

## Minutes of the Audit Committee Meeting Held on 15 June 2018

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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 (Items 1 - 6) Kate Howlett, Communications Lead (Items 4-14) Kris Hewitt, Operations Manager (Items 6-14)  Paul Rao, Grant Thornton

Draft – Chair Approved

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### 1. Apologies

There were no apologies for absence.

### 2. Declarations/Conflicts of Interest

There were no declarations of interest.

### 3. Deep Dive Presentation – UK’s Departure from the European Union

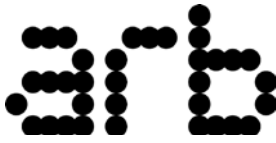
The Head of Qualifications and Governance and the Head of Registration gave a presentation about how the staff team were preparing for the United Kingdom’s (UK) departure from the European Union (EU) and the potential impact that this could have on ARB’s role and its work.

Within the context of a changing environment, the current risks surrounding the implementation/transition period (29 March 2019 – 31 December 2020) and beyond (post 1 January 2021) were highlighted and mitigations were explained.

The following action points resulted from the discussions between the Staff team and the Committee members:

**Action: The Operational Management Group to consider contacting MHCLG to seek clarity regarding the withdrawal text if this is not forthcoming.**

**Action: The Operational Management Group to consider whether it would be appropriate to consider paying retainers for key experts to avoid the loss of advice or services in what could become an increasingly competitive market.**



Note

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**Action: The Head of Qualifications and Governance and the Head of Registration to put together a list of key actions/decisions the Board could be required to take with specified timeframes to ensure that decisions are taken in a timely way.**

**Action: The Head of Qualifications and Governance and the Head of Registration to review the methodology used within the 'Brexit' Risk Register, including the points set out under the 'effects' and 'impact' sections.**

**Action: The Head of Qualifications and Governance and the Head of Registration to provide the Board with an edited version of the presentation which focussed on the planning that the Executive was undertaking, the decisions that it was likely to have to make and a timeline of when such decisions/major events were expected to occur.**

Paul Rao from Grant Thornton commented that he felt that the Executive was being proactive in their approach to planning for the UK's exit from the EU. The Committee confirmed that it was reassured that the Executive was taking appropriate steps in terms of their planning and had identified the key risks which could impact the organisation and its work.

#### **4. Minutes of the Meeting held on 14 March 2018**

The Committee approved the minutes as an accurate record of the meeting held on 14 March 2018.

#### **5. Matters Arising (not on the agenda)**

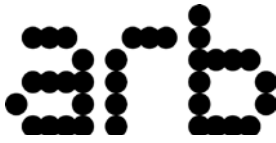
##### **Alignment between the Ministry for Housing, Communities and Local Government's and ARB's Redundancy Policy**

It was noted that as the next Accounting Officer meeting was not due until March 2019

**Action: The Registrar should raise the matter of any lack of alignment between the Ministry for Housing, Communities and Local Government's (MHCLG) and ARB's redundancy policies with the MHCLG before the next Audit Committee meeting and provide the Committee with an update at its October 2018 meeting.**

##### **Regulatory Bodies Meeting – UK's Departure from the European Union**

It was noted that Grant Thornton was in the process of arranging a meeting on the UK's departure from the European Union. Approximately six to seven regulatory



bodies were expected to send persons to that meeting which was likely to take place in October 2018.

**Action: The Committee agreed that the Registrar should invite a representative from the Royal Institute of British Architects (RIBA) to speak to the Board about how it was preparing for the UK's departure from the European Union.**

### **Any Other Business – General Data Protection Regulation**

It was confirmed that the briefing note which had been circulated to Board members regarding the General Data Protection Regulation constituted the training which had been referred to at the last meeting.

## **6. Risk Management**

### **i. Risk Management Strategy**

The Registrar introduced this item and asked the Committee to undertake its annual review of the Risk Management Strategy. It was noted that in 2017 the strategy had undergone an overhaul, but that this year only smaller changes to the strategy had been recommended.

**Action: Subject to the removal of the word 'periodically' on pages 4 and 5 (pages 64 and 65 of the papers), the Committee agreed that the Registrar should forward the proposed amendments to the Risk Management Strategy to the Board for approval at its meeting on 19 July 2018.**

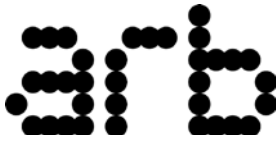
### **ii. Risk Register; Risk Register for the Business as Usual Reviews of the Criteria and Procedures**

#### **Principal Risk 2 – New Board Transition**

The Committee noted that this was a new risk and stated that the timeline for the appointment of the new Board and the transition to the new Board were key to the management of the risks in this area. The Registrar confirmed that the necessary Statutory Instrument had not yet been approved, but that MHCLG was still keen to appoint a new Board and for it to start work in early January 2019.

#### **Principal Risk 3 – Insufficient Staffing**

The Committee discussed Principal Risk 3 and noted that the organisation was facing an increasing volume of work, particularly in order to prepare for, and deal with, the



UK's exit from the EU.

**Action: The Committee agreed that the Registrar should provide the Board with information so that it could understand the resource implications of the additional areas of work the organisation had taken on and would need to take on during the rest of 2018. It was noted that the Board should be made aware as to whether any funds had been allocated to deal with 'Brexit' and the Competence work which had arisen from the Hackitt Review, and, if not, the Board should discuss whether funds should be allocated to these areas with the options available for so doing, i.e., could these areas be funded from reserves or would they need to be funded via the retention fee.**

### **Principal Risk 5 – Ineffective Financial and Asset Management Safeguarding**

The Committee queried whether the issue of setting up a second bank account had been resolved. The Head of Finance and Resources noted that because of the nature of ARB, i.e., it was not a limited company or a charity, it had been extremely difficult to find a bank that was willing to provide an account. It was explained that the Head of Finance and Human Resources was pursuing the establishment of an account with HSBC.

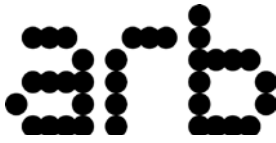
**Action: It was noted that the Head of Finance and Resources would be in a position to resolve the matter of setting up an additional bank account within the next two to three weeks.**

### **Principal Risk 6 - Ineffective Stakeholder Management**

The Committee queried why the likelihood of the risk occurring had increased since the last meeting. It was clarified that ARB's relationship with the RIBA had become strained over recent months in relation to the review of the Criteria. Members of the Committee felt that the relationship with one stakeholder should not impact so significantly on the overall risk. It was noted that provided the management of the risk was being undertaken in line with the controls, which the Committee was confident was the case, Staff it was felt had been overly conservative in terms of the risk rating and that this should be lowered. The Committee noted that if the specific risk concerning the RIBA escalated, then the relevant issues should be discussed by the Chair of the Board and the President of the RIBA.

### **Principal Risk 9 – Disaster Event**

The Committee queried the ratings that had been attributed to this risk and suggested that given the mitigations, the rating was over cautious and should be



lowered.

### **Principal Risk 11 – IT Systems**

The Committee noted the changes which had been made to amalgamate the risks surrounding ARB's IT systems.

**Action: In response to a series of general comments about the calibration of the risk ratings and the cautious approach that was being taken to some of the risks, it was agreed that the Head of Registration and the Registrar should meet with the Internal Auditors to review the way in which ratings were calculated.**

The Committee thanked the Executive for the 'Brexit' Risk Register, noting that it was a valuable document.

The Committee noted the Criteria and Procedures Risk Register.

## **7. Internal Audit**

### **i. Outstanding Recommendations**

The Registrar introduced the paper and reported that the recommendations highlighted in amber had been addressed and were now ready for re-testing. The Committee noted the outstanding recommendations as set out within the paper.

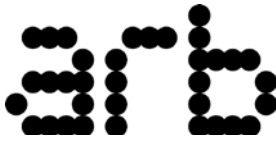
### **ii. Internal Audit – Health and Safety Auditor's Report**

Paul Rao introduced the report explaining that the audit had been undertaken by a health and safety expert. Mr Rao confirmed that the audit had resulted in four 'medium', five 'low' and one 'improvement' findings.

The Committee discussed the level and depth of reporting on health and safety matters and agreed that the Board should receive an annual report on health and safety matters.

**Action: The Registrar should add to the Board's work programme an annual report to the Board on health and safety matters.**

The Committee accepted the recommendations and the management responses to these.



## 8. Equality and Diversity Performance Plan

The Head of Professional Standards introduced this item.

The Committee discussed how frequently it would like to see updates on performance against the Plan. The Committee's decision on timing is reflected in the following action point.

**Action: It was agreed that if the new Board had not been appointed and commenced its work by January 2019, the current Committee wished to receive an update on progress against the Equality and Diversity Performance Plan at its January 2019 meeting; if the new Board had commenced its work by January 2019, then a meeting should be arranged in December 2018 when the current Committee would review an update**

It was agreed that a regular report on Equality and Diversity matters should continue to be provided to the Board on an annual basis.

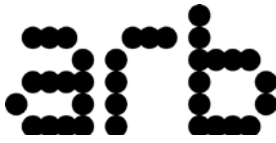
**Action: The Committee agreed that the Operational Management Group should rearrange the columns of the Performance Plan so that the measures of success featured at the end and the table were structured in a more logical way. The Operational Management Group should also add milestones to the Plan so that progress could be measured more effectively.**

## 9. General Data Protection Regulation – update on implementation

The Head of Professional Standards introduced the item and confirmed that he felt that ARB was compliant with the Regulation. It was noted that an internal audit regarding the management of information would be undertaken later in 2018. It was acknowledged that the risks surrounding the protection of ARB's data continued, and the GDPR had not brought about any changes to this position. The Head of Professional Standards highlighted that he had a specific, on-going concern regarding the handling of data relating to Professional Conduct Committee hearings, but that he had not been able to find a workable solution. It was noted that until a solution was found, such data would be handled on a case-by-case basis.

## 10. Management of Investments

The Head of Finance and Resources introduced this item, explaining that it was



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proposed, in line with best practice, that the oversight of the investment strategy, portfolio and performance of the Broker should move to the Audit Committee. It was noted that to facilitate this, a technical adviser could be co-opted on to the Committee to provide an independent assessment of the performance of both the investments and the Board's Investment Broker and to report back to the Board.

The Committee debated the proposals at length, examining the pros and cons of including this area under the Committee's remit. Whilst some Committee members felt that the proposal would work, others expressed concerns about the value that it would bring given that ultimately the responsibility for this area sat with the Board. The Committee explored alternative options including employing a technical adviser to directly advise the Board before the Board then discussed its investment strategy.

**Action: It was agreed that a desk top exercise should be undertaken, with the support of an independent expert, to retender for ARB's Investment Broker. The Executive should also consider if it requires any additional external support in the monitoring of the performance of ARB' investments.**

**Action: The new Board should consider how it wished to be advised in terms of its investment strategy once it had been established.**

## 11. Scheme of Decision Making

The Registrar introduced this item. Committee members were provided with the opportunity to raise queries and give feedback on the Scheme of Decision Making before it was forwarded to the Board for approval.

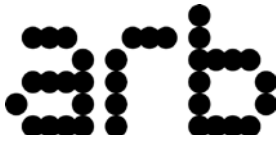
**Action: The Committee agreed that the Registrar should make the following adjustments to the Scheme of Decision Making in addition to those highlighted through the tracked changes within the Scheme:**

**Item 2 (Negative Variances from the Board's Minimum Reserves Policy) – the narrative was too vague and should be made clearer.**

**Item 10 (Additional Capital and Revenue Expenditure) – it should be clarified that the Registrar could spend up to £30, 000 on capital or revenue expenditure during the financial year.**

**Item 18 (Floats) – the Committee felt that the terminology should be clearer in as to what was meant by 'floats'.**

**Item 11 (Bank Payments) – the scope to use other Operational Management Group**



Note

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**members within the authorisation scheme should be considered.**

**Item 36 (Dismissal and Suspension of Staff) – the term ‘Hearings Officer’ should be clarified.**

**Action: Subject to the changes above, the Committee agreed that the Registrar should forward the revisions to the Scheme of Decision Making to the Board for approval at its next meeting in July 2018.**

## **12. Audit Committee’s Effectiveness Review**

The Committee considered the outcomes of the Effectiveness Review, noting that only three out of five members had completed the Effectiveness Questionnaire. Committee members focussed their discussion on ways in which they could develop their knowledge and awareness of audit-related matters.

It was noted that Carol Bernstein would be attending the MHCLG’s Audit and Risk Committee Chairs Forum in July on the Chair’s behalf. It was agreed that Ms Bernstein should bring back relevant and useful information from that forum to share with the rest of the Committee.

It was also suggested that members of the Committee could consider observing the Department’s own Audit and Risk Committee or other regulatory bodies’ Audit Committee meetings to increase their exposure to ways in which other audit committees dealt with their business. Similarly, it was agreed that the Registrar could explore potential opportunities for networking via Grant Thornton and Crowe.

**Action: The Registrar to explore opportunities for Committee members to observe other Audit and Risk Committee meetings as well as further networking opportunities via ARB’s internal and external auditors.**

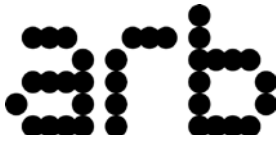
## **13. AOB**

There was no other business.

## **14. Dates of next meetings**

18 October 2018 at 10am





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**Deep Dive Schedule 2018/2019**

October – Accounts

January – Human Resources

March - Governance