

Minutes of the Audit Committee Meeting Held on 24 November 2015

Location	Present	In Attendance
8 Weymouth Street London W1W 5BU	Myra Kinghorn, Chair Ruth Brennan Ros Levenson Andrew Mortimer	Karen Holmes, Registrar Marc Stoner, Financial Controller Emma Matthews, Head of Qualifications Graham Clarke, Mazars LLP Leah Sparks, DCLG

Draft – Chair Approved

Action

1. Apologies

There were no apologies for absence.

Item 4 was then taken out of sequence and discussed at the beginning of the meeting. See below.

Following item 4, the Chair welcomed Leah Sparks (Department for Communities and Local Government (DCLG)) and Graham Clarke (Mazars) to the meeting.

2. Minutes

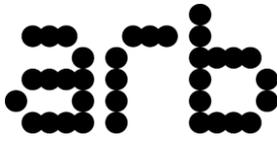
The Minutes of the meeting held on 2 July 2015 were approved and confirmed as an accurate record of that meeting.

3. Matters Arising

The Registrar reported that the Committee's development briefing/risk appetite discussion session had not yet been organised. It was noted that it would be prudent to organise this for early 2016 so that the new internal auditors could play a role in the meeting.

The Whistle Blowing Policy had now been published on ARB's website.

The Audit Committee Chair and the Registrar had begun some Committee succession planning work, but had since decided that, rather than advertising for a new co-opted member of the Committee for period of some six months, it may be preferable to await the outcomes of the Board recruitment exercise to see if an individual with appropriate skills was to be appointed to the Board, who could in turn be appointed to the Committee. This issue was also discussed later in the meeting – see agenda item 8.



The Chair reported that she had raised the revision of the Board Members Code of Practice at the DCLG's Audit Committee Chairs meeting, but that time pressures had meant that this item had not been discussed in detail. It was noted that this would be discussed at the next Audit Committee Chairs meeting which was due to be held in April 2016.

It was agreed that the revised Code should be discussed again at the next Audit Committee meeting, with a view to moving it forward to the Board for discussion when the new appointed and elected members joined the Board in Spring 2016.

4. Appointment of Internal Auditors

See note above regarding the order of the agenda items.

Leah Sparks and Graham Clarke were not part of the meeting for this item.

The Committee discussed the content of the presentations and the responses to the Committee's questions given by two firms of internal auditors at the beginning of the meeting. The Committee was mindful of the need for the future internal auditors' team to demonstrate an understanding of the Audit Committee's requirements and the need to bring a proportionate approach to the delivery of internal audit in a supportive but challenging environment.

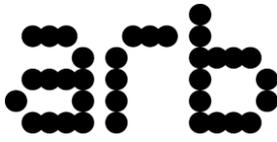
The Committee unanimously agreed that Grant Thornton be appointed as the ARB's internal auditors with effect from January 2016. The Registrar would contact both firms and convey the Committee's decision.

5. Risk Register/Risk Review/Risk Appetite

The Committee noted that the Risk Register contained no new risks, and that there were no significant changes risk ratings since the last meeting and discussed the red risks.

The Committee's attention was drawn to the risk regarding the future model of architectural education. It was reported that the Staff team would be taking legal advice on the interpretation of the '4+2' model of architectural education and training set out in the Qualifications Directive, and that they would report back when there was further news.

The Registrar updated the Committee on the progress of the Periodic Review. The Committee noted that the Review Report was due to be sent by the DCLG Review team to the Minister during the week commencing 23 November 2015, and that this deadline appeared to be realistic. The Committee noted that, if the report reached the Minister as anticipated, a decision might reasonably be expected in December 2015. The Minister might wish to raise technical queries about the Report, which could lead to further delays. The Registrar reported that it was anticipated that once



the Minister had made a decision, the DCLG ARB's Sponsor Lead would want to meet with both her and the Board Chair to discuss the dissemination of the outcome of the Review. In response to a Committee member query on the impact that any further delays could have on the collection of the Retention Fee, the Committee was advised that the fee collection period was well underway and that the direct debit payments were due to be collected before the outcome of the Review would be known. If changes to the Act were to be required as a result of the outcome of the Review; these were likely to take time to agree and become effective. Detailed timetables would be drawn up in terms of any changes which were necessary.

The Committee queried whether there had been any further developments following the Board's recent discussion about Section 4(1) b of the Architects Act and the Registrar's ability to use her discretion under this section to admit individuals to the Prescribed Examination. The Registrar confirmed that she would not deviate from current Board policy and/or the Act in this area, even if she was put under pressure to do so. The issues at the heart of this matter would be looked at as part of the Review of ARB's routes to registration; and that discretion was used on a case by case basis in the light of the individual facts and circumstances, which had been acknowledged by the Board at a recent Board meeting.

As note earlier in the meeting, the Committee would receive regular updates in relation to the rent/property review, and any potential significant risks would be drawn to the Committee's attention without delay. In addition the Board would be asked to consider its position on this subject at its meeting on 11 February 2016.

6. Internal Audit Reports

a. New Reports and Recommendations

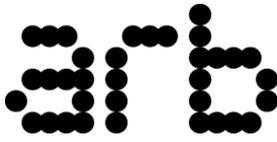
i. Stakeholder Engagement

Following the recent advisory review of ARB's stakeholder engagement work, Graham Clarke reported that the review had resulted in three significant recommendations and five housekeeping recommendations. The Committee was advised that overall good controls were in place and that the Internal Auditors considered that the management responses to the recommendations were reasonable.

The Committee noted item 4.4 of the report, and agreed that the written procedures for dealing with the press should be updated as soon as possible. Noting item 4.1, the Committee also discussed the need for the stakeholder engagement/communications plan to be regularly reviewed. The Committee noted that the following updates were received by the Board:

- the six monthly reports on the actual results against the Business Plan
- an annual update on stakeholder engagement/communications

In addition, the plan was internally reviewed by the Operational Management Group at its regular meetings. After discussion, the Committee agreed that the reporting structure in this area should remain the same. It was however agreed that a focus on



ARB's EU stakeholders during 2016 would be helpful; and that any additional information that arose in between the reporting cycles should be reported through the Board's Operational Activities updates.

ii. Equality and Diversity

Graham Clarke reported that a 'substantial assurance' rating had been given in this area following Mazars' review. The internal audit review had resulted in two housekeeping recommendations. These recommendations related to the development of clear metrics by which ARB could measure its performance in this area. The Committee acknowledged that ARB was in the early stages of a long journey in this area but that progress was being made.

iii. Freedom of Information

Graham Clarke reported that a 'substantial assurance' rating had been given in this area following Mazars' review, and that six housekeeping recommendations had been made. The Committee noted that responses to the recommendations were being taken forward.

iv. Core Financial System, Core Policies and Procedures

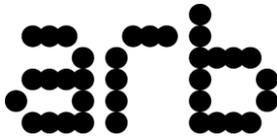
Graham Clarke reported that an 'adequate assurance' rating had been given in this area, with two significant and seven housekeeping recommendations. The issues surrounding the Scheme of Decision Making (4.3/5) had already been dealt with, and that the issues relating to controls over the banking reconciliations (4.9) were being considered. The purchase order document had now been replicated in Word format, and this meant that the document could be easily updated as required. The Committee noted that the errors identified in relation to the IT purchase order which had been tested (4.8) had been discussed and a solution had been found to prevent the same person from approving the purchase order and the invoice/payment. The Committee was provided with an update on the way in which the Financial Procedures were reviewed and kept up to date. Improved version control measures would be put in place in future.

v. Corporate Governance Review

Graham Clarke reported that a 'substantial assurance' rating had been given in this area, with four housekeeping recommendations. The Committee was provided with updates in relation to these recommendations and noted that these were all being taken forward.

b. Review of Outstanding Recommendations

It was noted that there were eleven recommendations awaiting testing, as well as some of the recommendations from the most recent reviews. Mazars would test these outstanding items in December 2015. Work on the Business Continuity Plan was continuing and that work on the Russell Cooke Compliance Review recommendations would remain on hold until the outcomes of the Periodic Review were known.

**c. Mazars Internal Audit Progress Report**

The Committee noted the content of the report. All the key points had been covered elsewhere as part of Item 6. Mazars' final report would be presented to the Committee in March 2016, once all of the follow up testing had been completed in December 2015. It was confirmed that Graham Clarke would attend the March meeting to sign off Mazars' work with ARB.

The Committee thanked Mazars for the firm's internal audit work performed in 2015.

7. Audit Committee Work Plan

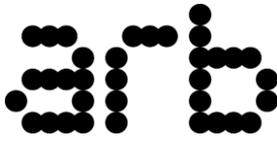
The Committee discussed the rolling programme for 2016 and the areas which had been reviewed since the internal audit function had been introduced. As noted earlier in the meeting, the Committee was due to hold a special session covering risk appetite in early 2016 which might highlight areas for review in 2016. Registration and Human Resources were possible areas for internal audit review in 2016 as it had been some time since these areas had last been reviewed. The Committee agreed that it would be prudent to hold the risk appetite session in advance of discussing and agreeing its programme of work at its March 2016 meeting.

The Committee agreed that an induction session for new Committee members should be held before the July 2016 Audit Committee meeting. It was additionally agreed that new Committee members should be provided with a summary of the Committee's work to date and its plans for 2016 internal audit reviews.

8. Committee Terms of Reference

The Committee discussed the proposed change to the terms of reference which would allow the Board to co-opt more than one member on to the Committee to supplement the Committee's skills base if necessary. The Committee agreed to recommend to the Board that the change be made, and that this should be considered by the Board at its meeting of 11 February 2016. It was noted that the future membership of the Committee would need to be considered in March 2016 once the results of the architects' election, as well as the recruitment exercise for appointed members, had been concluded.

The Committee also discussed whether the title of the Committee should be altered to the 'Audit and Risk Assurance Committee'. This would be a cosmetic change to the name of the Committee, as it is already required by the present terms of reference to consider the Risk Register at each meeting. The Registrar would look into this further, taking into account the advice provided in the Treasury's Handbook. If a change was considered to be helpful, this would be fed into the paper on the Committee's Terms of Reference which was being taken forward to the Board in February 2016.



9. Compliance Review of Scheme of Decision Making

The Committee noted that a new Scheme of Decision Making, which reflected the 2015 adjustments in the Staff structure, had recently been approved by the Board. The Registrar and the Financial Controller were still giving some thought as to the most appropriate way to address the issues relating to contracts of £100k+ , given that this could be interpreted to refer to £100k over the lifetime of a contract. Some additional clarity and/or exclusions may need to be added to the Scheme of Delegation.

10. Compliance Review of the Framework Agreement

The Committee noted the outcome of the compliance against the Framework Agreement review. The Department for Communities and Local Government (DCLG) was also seeking to review and update the Framework Agreement, but work in this area had been paused until the outcome of the Periodic Review was known.

The outcome of this particular compliance review by management would be sent to DCLG for information.

11. Compliance Against the Board's General Rules

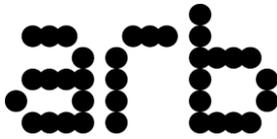
The Committee noted that this was the first time that management had conducted this review and commended the Staff for this review. The Committee noted the action points which had been identified and that these would be taken forward by the Staff team.

12. Feedback on our Services

The Committee noted the feedback received from the key users of ARB's services. The Committee welcomed the report and noted that it was important to gather feedback so that ARB's services could be improved and developed. Committee members were asked to provide any comments on the format of the report directly to Teresa Graham. The report in its current format was intended for internal use only, but that the feedback would be distilled for the ARB's Annual Report and for the Board.

The Committee noted that details of the action points would be highlighted in future reports, so that the Committee would be able to track the progress being made.

A suggestion was made that consideration should be given as to whether ARB should offer any incentives to those from which feedback was being sought. It was agreed that seeking the appropriate permissions to quote and publish some of the feedback provided should also be explored for future reports.

**13. Review of our Commitment to Transparency**

The Committee noted and welcomed the report following an internal review of ARB's commitment to transparency. The report had identified several areas where improvements could be made and actions needed to be taken forward, but that these were all in hand.

14. Any Other Business

As this would probably be the last Audit Committee meeting Leah Sparks would attend, the Committee thanked her for her help on Audit Committee matters over the last year.

There was no other business.

15. Date of Next Meeting

The next meeting would take place on 17 March 2016.

A date for the Committee's briefing/discussion regarding risk appetite would be arranged as soon as possible in early 2016.

Additional meeting dates for 2016 would be arranged when the membership of the Committee from 1 April 2016 was known.