PUBLIC MINUTES
of the Homes England Audit & Risk Committee meeting
held at 9.30am on Thursday 29 November 2018 at 5.2, Windsor House

Present:
Stephen Bell Chairman
Teresa O’Neill
Simon Dudley

In attendance:
Duncan Sutherland Board Member
Nick Walkley Chief Executive
Chantal Geall Chief Risk Officer
Maria Craig Head of Internal Audit
Paul Scott Deputy Head of Internal Audit
Bayo Dosunmu Executive Director of the Homes England Development Programme
Isabella Freeman General Counsel
Jane Castor General Manager, Finance & Performance
Justin Kenny General Manager – Help to Buy
Paul Murphy Deputy Chief Risk Officer
Stephen Kinsella Executive Director - Land Item 6
Mark Holmes The General Manager – Financial Crime Compliance and MRLO Item 7
Demetrios Georgiou Head of Credit Risk Items 8 and 9
Adam Cooper Head of Help to Buy Accounting Items 8 and 9
Sajid Rafiq Director, National Audit Office
Sarah Dickinson National Audit Office
Aileen Murphie Director VfM, National Audit Officer
Jo Chiverton MHCLG
Rory Smith Assistant Board Secretary

Item 1 Minutes of the meetings of 29 September 2018 and the ‘Special’ Help to Buy meeting on 25 October 2018

01/11/18 The Chief Executive Officer explained that the decision had been taken in conjunction with the Chair of the Audit & Risk Committee to run additional regular ARC meetings to focus specifically on Help to Buy until such a time that a Help to Buy Committee could be established.
The Chair reflected that in comparison to 12 months ago Risk was being considered with more rigour at Audit & Risk Committee meetings. He believed there were three blocks of Risk work the Committee focused on; the enterprise risk framework and risk appetite in relation to MHCLG, conduct risk and credit portfolio analytics work.

The Chief Risk Officer reflected on Risk staffing. 6 months ago she didn’t have the required posts approved, let alone the individuals in them. There was now a newly formed enterprise risk team, a bolstered operational risk team and staff dedicated to MI and analytics. Support had also been enhanced for financial due diligence as the first line did not currently have the skills or resource to do in depth financial analysis. In time this work would be part of the first line, but for now it was more sensible to keep it as a separate 2nd line function. The team organogram was nearly complete and would be shared outside of the meeting with the Committee.  

The minutes were AGREED subject to typographical amendments.

**Item 2** Help to Buy Penetration Test and wider data resilience

The General Manager – Help to Buy presented the paper

Members enquired whether the budget for Accenture, the consultancy firm working with the Help to Buy team on this and other projects had come from different funding streams. The General Manager – Help to Buy informed them that it had; he would share the exact breakdown with the Committee.

The Chair expressed support for this work while noting it was not for ARC to approve the budget.

The Committee NOTED the update.

**Item 3** Risk Update

The Chief Risk Officer gave a further update on Risk Team activity since the last meeting.

She reported to Members that there was a project running within the agency to develop a monthly Board pack. This would provide Members with standardised reporting on Risk, KPIs, Pls and performance and it would also go to MHCLG. Underneath the proposed MI pack would be a detailed risk pack and subsidiary MI pack. EWI work had continued to develop at the agency and was now developed on a monthly basis by the strategy department and then shared with MHCLG. IT and Digital remained the key areas of concern for the Risk team.

The Chair asked whether the team were collectively happy that processes
had been documented and whether they had formed a view on prioritisation and which improvements would need to be made first. The Chief Risk Officer felt that within the agency there had been significant effort to document process. The Head of Internal Audit explained that her team was undertaking work on whether processes that had been implemented were adequate. The team was currently focussing on data quality and the processes behind that.

12/11/18 The Chief Risk Officer discussed data quality at the agency. There had been good work cleansing the data which was currently held in the agency’s systems. IFRS9 had been useful in that regard as it had required the agency to cleanse its data and produce appropriate estimates of provisions.

13/11/18 The Chief Risk Officer updated Members that discussions around the agency’s risk appetite had started and would be brought back in January.

14/11/18 The Chief Risk Officer discussed the three lines of defence model at Homes England. A challenge was to make sure that this concept was embedded in the organisation. She felt that progress was being made in terms of understanding and recognition of the 2nd line.

15/11/18 The Committee NOTED the update.

**Item 4  Risk Taxonomy**

16/11/18 The Deputy Chief Risk Officer presented the paper which articulated the revised Risk Taxonomy for Homes England. A revised Risk Taxonomy for the agency had been one of the deliverables identified in the recent BCG Risk transformation work. The version presented to the Committee today had received input from Risk, the first line business and the Senior Leadership Team at Homes England. He led the Committee through the changes to risk management that would come as a result of the Risk Taxonomy.

17/11/18 The Chair believed that the Risk Taxonomy was a positive foundation on which to create risk awareness across the agency. He added that the high, medium, low rankings of the Risk Taxonomy would help to frame the risk appetite conversation. Members agreed that this was an excellent piece of work and praised staff involved. The Deputy Chief Risk Officer explained that this work would form the basis of the Risk Management Framework.

18/11/18 The Committee NOTED the paper.

**Item 5  Integrated Risk Management Plan**
The Deputy Chief Risk Officer presented the Integrated Risk Management Plan. At the September 2018 Audit & Risk Committee it had been agreed that it would be helpful to combine Risk activities, internal audit recommendations and consider the gap analysis from the BCG Risk transformation work. As part of the plan, each of the Risk teams had articulated the high level actions they were looking to deliver. Members suggested that the plan would benefit from mapping the enterprise risks on to the work plan.

Members asked where Health & Safety sat in terms of the three line of defence. The Chief Risk Officer explained that this sat within the first line.

The Committee NOTED the update.

### Item 6 Land Risk Appetite Paper

The Deputy Chief Risk Officer introduced the paper which articulated the risk appetite of the Land business. This had been set out across a range of quantitative and qualitative measures. He explained that this work had been the result of an iterative and collaborative process between the Risk and Land directorates.

The Executive Director – Land endorsed the work whilst echoing the Deputy Chief Risk Officer's sentiment that it had been a collaborative process.

The Chief Executive Officer expressed delight at this work. He believed it was a big step in cultural change at the agency.

The Chair thanked the authors of the report as it gave The Committee assurance that directorates were working together at the agency to improve ways of working and mitigate risk.

The Committee APPROVED the paper.

### Item 7 Annual MRLO Update

The General Manager – Financial Crime Compliance and MLRO presented the paper which analysed and reported upon the effectiveness of the Financial Crime Compliance (FCC) systems and controls at Homes England.
28/11/18 He summarised the recommendations in the paper for Members, pausing on mandatory training on Financial Crimes Compliance for staff at the agency. There was now an arrangement in place for an online training package for staff which would offer a more targeted experience. The team would be measuring staff completion and compliance levels and would look to bring some form of sanction against non-compliant members of staff.

29/11/18

30/11/18 The Committee NOTED the update.

**Item 8 and 9 Finance Update on IFRS9/Risk Update on IFRS9**

31/11/18 The Head of Help to Buy Accounting and Head of Credit Risk presented two papers, one from Finance and one from Risk, which updated the Committee on progress with the IFRS9 project since September 2018.

32/11/18 The Head of Help to Buy Accounting explained that there had been good engagement from all areas of the business on IFRS9. The project was now past the opening stage and was on to the implementation phase. Members queried whether the NAO was happy with the scope of the work. The Director, NAO expressed his overall happiness with the scope of the work. He believed that the agency had effectively engaged with the NAO and believed the NAO’s attendance at the agency’s IFRS9 Programme Board was beneficial. The Chief Risk Officer added that there were regular meetings between Homes England, MHCLG and the NAO on IFRS9.

33/11/18

34/11/18 The Committee NOTED the update.

**Item 10 Litigation Update**

35/11/18 General Counsel – Legal presented the Litigation Update. There had been no significant activity to report to the Committee.

36/11/18 The Committee NOTED the update.

**Item 11 Internal Audit Update Report**

37/11/18 The Head of Internal Audit presented the report which updated Members on the changes to the work plan since September and follow up actions and improvements to the control framework. She informed Members that the Internal Audit team was now at full complement at 10 members of staff.
40/11/18 The Head of Internal Audit updated Members that she had supplied the Chief Executive Officer with detailed information for his 1-2-1s with Directors to have deep dives on outstanding issues. The Chief Executive Officer thanked the Head of Internal Audit and explained that this had allowed him, in a mechanistic way, to go through outstanding issues with Directors and have an evidence-based discussion. Actions from these discussions would be followed up at the next round of Director 1-2-1s.

41/11/18 The Committee **NOTED** the update.

**Item 12 Draft Audit Planning Report**

42/11/18 The Director, NAO presented the draft audit planning report for 2019/20. He reflected on his first few months leading on the Homes England audit. He had experienced good communications with different parts of the business and would like to keep up these relationships on a 1-2-1 basis. He reflected that Homes England was a complex business with a range of activities that distinguished it from other arm’s length bodies. He led the Committee through what the NAO considered the high level risks to the audit. He also notified Members of the increased audit fee.

43/11/18

44/11/18

45/11/18 The Committee **NOTED** the report.

**Item 13 VFM Update**

46/11/18 The Director – VFM, NAO gave a verbal VFM update. She discussed the scheduled Help to Buy VFM review that the NAO would be undertaking. The review would also consider the impact of housing initiatives, what the additionality was and whether the scheme represented VFM.

47/11/18 The Committee **NOTED** the update.

**Item 14 AOB & Matters to refer to the Board**

48/11/18 The Committee discussed which matters they wished to raise at the next Board meeting

49/11/18 There was no other business.

**Item 15 2019 Forward Planner**

50/11/18 It was agreed that Directors would update the forward planner and that it would be circulated outside of the meeting.
Date of next meeting: 31 January 2019

Chairman's signature:

Date: