



**Subject** Annual Report (April 2019 to June 2020)  
**Purpose** For Note  
**From** Audit and Risk Assurance Committee

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## 1. Summary

To note the Audit and Risk Assurance Committee's (ARAC) Annual Report to the Board.

## 2. Open Session

## 3. Contribution to the Board's Purpose and Objectives

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.

### Audit Committee Annual Report from 1 April 2019 to 10 June 2020

## 4. Key Points – Work of the Committee

### i Membership

During the reporting period the Committee membership has been as follows:

	April 2019 to May 2019	May 2019 to December 2019	December 2019 to June 2020
John Beckerleg (Chair)	*	*	*
Mark Bottomley	*	*	*
Suzanne McCarthy	*		
Chris Wood (Independent Member)			*

The Committee has been carrying a vacancy since May 2019; this will hopefully be rectified when the Ministry for Housing Communities and Local Government make the next set of public appointments.

ii. **Meetings**

The Committee met six times between 1 April 2019 and 10 June 2020, and was quorate for each meeting.

iii. **Attendees**

Grant Thornton, the internal auditors, attended all appropriate agenda items at the Committee meetings in 2019/2020 (with the exception of the discussions on the auditors' performance).

The Board's external auditors, Crowe LLP, attended the meetings held on 25 April 2019, 22 April 2020 and 10 June 2020 although absented themselves for any Committee discussion around their performance.

iv. **Terms of reference**

The Committee's terms of reference were reviewed as part of the overall Governance Review and revisions were approved by the Board at its July 2019 meeting. The revisions included the ability to appoint an independent member to the Committee

v. **Chair's activity**

The Chair (and the then Chair of the Board) met the MHCLG Chief Risk Officer and members of their risk team to understand the Department's approach to risk and to share information.

The external auditors offer a range of training and webinars some of which the Chair has attended.

vi. **Regular reporting to the Board**

The Committee provided detailed feedback to the Board through its draft minutes and, as appropriate, oral updates.

Throughout 2019/2020, 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.

vii. **Conclusion**

The Committee has gained **moderate assurance** during the year from officers and auditors. There are areas where work is ongoing (e.g. developing assurance mapping) and where specific consideration in line with the terms of reference is needed (e.g. counter fraud).

There is always the need to assess the extent of an internal audit programme particularly within a relatively small organisation. It is difficult to justify financially, undertaking a comprehensive review of all activities underpinning risk management, governance and financial control framework each year. We have tended to focus on

areas where there is likely to be the most benefit from internal audit reviews. The size of contract for these services will need to be considered prior to retendering.

**Viii Looking Forward**

A work plan had been agreed by the Committee for the remainder of 2020/21, with planned internal audit reviews and the development of risk assurance mapping. Given the current situation with regards COVID-19 and the lack of ability to carry out internal audit fieldwork, the work plan will necessarily remain under review.

Given the potential size of the ARB's work programme in the coming months, the Committee may want to explore the capacity of the organisation.

**ix Support from officers and auditors**

The Committee wishes to record its appreciation for the advice and support it has received from ARB officers and its auditors.

**5. Resource Implications**

The Committee used its allocated financial resources for the reporting period. £41,723 was paid to Grant Thornton for their work on internal audits and reviews as specified within this report. A further £25,200 was paid to Crowe LLP for its work on the external audit.

**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

Line item	Activity April 2019 to June 2020
<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"> <li>consider and approve the plans for internal and external audit;</li> </ul>	<p>External Audit: The scope of the 2020 external audit was discussed by the Committee on 2 October 2019. An update on the external audit plan for 2020 was then provided to the Committee on 24 January 2020.</p> <p>Internal Audit: The internal audit plan for 2020 was discussed and agreed by the Committee on 2 October 2019.</p>
<ul style="list-style-type: none"> <li>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;</li> </ul>	<p>The ARB’s registers include the main risk register, an EU Exit risk register and more recently a dedicated risk register to cover COVID-19.</p> <p>The registers were considered at all ARAC meetings for 2019 and 2020 and by the Board twice annually.</p>
<ul style="list-style-type: none"> <li>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;</li> </ul>	<p>In October 2019, the Committee held a dedicated session on risk (facilitated by the then Chair of the Board). Following this an amended Risk Register and Risk Management Strategy were approved by the Board in December 2019.</p> <p>Discussions around risk assurance mapping have taken place throughout the year. A risk mapping document has been agreed and, with input from the Committee, will be further developed in 2020. In addition there will be further work on exploring the Board’s appetite for risk.</p>
<ul style="list-style-type: none"> <li>ensure that there are effective and comprehensive arrangements for corporate governance, and make recommendations about these issues to the Board;</li> </ul>	<p>An internal audit of the revised governance arrangements was planned for 2019 but this was deferred and is now intended for 2020/21. This will be an important review to undertake.</p>
<ul style="list-style-type: none"> <li>provide an independent and objective view on the effectiveness of internal controls, and review the Statement of Internal Control.</li> </ul>	<p>The Committee has considered the effectiveness of the internal control framework throughout the year including seeking assurances from officers and auditors. This Annual Report seeks to summarise the Committee’s view of the effectiveness of</p>

	<p>these controls.</p> <p>In January 2020, Grant Thornton presented their annual opinion based on their view of the adequacy and effectiveness of corporate governance, risk management and internal controls in place to mitigate business risks within ARB. Grant Thornton issued a '<b>moderate</b>' rating based upon the areas reviewed as part of the audit plan approved by the Committee.</p>
The Committee will also advise the Board and ARB's accounting officer about:	
<ul style="list-style-type: none"> <li>the strategic processes for risk, control and governance;</li> </ul>	The Committee agreed and recommended to the Board a revised Risk Management Strategy and Risk Register, these were both approved by the Board in December 2019.
<ul style="list-style-type: none"> <li>the content of the Governance Statement;</li> <li>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's letter of representation;</li> </ul>	<p>The 2018 Financial Statements and Governance statements were considered by the Committee at its meeting held on 25 April 2019 and then formally approved by the Board on 17 May 2019.</p> <p>The 2019 Financial Statements and governance statements were considered on 22 April 2020.</p> <p>At the April 2020 meeting of the Audit and Risk Assurance Committee, the External Auditors presented their report on the progress of the 2019 audit, their review of the draft Financial Statements for the year ended 31 December 2019, together with the proposed letter of representation to be approved by the Board. The external auditor's report gave an <b>unqualified opinion</b> (i.e. there were no material matters to raise).</p> <p>A combined Annual Report and Accounts was subsequently considered by the Committee on 10 June 2020 and recommended to the Board for approval.</p> <p>The External Auditor's attended both the 22 April and 10 June meetings and, in line with best practice, the Committee had the opportunity to discuss any issues or areas of concern without the presence of the management team. The External Auditors confirmed they had experienced no problem whilst carrying out the 2019 audit and that the Executive had assisted throughout the process.</p>

<ul style="list-style-type: none"> <li>• value for money issues;</li> <li>• the results of both internal and external audit, and the adequacy of management responses, including the management letter from External Audit;</li> </ul>	<p>Internal audit topics covered between April 2019 and April 2020 were:</p> <ul style="list-style-type: none"> <li>• Complaints</li> <li>• Payroll and Finance</li> <li>• Follow up testing</li> </ul>
<ul style="list-style-type: none"> <li>• review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;</li> </ul>	<p>At the Committee's request (following the complaints audit), further information on the number of rejected complaints was also provided to the Committee at its January 2020 meeting, to provide the Committee with assurance that no further audit work was required in this area at this time.</p> <p>An update on outstanding internal audit findings is considered at meetings of the Committee. The reports provided indicated good progress to implement agreed recommendations.</p>
<ul style="list-style-type: none"> <li>• assurances relating to ARB's corporate governance requirements;</li> </ul>	<p>Work to develop assurance mapping in the ARB was progressed during the year. Development of the map and populating its elements will continue in 2020/21.</p>
<ul style="list-style-type: none"> <li>• effectiveness in complying with relevant codes of best practice;</li> </ul>	<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 has explicitly satisfied itself that the annual Report and Accounts satisfies the Department's accounting requirements as set out in the Treasury's Financial Reporting Manual.</p>
<ul style="list-style-type: none"> <li>• 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;</li> </ul>	<p>A review of Grant Thornton's performance was considered by the Committee in October 2019 and it was recommended to the Board that the contract should be extended by one year. Subsequently, in the light of the pandemic, this contract has exceptionally been extended by one further year to January 2022.</p>
<ul style="list-style-type: none"> <li>• 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;</li> </ul>	<p>The external auditor's performance was reviewed by the Committee in October 2019. No recommendations to the Board were necessary, as the current contract with Crowe runs until 2020, this will be on the July 2020 agenda for the Committee's consideration.</p>
<ul style="list-style-type: none"> <li>• the extent of cooperation between Internal and External Audit;</li> </ul>	<p>The Chair of the Committee met with the external auditors (Crowe) on the 16 January 2020 and the internal auditors (Grant Thornton) on the 24 January 2020 to understand their views and approach.</p>

<ul style="list-style-type: none"> <li>• anti-fraud and anti-corruption policies, whistle-blowing processes and arrangements for special investigations and management’s response to any critical incidents;</li> </ul>	<p>No specific work was undertaken on this in 2019/20 although it is considered as part of the planned audits as appropriate. This will be considered more explicitly at the July ARAC meeting.</p>
<ul style="list-style-type: none"> <li>• information assurance matters, including cyber security;</li> </ul>	<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>
<ul style="list-style-type: none"> <li>• its own effectiveness, and an annual review of its terms of reference.</li> </ul>	<p>This was not undertaken during 2019, however the Committee will be undertaking this exercise in July 2020.</p>