



**PUBLIC MINUTES**  
**of the Audit and Risk Assurance Committee (ARAC) meeting**  
**on Monday 21 October 2019 at 1100**  
**FG47, 2 Marsham Street, London**

**Members**

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

**Invited officers**

Fiona MacGregor (FM)	Chief Executive
Emma Tarran (ERT)	Assistant Director, Head of Legal Services and Company Secretary
James Dunbar (JD)	Head of Finance
Will Perry (WP)	Director of Strategy - item 6
Maxine Loftus (ML)	Senior Assistant Director of Regulatory Operations – item 6
Maria Craig (MC)	Director of Internal Audit, Homes England
Paul Scott (PS)	Head of Internal Audit, Homes England
Catherine Bowden (CB)	Senior Business Partner (Social Housing) - MHCLG

**In attendance**

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

01/10/19 The Chair welcomed everyone to the meeting. Apologies had been received from Sajid Rafiq (SR) and Sarah Dickinson (SD) from the NAO and Mick Warner and Richard Peden from RSH.

**2 Declarations of Interest**

02/10/19 There were no new declarations of interest.

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

03/10/19 The confidential and public minutes were APPROVED.

**4 Matters Arising**

04/10/19 32/09/19: FM advised that the proposals for the in-depth assurance topics for January and April will be Registrations and the SDR respectively. The committee AGREED both these topics.

10/09/19: RH asked about the McCloud judgement and JD explained that from December it affects most public sector pension schemes. Committee will be kept informed as information is made available.

## **5 Strategic Risk Register**

- 05/10/19 FM presented the register which committee NOTED. The Risk Review Group (RRG) reviews the register and looks at any risks which are above appetite. The RRG are made up of staff from across the business (F&CS, Ops, Legal, I&E and IA will also be attending review meetings going forward). The three risks highlighted are risks that are currently outside of our control and have been discussed previously at ARAC and Board.
- 06/10/19 Risks 4 and 3 are connected, and members appreciated that the impact of these change for the regulator constantly. There is as yet no defined outcome of the Green Paper or on the timing of any changes.
- 07/10/19 Risk #3 - There was a discussion about whether the likelihood score should change, but it was agreed to leave it as it currently is and the situation will be reviewed by the RRG.
- 08/10/10 Risk #9 – this is based on current roles and staffing levels and good progress is being made on recruiting to existing vacancies.
- 09/10/10 Members were content that management are doing all the necessary planning and taking a pragmatic approach to reviewing risks and managing to the organisation.
- 10/10/19 There was a discussion about a protocol with the department should a moratorium or administration be triggered. FM confirmed that we have been and continue to discuss this with department colleagues. Members thanked management for their assurance on these matters.

## **6 Assurance on Planned Engagement**

- 11/10/19 ML & WP presented the paper which members all agreed was a very informative and useful paper. WP explained that the paper focussed on risks from the SRR and demonstrated how the controls work. Four controls are monitored:
- The Regulatory Framework
  - Operational scheme of delegated authority framework
  - Sector analysis – SRP, SDR and other guidance
  - Quality Control and Quality Assurance processes
- 12/10/19 The paper sets out the process for planned engagement and picked up on how QA is used to make sure the RSH reaches corporate judgements which are in line with regulating the standards. Members asked how the teams ensure there is consistency of judgements for RPs who are all different. ML explained that there are various mechanisms in place for sharing and learning from case work. This includes knowledge banks of cases that teams can explore to benchmark judgements against previous, similar casework. There is also a cohort of experienced senior staff who meet regularly to discuss ongoing casework to promote consistency. There are structured process for quarterly surveys and stability checks which flag outliers that allow Ops staff to engage with providers and reach judgements in a consistent way. That

outlier data is also used to define the focus of IDA work. Stocktake panels, which include senior staff, and are always chaired by staff from outside Reg Ops, scrutinise decisions and look at the evidence on which gradings are based. Sample checks are run outside of the operations teams to look at the quality of IDA and stability check work and these checks provide the required level of assurance.

13/10/19 It was acknowledged that IDAs for some large providers can be complex. ML assured members that providers are aware of the structure of IDAs and know what we will be looking for. The operation teams have steadily built their experienced and are able to ask probing questions where we have assurance gaps. An IDA outcome should therefore not come as a surprise to a provider.

14/10/19 ML advised that stability checks usually pick up financial problems which can then lead to viability grade decisions; IDAs pick up both G&V issues during an IDA. WP added that the Sector Risk Profile notes an emerging theme about investment in existing stock.

16/10/19 Members thanked WP and ML on a very useful paper and MC added that IA also considered the paper to be very helpful. It was AGREED that the paper would be shared with the Board and consideration will be given to how this can be developed further.

CK

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

17/10/19 PS presented to the committee the IA update report which was in two sections (a) a lookback at the 2018/19 reviews and (b) current position on 2019/20 audits.

18/10/19 Members NOTED the three reviews carried out in 2018/19 all of which were given a substantial assurance rating (the highest rating available). PS gave an overview of the content of each of the reviews and gave assurance, when asked, that the substantial rating was based on the quality of discussions and a very good understanding of risk for and across the organisation by all the staff who were involved in the reviews. He advised that the IA mapping picks up on the key risks for the Regulator and confirmed that there was high assurance that the areas being investigated are the correct ones for the organisation and that the rating was very much about the quality of risk management in the organisation. FM added that key issues which she would like assurance on in line with her AO responsibility are also being picked up for IA. MC added that the assurance mapping exercise undertaken was a good opportunity to investigate what areas IA should investigate and where gaps were found, these were addressed in the revised two year audit plan with the timing of some reviews being re-prioritised.

19/10/19 There was a query about the rating for the governance of the Dynamics project based on the level of user satisfaction of the new system in the report. It was explained that the old system which staff were used to, had to be replaced as it was soon to be unsupported. Assurance was given to members that there is a Dynamics review group who consider and review improvements that can be made to the new system and these are regularly reviewed by the executive team. It was suggested that it would be useful to run another survey of users now the system has been in operation for a while and it was AGREED that this would be put to the Head of Digital.

RBP/SL

20/10/19 Members noted the five reviews planned for 2019/20 and PS confirmed that the draft report on consumer regulation would be ready shortly and would, along with the report on Budget monitoring be reported to the January ARAC.

21/10/19 The Chair thanked both MC and PS for the report.

## **8 Forward Planner**

22/10/19 MC explained what the IA self-assessment covered and members were content.

23/10/19 In respect of the ARAC meetings for 2020, CB confirmed that the department were content with the NAO timetable for the 2019/20 audit and it was AGREED that the 29 June meeting be cancelled and replaced with a meeting in September to consider the ARA.

**CK**

## **10 Any Other Business**

24/10/19 There were no other matters of business.

***Date of next meeting: 27 January 2020***