

Minutes of the Audit Committee Meeting Held on 27 January 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 (for Item 2); Paul Rao, Grant Thornton Naziar Hashemi and Tim Redwood, Crowe Clark Whitehill (item 1 only)

Draft - Approved by the Chair

1. Committee Briefing

The Committee received a briefing about Governance and Risk Management from the external auditors, Crowe Clark Whitehill. The session covered regulator governance; types of risk; responsibility for risk management and best practice in this area; as well as themes from other regulators.

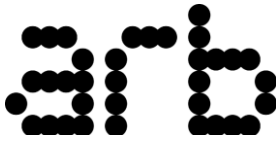
2. Deep Dives – Registration

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

The Committee welcomed the presentation and confirmed that it should be continued at the Committee's March meeting. It was agreed that it would be helpful for the next presentation additionally to include details about the audit trail which exists to document decisions regarding specific registrants as well as the checks and balances undertaken throughout that process. It was also agreed that the presentation should include relevant details regarding the succession plans which were in place should any key staff in the team leave.

3. Apologies

Apologies were received from Flora Njoku (Department for Communities and Local Government).



4. Minutes

The Committee approved as an accurate record the minutes of the meeting held on 20 October 2016.

5. Matters Arising

The Committee noted the paper setting out the progress which had been made in relation to the matters arising from the previous meetings.

6. Risk Register/Risk Review/Risk Management Strategy

The Committee noted the update about the review being undertaken by the Executive of the Risk Management Framework and the Risk Register.

It was confirmed that the Risk Assurance Mapping exercise would be undertaken once the review of the structure and content of the Risk Register had been completed.

It was noted that there were plans to revise and streamline the Risk Register. Taking on board the advice provided by the external auditors as part of the Committee briefing at the beginning of the meeting, it was agreed that a narrative regarding the key strategic risks and issues should be provided alongside the revised Risk Register.

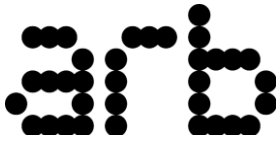
The Committee agreed that it would be helpful if the Executive could select two or three of the key risks and apply the 'xy+y' impact test to see what the results were.

One Committee member asked about the Department for Communities and Local Government's approach to risk. It was confirmed that the Department preferred to operate on a 'no surprises basis' and expected to be well briefed about any risks identified by its sponsored bodies.

It was noted that a draft of the revised Risk Register would be presented to the Committee at its March 2017 meeting for comments and feedback. It was agreed that sufficient agenda time should be allocated to discuss this item at the next meeting.

The Committee noted the current Risk Register and the key areas highlighted in the covering paper.

It was confirmed that there were no further updates in relation to the progress of the Periodic Review since the Report had been provided to the Minister for consideration.

**Actions:**

The Executive should bring the draft revised Risk Register to the Committee's March 2017 meeting, as well as a narrative regarding the key strategic risks and issues.

The Executive should apply the 'xy+y' impact test to the two or three key risks and present the results to the Committee at its March 2017 meeting.

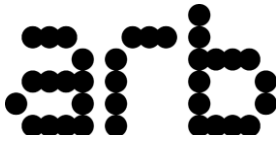
7. Internal Audit**i. Outstanding recommendations from previous internal audits**

The Committee noted the table which provided an update regarding the outstanding recommendations from previous internal audits. It was highlighted that all of the agreed completed recommendations which had been discussed at the last Committee meeting had been removed from the table and had been tested by Grant Thornton. It was also noted that of the remaining outstanding recommendations, the Team wished to change the completion dates for nine of the remaining recommendations.

In terms of the outstanding recommendation 4.1 (E&D Activity Report), it was confirmed that the Head of Professional Standards would be attending a workshop to discuss measures and indicators for tracking progress and the impact of E&D measures. It was noted that the Carol Bernstein had agreed to meet with the Registrar and Head of Qualifications & Governance to discuss Equality and Diversity matters, e.g., unconscious bias when dealing with the Prescribed Examinations following an item being raised in relation to this at a recent Prescription Committee meeting.

Following queries in relation to the recommendations regarding the Cyber Security internal audit, it was confirmed that the service provision which ARB received was good and that the recommendations made by the auditors were common to other internal audits done of this area. It was noted that the Registrar was responsible for setting the strategic direction regarding ARB's IT security. In response to a query raised by a Committee member, it was noted that there would always be a risk that ARB's IT system could be hacked, but penetration testing was undertaken on a regular basis to determine whether any continuing improvements could be made. The organisation's security measures also complied with the Government's expectations and compliance requirements in this area. The Committee noted that the costs of addressing the recommendations following the internal audit of ARB's cyber security would be between £18,000 and £44,000. Paul Rao confirmed that whilst the overall rating had been moderate, this was a strong and positive opinion.

The Committee noted the progress which had been made in relation to the



recommendations and agreed that it was satisfied with the progress made in addressing the relevant matters.

ii. Internal Audit Plan 2017

Paul Rao introduced the proposed internal audit plan for 2017.

The Committee discussed a range of issues in relation to the proposed plan including whether an additional internal audit should be undertaken in 2017, resulting in four audits rather than three being undertaken with associated costs. The Committee also asked how the draft audit plan related to the Risk Register and sought to address the key risks and what audits might provide the best value to ARB at the current time against the backdrop of a changing landscape and the length of time which had elapsed since some of the previous internal audits had been undertaken.

After discussion the Committee agreed that the internal audit planned on contract tendering process should proceed as the first audit in the 2017 programme. The Committee also agreed that three internal audits in total should be undertaken in 2017. Given the changing external environment, and noting that the Risk Register was in the process of being revised in terms of its content and structure, the Committee also agreed that it would decide which remaining internal audits should be prioritised and undertaken in 2017 at its next meeting. It was noted that the paper for the March meeting should particularly highlight both the reasons why some areas had not been reviewed for some time and clearly demonstrate the links with the Risk Register.

Actions:

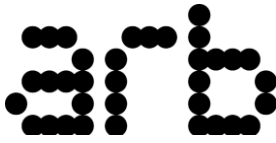
The Internal Auditors should take forward the audit of the Contract Tendering process and this should be scheduled to commence first.

The Internal Auditors should bring an updated Plan back to the March 2017 meeting for further consideration.

The Committee's work programme for 2017 was noted.

iii. Follow Up Testing

Paul Rao also introduced the report which confirmed the outcomes of the follow up testing which had been undertaken at the end of 2016. He said that excellent progress against the outstanding recommendations had been made and that he was presenting a positive report. With a couple of exceptions, the internal auditors had been able to confirm that the outstanding recommendations had been addressed to their satisfaction. It was noted that the Operational Management Group had ensured that outstanding recommendations were being closed down on a regular basis. [The Committee had noted the remaining outstanding recommendations



under item 7i.]

The Committee noted the report and accepted the outcomes of the follow up testing which had been carried out.

iv. Internal Auditors' 2016 Annual Report

The Committee noted the Internal Auditors' 2016 Annual Report, and that the Auditors had provided an overall 'moderate' rating in respect of ARB's corporate governance, risk management and internal controls.

8. Board Members' Code of Conduct

The Head of Qualifications and Governance introduced a revised version of the Board Members' Code of Conduct. It was noted that following discussions at the Committee's last meeting, advice and guidance had been sought from the Department for Communities and Local Government regarding the wording of specific areas of the revised Code. The Committee's attention was drawn to the changes which had been made as a result of the Department's advice as well as other adjustments made on the basis of the Committee's feedback.

The Committee agreed that the proposed revisions to the Code were acceptable and that they should be presented to the Board for discussion and approval at its May 2017 meeting.

Actions:

The Registrar/Head of Qualifications and Governance should ensure that the proposed revisions to the Board's Code of Conduct and Practice were scheduled for consideration and approval by the Board at its meeting of 12 May 2017.

9. Any Other Business

There was no other business.

10. Dates of next meetings

16 March 2017, 10am

15 June 2017, 10am

10 October 2017, 10am