



PUBLIC MINUTES
of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 29 April 2019 at 1100am
FG47, 2 Marsham Street, London

Members

Liz Butler (LB)	Chair
Richard Hughes (RH)	
Ceri Richards (CR)	

Invited officers

Fiona MacGregor (FM)	Chief Executive
Jonathan Walters (JW)	Deputy Director, Strategy and Performance
Mick Warner (MW)	Deputy Director, Finance and Corporate Services
Richard Peden (RBP)	Deputy Director, Provider Engagement
Emma Tarran (ERT)	Assistant Director, Head of Legal Services and Company Secretary
Sajid Rafiq (SR)	Director, National Audit Office
Sarah Dickinson (SD)	Audit Manager, National Audit Office
Maria Craig (MC)	Head of Internal Audit, Homes England
Paul Scott (PS)	Deputy Head of Internal Audit, Homes England

In attendance

Christine Kitchen (CK)	Committee Secretary
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Observing

James Dunbar (JD)	Head of Finance – items 8 and 9 via Skype
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1 Welcome and apologies

01/04/19 The Chair welcomed everyone to the meeting. Apologies had not been received from MHCLG in advance of the meeting due to an administrative mix up.

02/04/19 The Chair advised that she had recently accepted an appointment as a Non-Executive Director with Connect Heath Limited. She did not envisage any conflicts of interests with her position as Chair of ARAC or as an RSH Board member.

2 Minutes of previous meeting – 21 January 2019

03/04/19 Subject to two minor amendments, the confidential and public minutes were APPROVED.

3 Matters Arising

04/04/19 NOTED – both items were being addressed in the meeting.

4 Strategic Risk Register

05/04/19 MW presented the paper which members had read. MW advised members that the Risk Review Group continue to review and refine the controls within the Strategic Risk Register. The opportunity had also been taken to update some of the implementation dates for further actions, but no changes have been made to inherent or residual risk scores or risk appetite levels. Members were asked to comment on the two risks where the residual risk score exceeded the risk appetite level.

06/04/19 **Risk 8:** MW gave assurance that the corporate function is in place and the risks identified have not crystallised and good progress has been made on further development of financial procedures. Additionally, the appointment to the Head of Digital post will ensure the development and delivery of a Digital Strategy for the RSH. These mitigations support the proposal to reduce the residual risk score for risk 8 from 15 to 10 in the next iteration of the register. Members discussed the information provided and ACCEPTED the proposal.

07/04/19 **Risk 9:** MW explained the rationale for the proposal in the paper to maintain the residual risk score for this risk at 15. In addition to the resources review, members were given assurance that a very comprehensive People Strategy and Learning and Development Strategy will help bring the score to appetite. Members ACCEPTED the proposal.

08/04/19 Members considered the other risks. Members also discussed the relative scores of the various risks and management agreed to reflect on the relativity of risks in the next iteration of the Strategic Risk Register.

MW/LK

5 Proposed approach to Deep Dives

09/04/19 The paper set out for the Committee a proposed approach to deep dives in relation to strategic risks. The template at Annex 1 set out the proposed type of information which would be shared with members to facilitate the discussions. The proposal for the deep dive at the June meeting, on the risk set out in para 8 of the paper, was AGREED. Members were also content with the proposals for future deep dives as set out in para 9 of the paper.

10/04/19 The Chair complimented management on the template and how clearly it set out the approach that would be adopted. The Internal Audit team added that they would be very happy to feed into the process and provide input on the assurances provided. Members and management agreed this would be helpful.

6 Proposed exception reporting to the Committee

11/04/19 The paper set out proposals for exception reporting to ARAC on the basis set out in the background section of the report. It set out that, in general, reporting would be to regular ARAC meetings on internal controls and risk management as set out in the ToR for the Committee. On this basis, and given the nature of our business and funding, it was acknowledged that reporting on health and safety and financial transactions specifically by the RSH will be relatively limited. The items to be reported on, on an exceptional

basis as set out in para 6 and the proposal for reporting on learning points or actions planned or implemented were AGREED. However, where appropriate incidents would be reported on a more timely basis, usually to the Chair of the Board and/or the Chair of the Committee in the first instance.

12/04/19 There was a discussion about the need to report on significant near misses under RIDDOR, and management AGREED to flag with staff, the need to report all near misses. It was also AGREED that ARAC would be made aware of any data losses, should they arise, prior to these being reported to the ICO.

7 Internal Audit (IA) update report

13/04/19 Head of IA (MC) presented the regular IA report to Committee, which reported on the progress with the IA reviews. She reported that the reviews were all on track as set out in the report. The 2019/20 plan sets out five reviews which were subject to further discussion and confirmation with the AO (CEO) and a regular dialogue will be maintained. As discussed on the deep dive item earlier, IA will link into that work where appropriate.

14/04/19 The paper reported on the interaction of the IA team with the GIAA. MC AGREED that any future discussion on this matter would be directed to the RSH CEO rather than to the internal audit team.

15/04/19 Committee NOTED the other external forums and events IA were involved in and MC AGREED to forward invitations for these to the Chair of ARAC.

16/04/19 There was a discussion on fraud reporting and data breaches. MW advised that the L&D plan will cover reporting on fraud, and it was acknowledged that learning from IA and the NAO on this area would be helpful. Assurance was given that confidentiality of information on providers was held securely and that providers were required to keep their contact details up to date. Systems are in place to capture data breaches and report them to the DPO. Members thanked the IA team for the report.

8 Pension Assumptions

17/04/19 MW presented the paper which considered the financial assumptions made by the actuaries for HCAPS and LGPS in determining the transfer values for the pension schemes as at 1 October 2018. The paper set out that the actuaries used different assumptions which were set out in paragraphs 7-11 of the paper, although there was a good deal of common ground between the two sets of assumptions. The actuaries were acknowledged as the experts in this area. The committee considered that the assumptions used appeared reasonable.

18/04/19 The NAO audit director (SR) advised that he would be applying two levels of materiality to the audit. This reflected the fact that the pensions figure is the single biggest figure in the RSH accounts. See para 22/04/19 below SR reported that the audit work on pensions has begun. The Chair thanked NAO for starting on this area early; given the materiality she hoped that all pensions work would be concluded on as soon as possible to avoid a last minute problem.

19/04/19 Members NOTED the paper.

9 NAO audit planning report on 2018/19 financial statements audit

- 20/04/18 SR introduced Sarah Dickinson who is the NAO audit manager for the RSH. SR reported that the audit work had begun on the pensions and opening balances. Members were taken through the plan which set out recommended areas for them to do a sense check in terms of the audit plan.
- 21/04/19 The Executive summary set out the audit risks that the NAO have identified as having the most significant impact on their audit:
- Presumed risk of management override of controls
 - Transfer of opening balances
 - Defined benefit pension scheme assets and liabilities
- 22/04/19 An explanation was provided for the rationale being applied to setting materiality which would consider both qualitative and quantitative aspects. The overall account materiality was £574,000 which was related to the opening pension balance, with an additional materiality of £106,000 related to gross forecast expenditure.
- 23/04/19 SR acknowledged that the audit fee was higher than would normally be the case, and the reason for this was that there is a need for the NAO to do two full balance sheet reviews as it was the first year for the RSH as a standalone body and no previous data was available for them to use as a comparison.
- 24/05/19 The report also set out how the NAO had built their assessment of risk for the RSH, making use of the RSH's risk mapping within the broader context of EU exit and housing market volatility.
- 25/04/19 Other areas of audit focus are
- Service Level Agreement with Homes England
 - Preparation of the first Annual report and Accounts for RSH
 - Application of IFRS 15
- 26/04/19 SR advised that a decision has been taken by the NAO to carry out 100% testing of RSH payroll transactions.
- 27/04/19 Members NOTED the dual materiality consideration decision.
- 28/04/19 The Chair thanked SR for the report. The Chair noted that, given the timing of meetings, the audit had started before ARAC had been advised of the plans and timetable. SR CONFIRMED that in future years, a plan and timetable would be provided before the commencement of audits.
- 29/04/19 In respect of the audit fee, the Chair requested that the invoice from the NAO showed a split of costs specific to the activities relating to the first year of the RSH and BAU costs. SR CONFIRMED this would be arranged.

10 Forward Planner

- 30/04/19 Committee reviewed the planner. The timing of the private meetings with the NAO and IA at the September meeting will be confirmed. The addition of a review of data management will be added to the planner.

CK

11 Any Other Business - none

Date of next meeting: 24 June 2019

