect from January 2022.</p> <p>The Committee will review the performance of ARB's internal auditors</p>

	before the end of the 2022.
<ul style="list-style-type: none"> recommend to the Board proposals for the provision of external audit services; the service provided by external audit and whether it meets the standards specified within the International Standards on Auditing; 	The external auditor's performance was considered by the Committee in January 2022, when it was decided to recommend to the Board an extension to the external audit contract to 2024. This was agreed by the Board at its meeting in February 2022.
<ul style="list-style-type: none"> the extent of cooperation between Internal and External Audit; 	<p>Both sets of auditors attended the November 2021 meeting, and both will be in attendance at the April 2022 meeting. Both sets of auditors contribute to relevant agenda items when in attendance.</p> <p>The external auditors, annually, will seek to gain confirmation from the Internal Auditors that there's nothing the external auditors need to be aware of for the statutory audit.</p>
<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; 	<p>After reviewing the Whistleblowing Policy, the Committee recommended some changes to the Board which the Board then approved at its September 2021 meeting.</p> <p>There have been no critical incidents to report in this period.</p>
<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>At its August meeting, the Committee also had sight of the Software Asset Assurance review report which highlighted various risks around IT. This in turn led to Board discussions on IT transformation. The Committee is provided with an update on progress of the transformation project at each meeting.</p> <p>The senior leadership team will also be undertaking a BCP cyber scenario test in late April 2022.</p>

<ul style="list-style-type: none"> its own effectiveness, and an annual review of its terms of reference. 	<p>This document is a review of the Committee’s effectiveness; the Committee Terms of Reference are due for review in the latter part of 2022.</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>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 Head of Finance and Resources.</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 in the reporting period.</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>In the reporting period, Committee membership has been:</p> <ul style="list-style-type: none"> Cindy Leslie (Committee Chair) Mark Bottomley Liz Male Chris Wood (Independent Committee member)
<p>Quorum</p>	<p>All meetings of the Committee have been quorate.</p>

A minimum of two Board members must be present for the meeting to be deemed quorate.	
<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 Accounting Officer, may convene additional meetings as deemed necessary.</p>	<p>Four meetings have been held in the reporting period:</p> <ul style="list-style-type: none"> • 20 August 2021 • 11 November 2021 • 13 January 2022 • 20 April 2022
<p>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.</p>	<p>The Audited accounts and Governance statements will be considered by the Committee at its meeting on 20 April 2022.</p> <p>The 2022 Audited accounts and governance statement will then be formally presented to the Board for approval at its meeting scheduled for 18 May 2022.</p> <p>For good order, the Executive are generally asked to leave the meeting for a short time so that the Committee can speak to the external auditors in private.</p>
<p>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.</p>	<p>This is at the Committee's prerogative. In the reporting period, regular Executive attendees at ARAC meetings were:</p> <ul style="list-style-type: none"> • Hugh Simpson (CEO and Registrar) • Marc Stoner (Director of Resources) • Brian James (Director of Registration and Accreditation) • Kristen Hewett (Operations Manager)
<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</p>	<p>This is at the Committee's prerogative.</p> <p>No issues were raised with the Committee by the internal or external auditors.</p>

<p>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>	<p>The Committee met on the 12 November 2022 for the internal audit interviews.</p>
<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 presented in Board packs.</p> <p>The Internal Audit annual report will be presented to the Committee at its April meeting.</p> <p>The Committee Annual report, as well as the ARB Annual Report and Accounts will be presented to the Board on 18 May 2022.</p>
<p>The Chair will attend the MHCLG forum of Audit and Risk Assurance Committee Chairs.</p>	<p>(NOTE: MHCLG is now DLUHC)</p> <p>The Committee Chair has attended all scheduled Chair's Forum meetings in the reporting period.</p>
<p>Paper 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 2022 work plan of the Committee was considered at its January 2022 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>