



**PUBLIC MINUTES**  
**of the Audit and Risk Assurance Committee (ARAC) meeting**  
**on Tuesday 24 September 2019 at 0930**  
**FG47, 2 Marsham Street, London**

**Members**

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

**Invited officers**

Mick Warner (MW)	Director Finance and Corporate Services
Fiona MacGregor (FM)	Chief Executive
James Dunbar (JD)	Head of Finance
Richard Peden (RBP)	Director of Regulatory Operations
Emma Tarran (ERT)	Assistant Director, Head of Legal Services and Company Secretary
Sarah Dickinson (SD)	Audit Manager, National Audit Office
Maria Craig (MC)	Director of Internal Audit, Homes England
Paul Scott (PS)	Head of Internal Audit, Homes England
Kyian Browne (KB)	Finance Business Partner - MHCLG

**In attendance**

Christine Kitchen (CK)	Committee Secretary
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**1 Welcome and apologies**

01/09/19 The Chair welcomed everyone to the meeting. Apologies had been received from Sajid Rafiq (SR) and Emily Nardini (EN) from the NAO.

**2 Declarations of Interest**

02/09/19 There were no new declarations of interest.

**3 Minutes of previous meeting – 24 June 2019**

03/09/19 The confidential and public minutes were APPROVED.

**4 Matters Arising**

04/09/19 The private meetings with the NAO and Internal Audit (IA) were on the agenda and the digital services update will be to the RSH Board in October 2019.

## 5 NAO Audit Completion report – 2018-19 financial statement audit

05/09/19 SD presented the NAO completion report – the first for the Regulator (RSH) since it became a standalone organisation. The report provided the RSH a clean audit report and confirmed that the fee for the year would be as set out in the audit planning report. She thanked MW and JD for their assistance during the audit process.

### Overview

06/09/19 Members were advised that materiality had been revised upwards since the planning phase to reflect the increase in pension liabilities and higher than forecast expenditure. Materiality on non-pension areas amounted to £126k and on pensions to £640k.

### Key audit findings

07/09/19 The report stated four areas that required action before the completion of the audit. Since the report was issued, the action on the remuneration and staff report had been completed.

08/09/19 *Payroll:* information was being pursued with Homes England payroll. The Chair requested that efforts are made to ensure that this would not cause the audit sign-off to be delayed. It was noted that the expectation was that this area of work will not need to be as detailed as it has been this year.

09/09/19 *Internal review and QC procedures and Events after the Reporting Period:* were both standard NAO processes in the completion of an audit.

10/09/19 *McCloud judgement (Pensions):* SD explained to members the impact of this judgement on the Local Government Pension Scheme (LGPS). Due to the timing of the judgement, the RSH had not made an adjustment on grounds of immateriality, but had included a narrative disclosure explaining additional liabilities do exist.

11/09/19 *Indexation of intangible assets:* NOTED.

13/09/19 *Opening balances:* the areas listed had all been identified prior to the receipt of draft accounts by the NAO and had been discussed and adjusted for in the accounts. The information was NOTED.

14/09/19 *2018 non-consolidated pay award:* the rationale for this adjustment was NOTED.

### Significant risks

15/09/19 Members NOTED the audit findings for the three areas:

- Transfer of opening balances
- Defined Benefit Pension schemes assets and liabilities
- Presumed risk of management override of controls

SD confirmed that the findings and management responses provided the NAO with the assurance they needed in these areas.

- 16/09/19 Members NOTED the other areas of audit focus and SD reported that none of the areas had become significant risk areas and there were no further issues to review.
- 17/09/19 The NAO during the audit identified some control observations and the report made recommendations on these which members NOTED.
- 18/09/19 *Allocation of costs against Fees/GIA:* There was a discussion about the NAO's observations and management confirmed that they will keep the process for allocation of staff costs to fees and grant in aid under review, including in relation to staffing changes and role changes.
- 19/09/19 *Self-certification of the number of housing units held by RPs:* the NAO observations were discussed and management response was that we will keep under review the level of risk presented by SDR figures provided by RPs on a self certification basis and the interaction with fee charging. It was noted that the risk assessment may conclude that no further additional controls will be proportionate.
- 20/09/19 *Segregation of duties when posting journals:* This observation was discussed and it was recognised that given the small size of the team at the start of the period this had been unavoidable. A recent addition to the Finance Team will allow this control to operate in future.
- 21/09/18 *Preparation of annual report and accounts:* NAO acknowledged the work done to get the report to the current point and thanked MW and his team. The Chair added her thanks to the team.

#### **Draft Letter of representation**

- 22/09/19 Members NOTED the draft letter. The Chair asked that the reference to unadjusted "errors" in the letter is changed to "misstatements" as they are referred to in the rest of the report. SD AGREED to do this.
- 23/09/19 *Events after the reporting period:* consideration is being given to the need for disclosures in the ARA.
- 24/09/19 Advice would also be sought as to probability and consequent disclosure requirements.
- 25/09/19 Members NOTED the Draft Audit Certificate and the audit areas of insight from the NAO. The Chair thanked the NAO team for their work on getting the audit completed.

#### **6 Annual Report and Accounts 2018-19**

- 26/09/19 MW introduced the paper and advised members that ARAC were to consider the ARA and recommend it to the Board for approval. Members had read the paper which set out the changes since the last version they had seen in July. MW advised members that there have been some changes from the version included in the Committee pack and these were mainly in respect of typos and disclosures relating to staffing. The numbers in the accounts had not changed. There were to be some further minor changes to state the full title of the EU and in respect of reporting on sustainability, and as discussed earlier in the meeting, disclosures in relation to contingent liabilities, based on

events after the accounting period, might be required. Once accepted by the Board, the process was that the sign-off of the ARA rests with the CEO as AO and then presented to be laid in Parliament.

27/09/19 Members thanked MW for the additional information and AGREED to RECOMMEND the ARA 2018-19 to the Board.

## **7 Internal Audit Annual Report and Opinion**

28/09/19 MC presented to the committee the first RSH internal audit annual report which gave an opinion of substantial assurance. She also referenced the positive report from the NAO and confirmed that the 2019-20 internal audit would pick up on some of the NAO points.

29/09/19 MC confirmed that there will be a more detailed discussion on each of the individual audits at the October ARAC meeting. The Chair agreed that there was a need for this detailed discussion on future audits. MC advised members that the IA team had discussed the audit plan and assurance mapping with the AO and the finance team and will make some changes to the plan and provide further levels of assurance to the committee.

30/09/19 MC flagged to members that there was just one outstanding review, not two as stated in the report. The Chair thanked MC and PS for their work in the past year.

## **8 Audit and Risk Assurance annual report to the Board**

31/09/19 The Chair advised members that in addition to the reports that she gives to the Board after each ARAC meeting, this report was the annual report from the ARAC to the Board on the past year. Members were being asked to discuss and agree that this draft report is presented to the Board. Members AGREED and suggested that the report could stress more the on-going successful delivery of the organisation's objectives since transition.

## **9 Forward Planner**

32/09/19 Members considered the forward planner and a few changes were agreed to the IA reporting. In addition, management AGREED to bring to the October meeting suggestions for topics for the January and April in-depth assurance reviews.

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## **10 Any Other Business**

33/09/19 MW advised members that before the ARA can be laid, we need the signed accounting direction from the Secretary of State. KB confirmed that this had been approved and AGREED to follow this up to ensure we were in possession of the written direction by 3 October in order for the AO to sign the ARA.

***Date of next meeting: 21 October 2019***